Report of the Special Group on Public Service Numbers and Expenditure Programmes

Volume I

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The Special Group would like to acknowledge the excellent assistance and support provided by officials in the Sectoral Policy Division of the Department of Finance. Officials provided the Group's Secretariat, as well preparing detailed papers for the Group on each Ministerial Vote Group and papers and notes on a significant number of policy areas.

The Group would also like to thank officials in the various Government Departments and State agencies who prepared evaluation documents. The Group also received valuable submissions from members of the public.

Preface

Establishment and Operation of the Special Group

Establishment of the Special Group

The Government announced, in its Statement on *Transforming Public Services* on 27 November 2008, that the Minister for Finance, Brian Lenihan T.D., was establishing a *Special Group on Public Service Numbers and Expenditure Programmes* to examine the current expenditure programmes in each Government Department and to make recommendations for reducing public service numbers so as to ensure a return to sustainable public finances. The Group's Terms of Reference are set out in *Appendix 1* on page *viii.*

The Minister appointed Mr Colm McCarthy, School of Economics, University College Dublin, as member and Chair of the *Special Group on Public Service Numbers and Expenditure Programmes* (referred to in this report as the 'Special Group'), along with Mr Donal McNally, Second Secretary General, Department of Finance, and:

- Mr. Pat McLoughlin, Chief Executive of the *Irish Payment Services Organisation* and former Deputy Chief Executive of the *Health Service Executive*;
- Mr Maurice O'Connell, former Governor of the *Central Bank of Ireland* and former senior official in the Department of Finance;
- Mr William Slattery, Executive Vice-President, Head of European Offshore Domiciles, *State Street Corporation*; and
- Ms Mary Walsh, member of the *Commission on Taxation* and former Partner, *PricewaterhouseCoopers*.

The Group was supported by a Secretariat provided by the Department of Finance.

Methodology

As set out in the Terms of Reference, the key objective of the Special Group is to identify specific options for reducing current spending and the numbers employed in the public service, incremental to the expenditure reductions and efficiencies introduced over the past year, and consistent with the budgetary consolidation requirements that are outlined in Chapter 1 of this Volume.

Evaluation papers

The Group decided, in preliminary meetings, to work on a Vote Group basis in line with the Ministerial responsibilities of each Member of the Government. Accordingly, each Department was invited to meet the Group and to submit an evaluation paper in advance. The purpose of the evaluation paper was to give Departments an opportunity to outline, in a comprehensive and concise manner, what Exchequer money they received, what outputs and public service impacts were produced with this expenditure and possible options for reductions in numbers and programme expenditure, including through administrative efficiencies and scaling-back or elimination of certain programmes.

In parallel with this process, the Group requested the Department of Finance Vote sections (which monitor spending in the various Departments) to prepare independently their own evaluation papers with recommendations and options for expenditure and staff reductions. Both sets of evaluation papers, those prepared by the Department of Finance and by each of the spending Departments, were considered by the Group in advance of meetings with the management teams of each Department. In this overall context, the Group also had regard to the level and nature of capital expenditure programmes, and to relevant tax expenditures.

As regards North/South bodies and *Tourism Ireland*, the Group understands that the question of securing efficiency savings in respect of these bodies is being addressed separately by the Minister for Finance and his Northern Ireland counterpart, the Minister for Finance and Personnel, in liaison with their relevant authorities and via the North South Ministerial Council.

Cross-cutting issues and themes

In addition to consideration of the issues particular to each Department, the Group came to the view that it would be necessary to examine horizontal or cross-cutting issues that are common to two or more Departments – issues such as what Science and Innovation funding is achieving, how Enterprise Supports could be made more coherent, and how public services could be delivered more cost-effectively at local level. Our consideration of these issues was aided by analytical work undertaken by the *Central Expenditure Evaluation Unit* (CEEU) of the Department of Finance. The Group's views on the various cross-cutting issues, on reforming how the resource allocation process is structured and how public service numbers policy could be implemented, and the changes that are needed in managing how public service functions are procured and delivered as cost-effectively as possible are outlined in Chapter 2 of this Volume.

Meetings with Departments and agencies

Between January 2009 and June 2009, the Group met with each Department, as well as a number of Offices and agencies, to discuss the scope for savings. Arising from this series of engagements, and the Group's internal assessment of the actual scope for savings and efficiencies, a Detailed Paper was prepared in respect of each Ministerial Vote Group; setting out the Group's considered views on each area. The Detailed Papers are presented in Volume II of the Report, and findings for each area are summarised in Chapter 3 of this Volume.

Basis of evaluation

In assessing the scope for savings in each area of expenditure, the Group considered each programme from first principles insofar as possible. This involved raising basic questions such as the necessity for provision of the service, and the reasons why public service provision might be warranted, rather than allowing the private sector to provide the service.

In this regard, different factors fall to be considered for different categories of expenditure. Some services, such as public goods and transfer payments, are best provided from general taxation. For these programmes the Group examined the underlying need for the programme of expenditure and the scale of provision. Similar considerations applied to 'merit goods' such as education and healthcare, which can be provided by either the public sector or the private sector, but which under our political and economic structures are predominantly provided from the public purse. Other expenditures can generally be categorised as grants and subsidies and a key element of the Group's review in respect of these programmes was the necessity for continued public subsidy. In all cases, the Group's analysis had regard to the effectiveness of programmes and the current level of spending.

The Group also examined the means of providing services, and whether these could be delivered more efficiently through streamlined structures and processes or through outsourcing to the private sector. The continued provision of universal services or payments and the scope for charging users were assessed in determining the scope to reduce the overall net cost of programmes and ensure better use of scarce resources while still delivering services to those that need them. Some of the Group's general findings in this regard are set out in Chapter 2 of this Volume.

Finally, the Group has been cognisant of the fact that all expenditure programmes confer benefits on various stakeholders and that no proposals for reductions are painless. In arriving at its recommendations for savings, the Group has assessed what it considers to be the relative priority of individual programmes and the affordability of these programmes in light of the budgetary crisis facing the country at present.

Appendix 1

Terms of Reference – Special Group on Public Service Numbers and Expenditure Programmes

1. The objectives of the Group are to:
   - *a.* Review the scope for reducing or discontinuing Expenditure Programmes with a view to eliminating the current budget deficit by 2011.
   - *b.* To this end, analyse and make recommendations on reducing the numbers employed in each area of the Public Service having regard to:-
     - *i.* the need to identify and prioritise particular output targets and areas;
     - *ii.* the achievement of greater efficiency and economy in the delivery of all services;
     - *iii.* the scope for rationalising and streamlining delivery of public services in the consumers' interest.
   - *c.* Make recommendations on reallocation of staffing or expenditure resources between public service organisations as appropriate to deliver the objectives set out in the Programme for Government.
   - *d.* Examine and make recommendations for further rationalisation of State agencies beyond the rationalisation proposals and principles set out in Budget 2009.

2. The Group will consist of Mr. Colm McCarthy (Chair), Mr. Donal McNally, Mr. Pat McLaughlin, Mr. Maurice O'Connell, Mr. William Slattery and Ms. Mary Walsh. It will establish its own working methodology. Any vacancy arising in the Group will be filled by the Minister for Finance.

3. The Group will report to the Minister for Finance every two months and will submit a final report to the Minister by the end of June 2009.

4. The Department of Finance will provide all support services, documentation, resources and facilities as the Group requires to complete its work. This will include the provision of analysis and liaison with all Government Departments and the bodies under their aegis.

Chapter 1

Context and overview

This chapter sets out the macroeconomic context for the work of the Special Group, and presents an overview of the level of savings identified in each area. The Group's summary observations on other key issues relevant for expenditure management – public service pay, pensions and capital expenditure – are also presented.

1.1 Macroeconomic context and outlook

The Government has announced a series of measures over the last twelve months designed to stabilise the public finances and to commence a return to a sustainable fiscal position. These included expenditure reductions announced in July 2008 and February 2009 as well as the annual *Budget* in October 2008 and the *Supplementary Budget* in April 2009. In the absence of these measures, the deficit, measured on the General Government Balance (GGB) basis used by the EU Commission, would have reached somewhere between 15% and 16% of GDP in 2009. The actions taken include a mixture of current and capital expenditure reductions and tax increases. Notwithstanding these actions, it is expected that the GGB deficit will be about 10¾% of GDP in 2009, well in excess of the 3% upper limit which Eurozone member countries are expected to observe.

Government current spending, despite the measures taken since July last, is still set to rise in 2009 while revenues are significantly down. Upward pressures on spending, including the rising cost of social transfers due to the increase in unemployment and the rising debt service burden, have more than offset the expenditure economies already announced. As a result, total gross current spending will reach over €62bn in 2009, an increase of €5bn or 8.9% over 2008. In 2009, Government current receipts (including taxes and social insurance receipts) are projected to amount to just over €51bn, leaving a gap of €11bn to be borrowed to fund day-to-day spending. When the capital budget and the contribution to the *National Pension Reserve Fund* (NPRF) are included, the overall gap between spending and revenues in 2009 is over €20bn.

Table 1.1 Projected Government Finances 2009 (as per *Supplementary Budget* April 2009)

	€bn	%GDP	% GNP
Current Spending[1]	€62.4bn	36.4%	43.4%
Current Receipts[2]	€51.3bn	29.9%	35.6%
Current Deficit	-€11.1bn	-6.5%	-7.7%
Capital Spending[3]	€11.2bn	6.5%	7.8%
Capital Receipts & Resources	€2.0bn	1.2%	1.4%
Capital Deficit	-€9.2bn	-5.4%	-6.4%
Exchequer Deficit	**-€20.3bn**	**-11.9%**	**-14.1%**
corresponding **General Government Deficit**	**-€18.4bn**	**-10¾%**	**-12.8%**

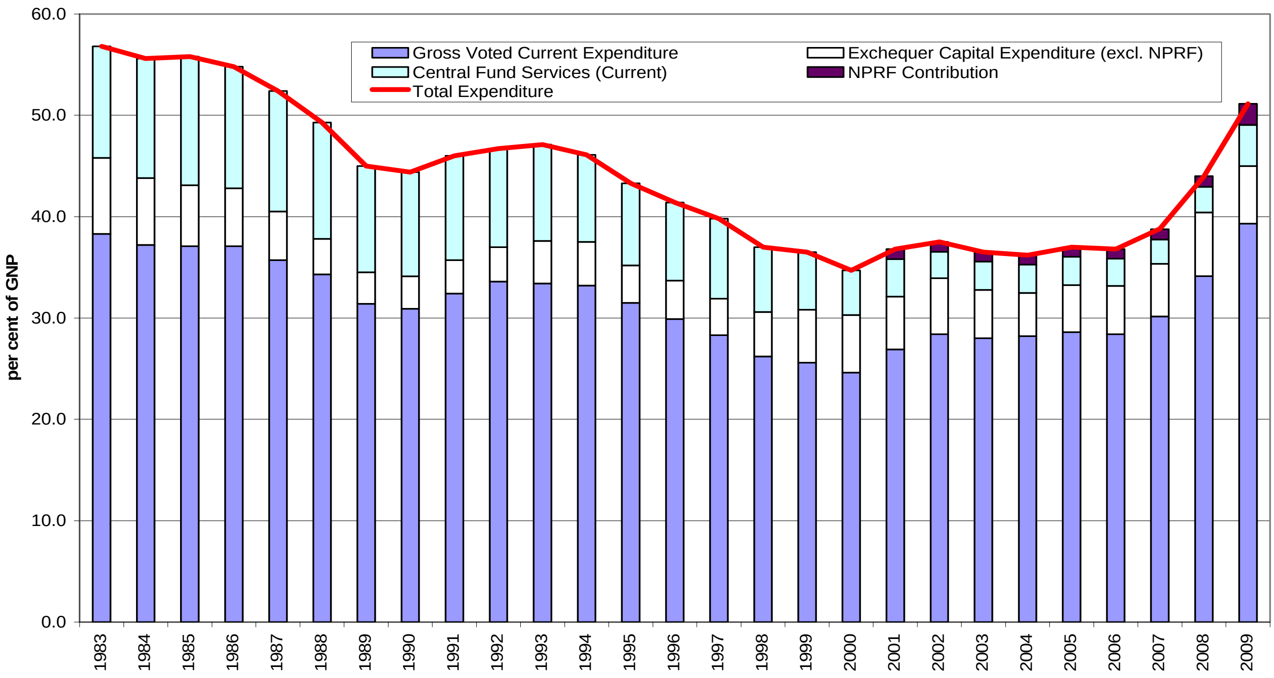
[1] of which Debt Servicing costs is €3.9bn
[2] nearly all of which is Exchequer taxes and Departmental receipts (health/employment levies, PRSI, etc.)
[3] includes *National Pension Reserve Fund* payment (€3bn), and non-voted capital (€0.9bn)

The country's real output and real income, which provide the taxation base, have been contracting sharply since 2007. The share of Government spending in national income accordingly continues to grow. In 2009, gross voted current spending (not including Central Fund expenditure such as debt service costs) will absorb 39.3% of likely GNP, the highest figure since 1983. Total Government spending (the current voted spending figure, plus debt servicing and other Central Fund expenditure, as well as Exchequer capital which includes the payment to the NPRF) will absorb 51.1% of GNP, the highest figure since 1987.

Chart 1.1 below shows the principal trends since 1983. The very high spending share in the 1980s reflected in part the heavy debt service burden at that time. The decline in the annual deficit from the late 1980s onwards coincided with declining world interest rates and total Government spending fell below 40% of GNP in 1997 (largely due to a denominator effect arising from strong increases in GNP rather than expenditure reductions). It then fluctuated in a range below 40% until 2007 but reached 44% in 2008 and is expected to reach 51% in 2009. These figures do not include some elements of local authority spending.

This trend is clearly unsustainable and the Government's multi-annual plan to achieve a General Government Deficit of 3% of GDP envisages a reduction in the expenditure ratio to between 43% and 47% of GNP by end-2013, depending on the share of the 2012 and 2013 adjustments to be borne on the expenditure side of the budget.

Chart 1.1 Trends in Government Expenditure



Source: Department of Finance

Apart from the rising level of voted current expenditure, driven in the main by Social Welfare, the trend of current non-voted Central Fund services is of particular concern. This category consists mainly of provision for debt-servicing, and the projections for the upward trend under this category, as set out in the April 2009 Supplementary Budget, are summarised in table 1.2. The figures show that Central Fund current expenditure will rise to €11.2bn by 2013 from its 2008 baseline of €3.9bn. This near-tripling of Central Fund current expenditure is driven in the main by the increased costs of servicing the growing stock of national debt. In addition, against the background of increased sensitivity among international markets about any potentially negative developments on the economic, fiscal and banking fronts, Ireland is now paying significantly more than our European neighbours to borrow as our spreads over Germany are considerably higher than they were in the recent past.

Table 1.2 Projected increases in Central Fund current expenditure (non-Voted)

	year					
Central Fund Current expenditure (non-Voted), incl. debt-servicing costs	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*
€ billion	3.9	5.9	7.8	9.3	10.5	11.2
% of GNP	2.5%	4.1%	5.6%	6.4%	6.8%	6.9%

Source: Department of Finance

Consequently, Ireland is now in a position where we need to borrow more to fund a larger budgetary deficit, while paying higher costs for this borrowing. This means that ever increasing proportions of our tax revenues will be needed to service the national debt. In 2009 over 11% of estimated tax revenues will be used for this purpose, compared with a figure of about 4½% of tax revenues as recently as 2007.

Aside entirely from Ireland's obligations, as a Eurozone member, to control the fiscal deficit, a persistent large gap between spending and revenue will rapidly build up a high debt burden, runs the risk of exposure to rising world interest rates and a re-run of the intractable and protracted public finance crisis of the 1980s.

The Government indicated at the time of the April 2009 *Supplementary Budget* that it envisaged a return to a deficit at 3% of GDP by end-2013 at latest. In the view of the Special Group, a public finance correction along these lines would be in the national interest even if our Eurozone membership did not obligate us to pursue this course. The international sovereign debt markets remain exceedingly fragile, with large spreads in secondary markets against many of the smaller European countries, including Ireland, whose adverse spread against the benchmark German bonds has been persistently one of the largest. There are also fears that the enormous volume of planned sovereign debt issuance over the next few years could lead to higher long-term bond rates, to even higher spreads, or both. In these circumstances, an early return to fiscal balance in Ireland is desirable and prudent.

Future budgets will thus entail further measures designed to control expenditure and to enhance revenue. In the April 2009 *Supplementary Budget*, the Government indicated the aggregate policy mix that will underpin the proposed consolidation path in 2010 and 2011, as summarised in table 1.3.

Table 1.3 Planned fiscal consolidation 2010-2011

	2010		**2011**		*Total proposed consolidation 2010-2011*
	First Year	*Full Year*	*First Year*	*Full Year*	
Taxation	€1,750m	€2,500m	€1,500m	€2,100m	*€4,600m*
Current Expenditure	€1,500m	€1,500m	€1,500m	€1,500m	*€3,000m*
Capital Expenditure	€750m	€750m	€1,000m	€1,000m	*€1,750m*
Total	**€4,000m**	**€4,750m**	**€4,000m**	**€4,600m**	***€9,350m***

Source: Department of Finance

Adjustments of €1,500m a year in current spending, as well as further economies in the capital budget and increases in taxation, will be required if the targets are to be met. The taxation increases envisaged are substantial, and additional to the tax increases already implemented. Clearly the need for further sharp tax increases can be mitigated to the extent that greater economies in expenditure can be identified. In this regard, the Minister for Finance has stated that the scope for further income tax increases is very limited and that the Government will be looking to the expenditure side for the greater part of the fiscal consolidation effort. The full-year expenditure savings of €5.3bn identified by the Group (see section 1.2 below) should give the Government more scope in this regard, although it is not claimed that these proposals are an exhaustive list of policy options available.

On a related point, even on the basis of full implementation of the consolidation measures outlined in table 1.3, the General Government Deficit is projected to stand at -8½% of GDP by end-2011, even leaving aside the Government guarantee of liabilities in the banking sector. In the Group's view, this underlines the need for resolute action by the Government in addressing the full range of savings measures identified.

1.2 Level of savings identified

On the basis of the Special Group's consideration of the issues arising in each area, the Group has been able to identify potential expenditure savings of €5.3bn in a full year, with associated reductions of over 17,300 in public service numbers. The breakdown of savings, amounting to 9.3% of relevant expenditure, by each Ministerial Vote Group is set out in table 1.4. Most but not all of the savings identified would be potentially deliverable in 2010, as some options would deliver full savings over a number of years.

The specific savings measures for each spending area are listed in the context of the Departmental summaries in Chapter 3. The rationale for each proposal, with additional background information, is presented in the Detailed Papers in Volume II of our Report. Our proposed mechanisms for implementing the expenditure reductions and managing the reductions in staff numbers are set out in Chapter 2.

Table 1.4 Proposed savings and staffing reductions

Ministerial Vote Group /expenditure area	*Full-year expenditure savings* [a] *€m*	*Staffing Reductions*
Agriculture, Fisheries & Food	305	1,140
Arts, Sports & Tourism	105	170
Communications, Energy & Natural Resources	66	106
Community, Rural & Gaeltacht Affairs	151	196
Defence	53	520
Education & Science	746	6,930
Enterprise, Trade & Employment	238	594
Environment, Heritage & Local Government	130	30
Finance Group of Votes	83	660
Foreign Affairs	42	65
Health & Children	1,230	6,168
Houses of the Oireachtas Commission	8	42
Justice Group of Votes	136	540
National Treasury Management Agency	5	40
Social & Family Affairs	1,848	-
Taoiseach's Group of Votes	18	77
Transport	127	80
Unallocated savings from *State Claims Agency*	21	
Total:	**5,310**	**17,358**

[a] includes capital savings of €196m

1.3 Other key issues in expenditure management

As outlined in section 1.1, the scale of the fiscal consolidation effort for the coming years will present a unique challenge for Government. In keeping with its Terms of Reference, the Group's proposals concern the scaling back of expenditure programmes and significant reductions in the numbers employed in the public service, as well as the introduction of greater cost-effectiveness across the public service through modern approaches to outsourcing and procurement.

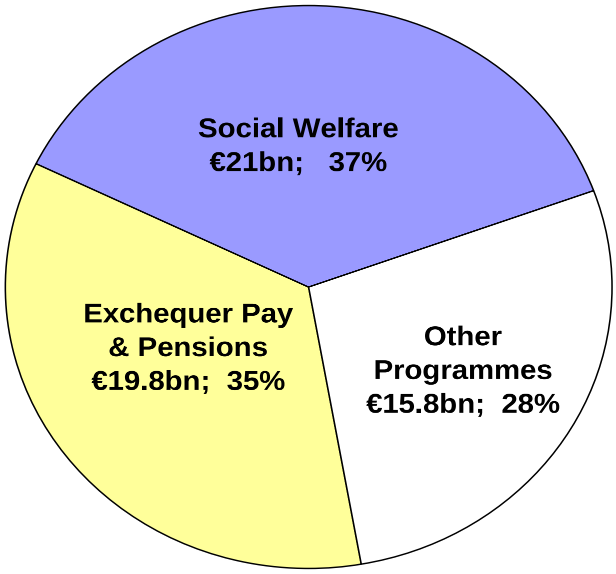
However, such measures alone do not represent the full menu of policy options that the Government will need to consider in terms of bringing overall expenditure back to a sustainable position. While not falling within its core remit, the Group considers it appropriate to make reference to some of the other key issues which will need to be addressed in conjunction with the assessment and implementation of the Group's proposals as set out in Chapters 2 and 3.

Overall composition of gross current voted expenditure

As Chart 1.2 illustrates, Social Welfare spending makes up the largest single block of Exchequer gross current voted expenditure, accounting for 37% of the total, while Exchequer Pay and Pensions accounts for a further 35%, and other Programme expenditure (not including Pay) accounts for the remaining 28%.

Given these facts, it will not be feasible to realise expenditure savings on the scale required over coming years simply by focusing solely on the element of overall current expenditure that is not composed of Pay, Pensions and Social Welfare. It is a simple fact that many long-established and sensitive expenditure programmes, including those in the Social Welfare area, are among the most costly to the Exchequer, and it will not be possible to insulate these areas from review in the context of identifying the necessary large-scale savings. This Report sets out the Group's views on the full range of programme areas that have scope to yield savings for the Exchequer.

Chart 1.2 Breakdown of 2009 Current Voted Expenditure of €56.6 billion



Source: Department of Finance

Public service pay

Of the €19.8bn overall expenditure on Exchequer pay and pensions, public service pay accounts for approximately €17.5bn in 2009. Expenditure under this heading is driven by two factors: *(i)* rates of payment and *(ii)* numbers. In this Report, the Group also makes a range of recommendations for reducing public service staff numbers, as required under our terms of reference. As regards rates of payment, the Group notes that the pension-related contribution, introduced with effect from March 2009, will yield approximately €1.1bn in a full-year, equivalent to a reduction of 7.5% on average in public service wages, although the reduction reaches a figure of 10.5% for all income above €60,000.

In the Group's view, the Government will need to secure further savings in public service pay costs to achieve the required reductions in overall public expenditure, and in this context it will have to consider further reductions in rates of pay and allowances in addition to the numbers reductions proposed in this Report.

The Minister for Finance recently announced that the *Review Body on Higher Remuneration in the Public Sector* would be re-convened to examine the pay of senior public service grades in light of latest economic developments. There is also a case for instituting a new benchmarking process to address the pay of public servants generally, with a remit to look at international pay rates and not confine itself to domestic comparators, and with a mandate to recommend reductions where the facts warrant this.

Public service pensions

The cost implications of public service pensions, both in the shorter and longer terms, are an area of concern to the Group. The real annual cost of providing public service pensions is some €7.7bn each year, made up of an annual accrual cost of €5.4bn each year over and above the €2.3bn cash cost of existing pensions in 2009 (on the assumption of an accruing pension cost of, on average, 30% of nominal salary).

Public servants are generally entitled to retire on a full Defined Benefit pension (calculated at half of the average annual salary over the final three years of service), after 40 years' service, together with a lump sum of up to one-and-a-half times the final salary. Employees may retire after reaching the age of 60 (the compulsory retirement age is 65), with *pro rata* reductions for those with fewer than 40 years' service, although those retiring between the ages of 50 and 60 incur an 'actuarial reduction' to reflect the longer retirement period. (The key benefit of the recently-introduced *Incentivised Scheme for Early Retirement* is that it eliminates the actuarial reduction for this age group.) After retirement, it has been the practice to index pension rates in line with earnings, which carries a very high actuarial cost and is not generally available in the private sector.

In addition to the basic public service pension system, the Group notes the existence of a range of accelerated / 'added years' arrangements across various areas of the public service. These accelerated arrangements are more costly to the Exchequer, and their existence and budgetary implications do not appear to be widely known or appreciated by the general public. For example, Gardaí are free to retire on full pension at the age of 50 (an effective 10 years' added service on the assumption of an entry age of 20); some engineers, who might enter the public service at the age of 35, would accrue full pension entitlements at age 65 (again an effective 10 added years); teachers with 35 years service are eligible to retire from age 55 on; some hospital consultants may be entitled to up to 10 added years of service; and a High Court judge, who might typically be appointed to the bench at 50 years of age, is entitled to full pension at age 65 (an effective 25 added years). Accelerated accrual terms also apply in certain top-level public sector posts although it must be said similar pension arrangements at these levels can apply in the private sector.

Given the above arrangements, the Group observes that the annual cost of purchasing similar pension arrangements (including the earnings-linking of pension benefits) in the private sector would be very high indeed: ranging from around 27% of annual salary in the case of a typical civil servant employed prior to 2004 to 31% for a teacher entitled to retire at age 55; 33% for a hospital consultant; 48% in the case of a Garda member; and as high as 87% of annual salary in the case of a High Court judge. The cost of providing similar benefits in a Defined Contribution arrangement, which is more generally applicable in the private sector, would be significantly higher in all cases.

Partly in response to the cost pressures outlined above, the Group notes that pension terms have been revised in recent years. For public servants entering the service after April 2004, the option of retiring on full pension at age 60 has been removed, and no maximum retirement age is specified – the intention being that exit mechanisms (including performance management systems) should be applied to non-performing staff at whatever age in the future.

The Government's *Green Paper on Pensions* was published in September 2007, again with the aim of promoting adequate pension provision in a sustainable, modern and flexible manner. In this context, a range of reform options were mooted, including:

- raising the minimum public service pension age;

- increasing the rate of pension contributions from staff;
- modifying the earnings-linking of pensions;
- removal of fast accrual terms; and
- moving to the calculation of pensions on the basis of “career average” earnings.

A review of the pensions area is beyond the scope of the Group’s exercise. However, the Group urges that all of the above options be pursued and implemented. It would also add a number of other considerations and alternative / modified reform options that are appropriate in light of the dramatically worsened position of the public finances since the *Green Paper* was published:

- it seems prudent to reinstate a mandatory retirement age and not run the risk that low-performing members of staff would end up being retained indefinitely;
- the ages at which people qualify for pension in both State occupational and social welfare schemes should be revised upwards, taking account of the significant recent increases in longevity;
- better transparency should be brought to bear on the true cost of accrued pensions arrangements, and accelerated arrangements should be phased out or eliminated as soon as possible; and
- there should be a move as soon as possible away from full earnings-linking of pensions to include an element of inflation-indexing, as in some other EU countries.

The Group also notes that, apart from the Defined Benefit pension model (in which all of the affordability risk in borne by the employer / the State), other models are in place across the private sector, including Defined Contribution systems (in which the scheme beneficiary bears the risk), or hybrid arrangements to allow for balanced risk-sharing.

Reforms along the lines set out above, while undoubtedly significant in terms of longer-term affordability and sustainability if applied to new entrants, will not yield any immediate savings for the public finances unless they are applied for the existing cadre of public servants and pensioners.

Finally in this regard, the Group observes that the burden of budgetary adjustment, both in terms of the measures introduced over the past year and of the measures proposed in this Report, will be borne broadly across most areas of society, with the exception of those people currently in receipt of public service pensions. Bearing in mind that such pensioners in many cases have earnings-linked pensions at present, the Group believes there is a case for the Government to consider how best to secure an appropriate contribution from this sector of society.

Capital expenditure

Expenditure on the *Public Capital Programme* is estimated at €7.3bn in 2009. This represents a reduction of over €1.7bn, or almost 19%, on the 2008 figure, reflecting the need to re-prioritise capital investment on the most productive areas, with the strongest prospect of delivering an economic return. The Group considers that there should be scope for further scaling-back and re-prioritisation of capital expenditure, without major loss of economic benefit given the lower rate of growth now being experienced and projected. We note that this issue will be considered separately by the Government. This Report concentrates on current expenditure, and references to associated or corresponding capital savings is made only where relevant in this context (as in the case of expenditure on science, technology & innovation, for example).

Chapter 2

Reducing expenditure and staff numbers – structural and strategic issues

This chapter sets out the Special Group's views on structural and strategic reforms that should be implemented, both in terms of how the annual Estimates process is run, and how key expenditure priorities should be provided for in a more coherent manner. A number of cross-cutting expenditure management issues, of relevance to more than one Department or to Departments generally, are also addressed in this chapter.

2.1 Expenditure control – medium-term perspective

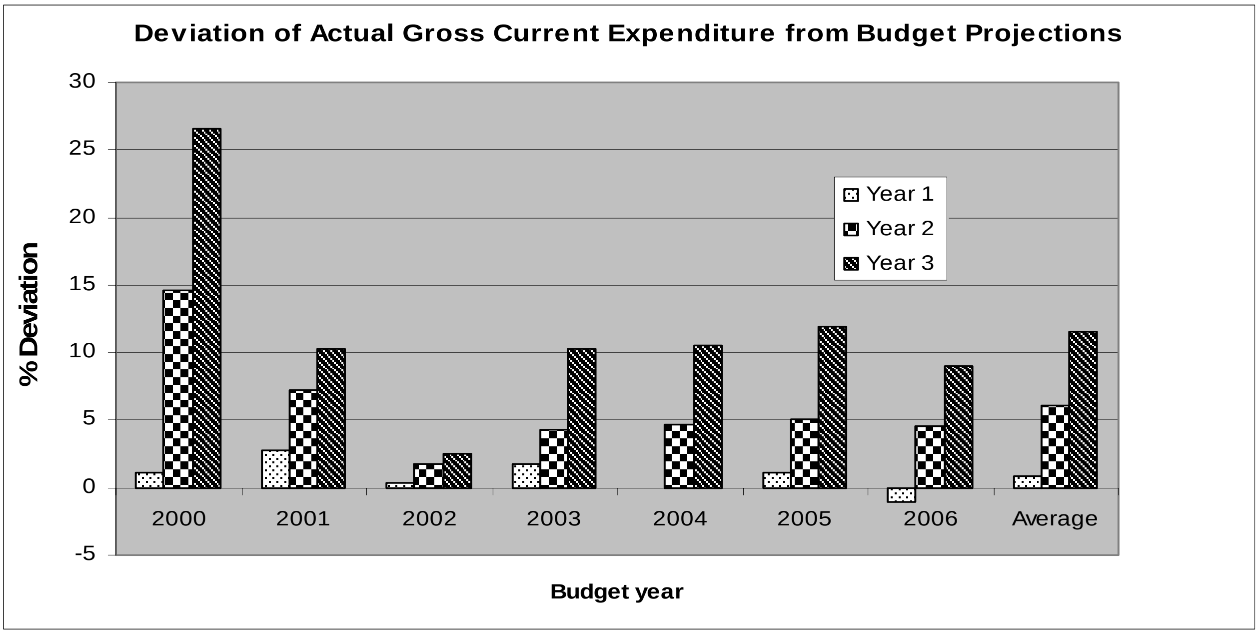
Since July 2008, the Government has introduced a range of measures that together will reduce overall Exchequer spending, in full-year terms, by approximately €5bn. Notwithstanding these measures, General Government expenditure still increased over 2008 due to rising social welfare and debt servicing costs.

Of more relevance to the work of the Special Group, however, is the commitment contained in the April 2009 *Supplementary Budget* to identify further current expenditure savings of at least €1.5bn in 2010 and again in 2011, alongside tax and capital expenditure measures, and with further budgetary consolidation envisaged for 2012 and 2013. Against the background of the fiscal realities outlined in Chapter 1, the Group is strongly of the view that these budgetary consolidation targets should be seen as a minimum to be achieved, not as an upper ceiling, and that the scope for realising expenditure savings should be availed of to the fullest extent possible. The Group has formulated savings proposals to be commensurate with this objective.

Setting out in advance the commitment to secure savings in future years represents, in the Group's view, a major advance in terms of budgetary planning. However, this commitment needs to be matched with appropriate mechanisms to decide and deliver the savings at political and administrative levels. Up to now, there has been a lack of substance to the multi-annual dimension of fiscal planning, and the forward-looking projections for expenditure are all-too-easily blown off course.

Chart 2.1 below shows the three-year expenditure projections that were published each year in the annual *Budget* volumes for 2000 to 2006, compared against the actual outturns for expenditure in each of the three projection years. The table shows that while the first-year outturns typically came within 1% of the projection, the second-year outturns came in ahead of projection by 6% on average (equivalent to €3.3bn in 2009 terms), while the third-year outturn overran by around 12% on average (equivalent to €6.7bn).

Chart 2.1



Source: Department of Finance

While there may be various policy explanations for the deviations – including the fact that the projections were prepared on a "no policy change" basis, and that subsequent policy changes were invariably incremental in nature – it is clear that, as of now, there is no stable multi-annual framework within which policy-makers can anchor their medium-term (or even short-term) planning.

For its part, the Group has identified a wide and challenging range of savings options for consideration by the Government. Many of these savings could, if accepted, be delivered in 2010, while other proposals could be phased in at a later stage in the consolidation period (depending on political assessments and priorities). The Group has, therefore, not attempted to disaggregate the impacts for 2010, 2011 or later years. There is a strong case, however, for pressing ahead with expenditure and numbers reductions as soon as possible, rather than deferring action in the hope that economic circumstances might improve. Resolute action at an early stage will pay economic dividends in terms of addressing Ireland's fiscal imbalances, minimising the need for tax increases, lowering future debt service obligations and underpinning international confidence in our capacity to manage our budgetary affairs.

A strong multi-annual expenditure framework, that makes clear to each Minister and Department the scale of savings that must be formulated and delivered and over what timeframe, is an essential prerequisite to the implementation of its savings proposals, and the Group recommends that these be considered for delivery in the context of such a framework.

The Group notes that its views in this regard are in keeping with the views expressed by the OECD in its 2008 Report "Towards an Integrated Public Service", which called for "top-down budgeting within a medium-term expenditure framework" in Ireland. Likewise, the EU Council, in its formal admonition to Ireland of March 2009 for the breach of the *Stability & Growth Pact*, stated that:

> Ireland's medium-term budgetary framework has some weaknesses. In particular, budgetary targets for the years beyond that covered by the budget, especially expenditure envelopes, can be changed in subsequent budgets … To limit risks to the adjustment, Ireland should strengthen the binding nature of its medium-term budgetary framework as well as closely monitor adherence to the budgetary targets throughout the year.

The Group considers that the time has come to put in place a mechanism of medium-term envelopes to govern current expenditure growth, and that the Department of Finance should take the lead in bringing forward specific proposals in this regard.

2.2 Reducing public service numbers

The numbers of staff in the public service have increased substantially over the period since 2001, as table 2.1 below shows.

The overall increase of more than 45,000 in numbers corresponds to an increase in expenditure of around €2.25bn, in 2009 terms (not including the accrued pension costs which would amount to an additional €1bn). The staff numbers shown in the table are "whole-time equivalents", which is the convention used throughout this Report; the numbers of staff on a head-count basis (which includes staff working part-time) would be around 350,000.

Table 2.1 - Public service numbers 2001-2009

	2001	*2009*	*increase 2001-09*	*increase %*
Health	92,996	111,800	18,804	20%
Education	73,295	92,887	19,592	27%
Justice	12,460	15,142	2,682	22%
Defence	11,808	10,895	-913	-8%
Civil Service	36,092	38,500	2,408	7%
State agencies	11,086	12,313	1,227	11%
Local Authorities	32,062	33,898	1,836	6%
Public Service	**269,799**	**316,656**	**45,636**	**17%**

Source: Department of Finance

While the individual increases correspond in many cases to increased service delivery (most notably in the Health and Education sectors), the Special Group also notes some evidence of a disproportionate increase in the ratio of senior-level grades where, for example, the numbers at middle to higher management levels in the civil service grew by some 82% in the period 1997 to 2009 at a time when civil service numbers as a whole increased by 27%.

The imperative of controlling expenditure growth now requires that efficiencies and savings be found across all sectors. Having considered the staffing numbers associated with programmes across all areas of the public service, it is the view of the Group that there is scope for securing major efficiencies in particular through closing off and re-prioritising certain expenditure programmes; introducing flexibility and reforming work practices in line with best modern practice; and outsourcing appropriate public service functions to the private sector. Given the state of the national finances, there should not be undue delay in achieving agreement on how best to deliver services effectively and efficiently in the public interest.

On this basis, the Group is putting forward proposals for initial reductions in public service numbers of over 17,300 (inclusive of reductions of around 6,000 in the Health sector under the Employment Control Framework introduced in 2008). Initial reductions on this scale are the minimum that must be achieved. These savings will require *inter alia* a commitment to the non-replacement of staff and the down-sizing of the public service. Critically, while work efficiencies and redeployment should allow for broad continuity in the delivery of key public services, in other cases full savings will only be delivered where there is a political and public acceptance that the State can no longer afford to continue some services at previous levels, or at all.

A number of initiatives have been implemented by the Government in recent months to facilitate the permanent, structural lowering of public service numbers, including:

- a moratorium on the filling of vacancies by recruitment or promotion, subject to limited exceptions;
- an *Incentivised Scheme of Early Retirement* to facilitate the exit of staff aged between 50 and 60 years of age, with no actuarial reduction of their pension entitlements, but with no provision for "added years";
- a *Special Civil Service Incentive Career Break Scheme* to facilitate civil servants in taking a career break for 3 years; and
- a *Shorter Working Year Scheme* which replaces the existing *Term Time Scheme*.

These measures should facilitate some initial reductions in staff numbers in 2009 but it will be necessary to go further than this if the numbers issue is to be addressed effectively.

Delivering a public service numbers policy

The Government has already factored aggregate full-year savings of €300m into its budgetary arithmetic from the above initiatives. The total surplus staff numbers identified by the Special Group would involve, if fully implemented, payroll savings of up to €700 million in a full year, over and above the €300m annual savings already envisaged (and not taking into account the savings in accrued pension costs). To manage the delivery of these reductions, the Group recommends that a uniform Public Service Numbers Policy should now be put in place and implemented centrally by the Department of Finance. Such a policy should provide for the capping and progressive lowering of numbers in particular Ministerial Vote Groups / sectoral areas, with demanding targets for annual reductions and effective staff redeployment mechanisms to minimise public service impacts. Crucially, staff reductions will need to be matched with re-design and streamlining of organisations, and this will require a proactive approach by public service managers. Many of the proposals in this Report, including the scope for outsourcing of services and processes, will be relevant in this regard.

2.3 Departmental structures

At present, the work of Government is divided among fifteen Departments of State, as well as a range of Offices and agencies. The allocation of functions among Departments is a matter for the Taoiseach to determine in line with political priorities, and in practice the functions tend to be reallocated among Departments as political administrations change and are renewed.

In line with its remit which is focused upon the need to identify the scope for major policy and programme savings, the Special Group has reached conclusions about the possible reallocation of functions across Departments. In particular, its analysis has brought to light a degree of overlap of function across different Departments, which involves duplication of activities and resources as well as a lack of effectiveness. As a general principle, the Group advocates the bringing-together of related functions, with a concentration of resources and elimination of waste.

Some of these structural recommendations are developed elsewhere in this Report, including in Volume II, but the principal elements of the Group's proposals are as follows:

- The **Department of Community, Rural & Gaeltacht Affairs** should be closed down and its functions redistributed across various Departments; and

- The **Department of Arts, Sport & Tourism** should also be critically examined in light of the extensive savings that are proposed in this area and scope for transferring its functions to other Departments.

Adopting the above proposals would allow for the creation of up to two other Departments, whose creation could reflect emerging priorities for the Government.

More generally, implementing the wide range of programme reductions outlined in this Report would necessitate far-reaching organisational reform and re-structuring across all Departments, to ensure that resources (including staffing and administration resources) are organised and prioritised for maximum efficiency.

Cross-cutting themes

2.4 Science, technology & innovation (STI)

The Group observes that over the period 2000 to 2007, there was a threefold increase in 'Government Budget Outlays & Appropriations for Research and Development' (GBOARD). Analysis of trends in spending and policy in this area gives rise to a number of specific issues of concern to the Group, as outlined below.

- *Real returns on investment*
  Although spending on STI is promoted as a key element of enterprise and education policy, the scale and nature of any ultimate economic impacts arising cannot be known with confidence at the outset. The Group considers that any further STI investment must yield clear economic returns. The evidence adduced to date for the impact of State STI investment on actual economic activity has not been compelling.

- *Output of PhDs*
  In the absence of a clear business need for the doubling of PhDs currently being funded, the Group is concerned that graduates will be underemployed or forced to emigrate. Indeed some empirical evidence suggests that 20% of new doctorate holders find employment overseas, and of those who remain in Ireland, most find employment in the public rather than the private sector.

- *Rationalisation of funding structures*
  Funding of STI is dispersed through a large proliferation of supports and many target the same or similar activities. The Group considers that there is significant scope for the rationalisation of supports and a reduction in the large administrative overheads in the system.

  Regarding the multiplicity of bodies involved in the formulation and implementation of science policy, the Group considers that streamlining the policy framework for STI will improve coordination across research agendas, bring greater efficiency to STI expenditure and maximise the potential for the commercialisation of sectoral research output in particular.

- *Reducing dependence on Exchequer funding*
  Exchequer funding (as distinct from business funding, philanthropy etc.) has grown as a proportion of gross expenditure on R&D in recent years. This suggests some displacement of private funding by public funding and this trend should be halted.

Taken together, these considerations have led the Group to the view that the policy and funding mechanisms for STI should be radically rationalised and streamlined into a single stream of funding, and that the level of Exchequer funding for STI activities can and should be better-focused and made less costly to achieve given goals. The Group proposes an initial reduction of just over €100m, or 15% of the 2009 allocation, in the overall level of spending on STI, and the incidence of these savings across particular spending areas, as set out in the table below, is reflected in each of the Detailed Papers.

Table 2.2 – Distribution of proposed STI savings

	Capital	*Current*	*Total*
Enterprise, Trade & Employment	€48m	-	€48m
Education & Science	€10m	€17m	€27m
Agriculture, Food & Fisheries	€14m	-	€14m
Environment, Heritage & Local Government	€1.7m	-	€1.7m
Health& Children	€2m	€5m	€7m
Communications, Energy & Natural Resources	€3.5m	-	€3.5m
Totals	**€79.2m**	**€22m**	**€101.2m**

2.5 Supports for enterprise

At present, State supports for enterprise and job-creation are delivered by a range of agencies across a number of Government Departments. The Special Group proposes that enterprise supports for indigenous industry should instead be delivered through a single agency, led by a strong management team and operating under well-defined oversight mechanisms. This would allow for common measurement and reporting of effectiveness across the variety of enterprise supports, and would facilitate a more coherent and proportionate approach to the provision of financial and other supports to different industries.

The existing agencies differ in terms of their geographic focus (local, regional or international), the size of companies being supported, and the sectors involved (whether general or specific). The Group makes the following observations in relation to these agencies:

- expenditure and staffing levels have risen over the period 2003 to 2008 with no obvious associated increase in outputs;
- there is a high degree of overlap across the services delivered by the agencies (e.g. training, grant assistance);
- there is significant duplication of overseas representation with *Enterprise Ireland*, the IDA, *An Bord Bia* and *Tourism Ireland* operating independent overseas office networks; and
- there is a lack of consistency in reporting what is achieved in terms of cost effectiveness (estimated grant per job). Based on the available information, there are significant variations between the agencies in the estimated average grant cost per job suggesting that some agencies are less cost effective than others.

It is proposed that the *County* and *City Enterprise Boards*, the *Business Innovation Centres,* the *Western Development Commission* and the enterprise functions of *Údarás na Gaeltachta, Shannon Development, Bord Iascaigh Mhara, LEADER* and *Teagasc*, as well as sector-specific agencies such as the *Irish Film Board,* should be merged within a re-constituted *Enterprise Ireland*. The streamlined agency should also lead to major savings in overall administration costs including staff numbers. The Group considers that the new enterprise body should operate a regional office network based upon the nine Gateways identified in the National Spatial Strategy, leading to savings in local office accommodation costs. Savings in overseas office costs would also arise.

2.6 Labour force activation measures

The Special Group has considered the level of public expenditure on measures aimed at activation of the labour force and promoting the transition of jobseekers into employment. In principle, effective activation measures can be a highly productive use of public resources. However, the Group notes that the recent rapid increase in unemployment has led to a significant change in the profile of the Live Register which has potentially very important implications for the range of activation supports now in place. Many of the current supports were developed to facilitate engagement of a relatively small cohort of long-term unemployed with opportunities in the mainstream workforce. With increasing numbers of newly unemployed and declining employment opportunities, the Group considers that the current focus of activation measures needs to be reviewed to ensure that whatever resources are available are deployed to maximum effect – in particular through re-skilling and re-training the unemployed, and where appropriate providing financial incentives to alleviate poverty traps, to ensure that jobseekers can be matched with available opportunities and to provide for future skills needs.

The current activation measures can be broadly categorised as employment services, training & education services, employment schemes and monetary incentives. The Group's general findings are as follows:

- *Unified and consolidated employment service needed*
  The fragmentation of State-funded employment services is not justified. For example both the *Local Employment Services (*LES*)* as well as FÁS provide career guidance, information, training and education assistance, etc. A unified and consolidated employment service would be better placed to pursue a strong agenda of activation measures for the unemployed.

- *End additional allowances and training bonuses for participants on training and education schemes*
  The payment of additional allowances and training bonuses to some participants on training and education schemes such as the higher training bonus (of €31.80 per week) payable to the long-term unemployed, is not justified and should end. The Group also noted that there are high unit-cost differentials between some broadly similar schemes delivered by different agencies, and considers that there should be scope for reducing these cost differentials.

- *Eliminate double payments to participants on employment schemes*
  The level of double payments received by some participants on employment schemes, which have long periods of participation, are not the optimal use of public resources and in some cases can act as a disincentive to re-enter the workforce.

- *Target monetary incentives*
  The Group agrees with the logic underpinning the provision of monetary incentives to ease the unemployed away from State welfare payments into paid employment / self employment / education and to alleviate the potential poverty traps associated with the move. Some of the existing incentives could be more effectively targeted so as to minimise the numbers availing of the allowances who would have returned to work irrespective of the incentive. This is of increasing importance in the context of the changed profile of the Live Register. Similarly, the Government should be wary of introducing job subsidy schemes and other labour market interventions which would run the risk of repeating the failures and costs of similar schemes introduced in the past; and any expenditure in this area should be strictly limited in extent and duration.

2.7 Mechanisms for delivering services at local level

The Special Group has examined the manner in which the Government uses non-statutory local organisations to support the achievement of policy objectives at a local level. These delivery mechanisms are used for a variety of reasons, including a view that in certain circumstances they can be more effective than mainstream State systems. The Group considered an analysis of various organisational groupings: *182 Community Development Projects, 107 Family Resource Centres, 42 Citizen Information Centres, 59 Money Advice & Budgeting Service* (MABS)*, 60 Partnerships & LEADER Companies, 41 Community Training Centres, 330 Community Service Projects, 16 Volunteer Centres* and *33 County Childcare Committees.* Under these headings, funding is provided to 870 local organisations. Total Exchequer funding of the various organisations examined exceeds €350m each year.

The analysis gives rise to a range of concerns with regard to:

(i) the number of different types of local organisation supported;

(ii) the number of individual local organisations which continues to increase;

(iii) the efficiency of a structure which consists of a large number of very small organisations;

(iv) the fact that the various organisation groupings examined are funded and overseen by three Government Departments and four State agencies;

(v) the circumstances whereby the same local body may often get additional funding from different Government Departments or agencies;

(vi) the potential for overlap of functions between local bodies; and

(vii) the difficulties in measuring the contribution that these local organisations make to the objectives pursued.

Accordingly the Group proposes that the following approach be adopted:

- *Assign all funding to a single Department*
  Funding for all local non-statutory organisations should be merged and administered by one Government Department, e.g. the Department of Social & Family Affairs or the Department of the Environment, Heritage & Local Government.

- *Integrate supports*
  Financial supports and supports in the form of *Community Employment* (C.E.) staff should be integrated as part of an overall supports package.

- *Implementation by Local Authorities*
  A local appraisal step should be introduced to ensure that the set of local organisations in a given local authority area serves that area in the most efficient and effective way. Instead of each local organisation submitting its funding application to separate central Government Departments and agencies, they would individually or in partnership with other organisations submit applications to their local authority.

- *Merge delivery organisations*
  The local appraisal step would allow organisations themselves to drive efficiencies through joint proposals. However, the Special Group specifically proposes that the number of organisation types and the number of individual bodies should initially be reduced by merging some functions into a single county/ local authority level organisation. At minimum, the functions of the *Partnership/LEADER Companies, County Childcare Committees* and *Volunteer Centres* could be merged and delivered by one organisation per local authority area.

- *Provide incentives to seek efficiencies and innovation*
  Not all organisations that are currently funded will be guaranteed support and this reality should provide local organisations with an incentive to seek efficiencies and to be innovative in the way they serve their respective communities.

Apart from realising efficiency savings, the implementation of these proposals would lead to a more effective delivery mechanism, with benefits for consumers and taxpayers, and an impact that is easier to measure and evaluate.

2.8 Regulators and ombudsman offices

The Special Group has considered the range of sectoral regulators[1] and ombudsman offices now in place to determine the scope for efficiency savings and the potential for rationalisation. In the course of its analysis, the Group has reviewed the rationale for these bodies, trends in resource allocation and their funding models.

In general, there have been significant increases in staffing and pay costs across some of the organisations under review, while others have maintained resources at relatively stable levels. The

[1] An examination of the activities of the Financial Regulator was not included in this analysis, as the Special Group understands that this body is currently being re-constituted.

Group also notes considerable disparities in staffing and expenditure levels between organisations with a similar range of functions. The level of non-pay costs, particularly legal and consultancy costs, constitutes a high proportion of overall costs for some regulators.

In reviewing functions and responsibilities, the Group notes the opportunities to amalgamate bodies with complementary functions and reduce duplication. In most cases, this approach should yield back-office savings and/or provide scope for a more coherent and unified policy approach across similar sets of activities.

In summary, the Group proposes that the following bodies be amalgamated:

- The *Health Insurance Authority* and the *Pensions Board* with the *Financial Regulator;*
- The *Irish Takeover Panel* with the *Competition Authority;*
- The *Pensions Ombudsman* with the *Financial Services Ombudsman;*
- The *Broadcasting Authority* with the *Communications Regulator; and*
- The *Office of the Children's Ombudsman* and the *Office of the Data Protection Commissioner* with the *Office of the Ombudsman,* in a newly-constituted *Ombudsman Commission.*

The Group considers that staffing levels are too high at a number of regulators and recommends staff reductions. Further, the Group notes the high proportion of staff working at relatively senior grades across certain regulators and ombudsman offices and considers that grading structures should be reviewed to effect savings. Efficiencies in non-pay costs are also achievable given the high level of legal, consultancy and other costs incurred in recent years across some of the organisations concerned.

In order to improve accountability, the Group recommends that all regulators should be required to submit annual budgets and funding levy proposals to the Department of Finance for approval, along with output statements that make clear what exactly the body is aiming to achieve with its resources. The merits of outsourcing the joint collection of levies and licence fees for a range of regulators and ombudsman offices should also be investigated. This measure would facilitate savings in support costs leading to reductions in fees payable by regulated entities.

Finally, the Group holds the view that as a general rule, regulators and ombudsman offices with responsibility for particular industries should fund all of their activities from payments made by the relevant industry (subject to Department of Finance approval as indicated above).

2.9 Public procurement

Public procurement is a hugely important element of total public expenditure. Annual public expenditure on the procurement of goods and services by public authorities amounts to about €10bn with a further €7bn (approximately) on works. Given the scale and diversity of this expenditure, the Special Group acknowledges and supports the reform initiative launched by Government in mid-2008 focussed on the establishment of new organisational structures and on the development of systems, procedures, skill and competencies in public procurement consistent with the overriding objective of achieving better value for money.

In April 2009, a new unit - the *National Public Procurement Operations Unit* (NPPOU) - was set up within the Office of Public Works (OPW) to 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 existing *Government Supplies Agency* (GSA) in the OPW has been disbanded and its duties in relevant areas assumed by the NPPOU. Responsibility for the purchase of IT hardware and software will follow, commencing in 2010. 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).

The Group recommends that a panel of experts should be formed as soon as possible to drive the professionalisation of procurement, implement effective process and supplier management reforms and enhance the quality of staff and service to stakeholders.

The Group also recommends that reforms should be extended into supply chain management and inventory control in all public authorities. Based on Group members' experience of best practices in this area, the Group considers that better supply chain management could give rise to potential savings of several hundred million euro in a full year. The Group recommends that the Departments of Health & Children; Education & Science; Justice, Equality & Law Reform; and Agriculture, Fisheries & Food should be required to review current arrangements in detail and to submit to Government no later than the end of 2009, a detailed statement of reforms they propose in supply chain management and inventory control in all public authorities in their sectors to deliver aggregate savings building up to €300 million in a full year by 2012. All other Secretaries General and Heads of Office should submit similar statements in respect of their business areas no later than end-June 2010 identifying possible savings in their areas.

The Group recommends that the Department of Finance should determine strategic objectives for the new operations unit (as well as for supply chain management) including setting specific savings targets for each year. In addition, the Department, which should be represented on the Board of the NPPOU, should monitor performance against objectives and should undertake periodic reviews and report progress to the Minister for Finance.

2.10 Property management

Ensuring that the management of State property is as efficient as possible is particularly important in the current economic environment. Proposals for reducing expenditure on property and for generating funds from the disposal of surplus State property are examined below. The Special Group proposes that:

(i) The Office of Public Works, in conjunction with property holding Departments and non-commercial State bodies, should take the necessary steps immediately to identify and prepare for sale all surplus property held by them;

(ii) The Department of Finance in consultation with OPW should prepare legislation before end-2009 to centralise in OPW the stewardship and management of State property held by Government Departments and non-commercial agencies;

(iii) The Department of Finance should issue updated and enhanced guidelines for acquisition, management, sale and inter-agency transfer of property. These guidelines should, in particular:

- require all Departments and agencies to have a property management strategy;
- require all Departments and agencies to detail and justify their current property holdings before further sanction to spend capital is granted;

- provide for sanction in respect of 5% of capital expenditure to be withheld pending receipt of this information

- require all Departments and agencies with surplus property to surrender it to OPW for disposal; and

- remove any veto Departments may feel they have over property proposals relating to them made by OPW;

(iv) OPW should prepare a comprehensive inventory of all State property holdings and make the information available both centrally and to individual Departments and agencies. This inventory should be made available in an interactive map-based format.

The Group also recommends that, in order to ensure greater transparency in contract terms and prices, and to achieve greater value for money, the OPW should publish on its web site details of all leases and rental agreements on behalf of public authorities, giving the location, price and contract terms in each case. Given the uniquely desirable status of the State as a tenant, the Group does not consider that commercial confidentiality should be accepted as a bar to such publication.

2.11 Outsourcing of Government activities

Outsourcing is a business activity through which organisations can secure major operational efficiencies through contracting specialist service providers to handle self-contained blocks of work previously handled in-house. Activities that lend themselves to outsourcing typically have the following attributes:

- high volume processing;
- involve large headcounts;
- are rules based;
- have consistent requirements;
- demand measurable performance; and
- are efficiency focused.

Activities that generally match these criteria typically include payroll, data entry, payments / claims processing, accounts payable and accounts receivable processing; however, the scope of outsourcing can in principle be much broader than this, encompassing every field of activity or business function for which outputs can be specified, and be subject to monitoring as regards quality and delivery. In transferring such operations to an external service provider, the primary focus is on achieving cost savings without loss of quality. The reworking of processes required to transfer to the outsourced operation should also result in better control of standardised processes.

The Special Group is convinced that there is considerable scope for increased resort to both shared services and outsourcing in the Irish public service. The main benefits to the Exchequer will derive from significant efficiencies and savings on the delivery of schemes.

Accordingly, the Group's general recommendation is that the possibilities of outsourcing services should be actively pursued in each area of the public service with a view to building on the savings obtained through the successful launching of shared services initiatives. The approach should involve pilot projects which can be put in place quickly in areas such as accounts and payment-processing. At the minimum, we recommend that all new start-up operations in the public service should be structured along these lines. In some Detailed Papers, the Group points out other areas where the outsourced approach could yield substantial savings.

2.12 Shared ICT services

Information and Communications Technology (ICT) represents a particular sub-set of activities for which shared services solutions should be actively explored. Approximately 1,300 staff work in ICT in the civil service at an estimated cost of €65m a year. In addition, the civil service spends just under €200m a year on external ICT resources (consultancies, contractors and external service providers) and on ICT support and maintenance services. Substantial additional costs are incurred on hardware, software, telecommunications and training.

In outline, the Group has identified that greater sharing of ICT facilities and services, commensurate with improvements in the skills and knowledge of ICT staff and recruitment of ICT specialists from the market, can lead to a considerable reduction in the current costs of ICT provision. The Group notes that the Government has instructed a 50% reduction in the use of external ICT resources and the development of plans by each public body to increase their ICT self-sufficiency.

To facilitate these Government decisions, the Group has identified opportunities for greater use of centralised shared approaches to ICT services and data centre facilities and proposes that the Department of Finance spearheads efforts to develop and implement these. Examples include e-mail, file and print serving, anti-virus services, anti-spam services, content filtering, office productivity software, information repositories, payroll solutions, refurbishment and shared use of some of the existing computer centres in Departments and Offices.

The Group also proposes that each Department and Office should, on the back of detailed advice from the Department of Finance, put together an ICT skills map to identify opportunities for re-skilling and retraining existing ICT staff, redeploying staff from ICT to other administrative areas, and plugging shortfalls through competitive process that would include judicious use of external recruitment of ICT specialists. Such recruitment should be subject to a demonstrable reduction in overall numbers in the ICT area in each organisation, and a demonstrable reduction in the overall expenditure on the use of external resources.

Finally, the Group proposes that consideration be given to the use of an IT Advisory Group comprising senior independent ICT practitioners from medium-large companies in Ireland. Such a group would enable senior ICT policymakers and operations managers in the civil service to network with and learn from peers in the private sector.

2.13 Performance, impacts and value-for-money

In the course of its analysis, the Group noted a general deficiency of information regarding the public service impacts associated with particular items of expenditure. The management focus across Departments generally still seems to be on securing and retaining the maximum volume of expenditure for particular areas, and on accounting for Departmental activities in financial terms; details on outputs and actual performance seem secondary. Indeed, notwithstanding that the *Annual Output Statements* are now in their third year, it has proven problematic in many cases to account for Departmental expenditure in programme terms – i.e. to break down spending in line with the distinct public policy objectives being pursued, and to assign administration and staff costs alongside each programme. This makes it difficult to assess and compare basic cost-efficiency ratios across the public service, and, in particular, it can mask the costs arising from outdated and restrictive work practices.

Similarly the *Value for Money & Policy Reviews*, in which various expenditure programmes are critically reviewed by the responsible Department, have up to now had limited success in redirecting scarce resources away from lower-priority, lower-performing areas to areas where they can be put to more productive use (although recent reforms are designed to address these shortcomings).

This is symptomatic of a public service culture that is insufficiently focused on how public resources are allocated, how efficiently they are spent, and what results are being achieved. This is in marked contrast to the private sector, where high costs and ineffective management have very direct consequences in terms of business closures and job losses. Addressing these issues in the interests of the taxpayer requires a structural solution and changes of mindset from management grades down. The Group therefore recommends the following approach:-

(i) Every proposed new spending programme should be accompanied by a *Public Service Performance Charter,* which sets out clearly the business case for the programme, the resources that will be required and output / impact indicators that can be used to measure success or failure of the programme;

(ii) Cost-Benefit Analyses (CBAs) should be conducted for all significant programme proposals, both current and capital, and should be routinely published. All such analyses should routinely include the true cost of the proposed spending including capital, accommodation, overheads and accrued pension costs; and an assessment of other lower-cost means of achieving the same policy objective;

(iii) All capital projects above €30m should be subject to a 'look-back' evaluation within a reasonable period of their entry into use to check realised costs and benefits as against the original CBA projections;

(iv) All expenditure programmes should have a 'sunset clause' after which the scheme is wound down, unless the programme shows clear positive results on the basis of a rigorous evaluation exercise, including *VFM & Policy Reviews.* We need a decisive move away from the existing system whereby resources are assigned once and, in effect, retained indefinitely with little regard to results or alternative priorities;

(v) Particularly in the case of grant schemes, the cash allocation should be capped at the outset, so that the Exchequer exposure is limited to the amount envisaged by the Government. The Group understands that Government accounting arrangements already provide for "cash limiting" of this nature;

(vi) The annual Estimates of Expenditure should be produced on a programme-by-programme basis, fully consistent with the *Annual Output Statements* and our proposed *Public Service Performance Charter,* with full allocation of administrative and staffing costs; and

(vii) The competency should be developed to allow expenditure programmes to be challenged and tested, on the basis of independent and publicly-available evaluation of value-for-money

and effectiveness. This competency should be developed through enhanced *VFM & Policy Reviews* that are more tightly woven into the resource allocation process, and through a stronger role for an independent body such as the Comptroller & Auditor General (C&AG). In the same way that the Appropriation Accounts are audited by the Comptroller & Auditor General (C&AG) each year, the *Annual Output Statement* should be subject to independent audit / verification by the C&AG in respect of the outputs actually delivered in the previous year; the efficiency and effectiveness of delivery; and the quality and measurability of the outputs selected for the year ahead. This initiative would also facilitate the Dáil Committees in the exercise of their independent role in holding Government expenditure up to scrutiny.

Many of these proposals are consistent with the reform priorities identified in the *Transforming Government Services* action plan, launched by the Government in December 2008. While some proposals would require additional resources, especially proposal *(vii)* in respect of the C&AG's role, this would reap a greater dividend in terms of enhancing the ability to expose and close off areas of waste and inefficiency in public expenditure programmes.

2.14 Rationalisation of State agencies

The Government announced a number of State agency rationalisation measures as part of the 2009 Budget. In the course of its analysis of the various Votes, the Group has built on these measures by considering the consolidation of the sectoral economic Regulators, Ombudsman Offices as well as the non-commercial State agencies under the aegis of each Department. For the purposes of its examination, the Group has taken account of the Government's principles on agency rationalisation, first articulated in *Budget 2009*, and re-capitulated below:-

1. *Citizen focus*
   The relationship between citizens and the State is the key relationship in any democratic society. Proposals should respect and enhance this relationship, in particular by ensuring that agencies are designed to deliver quality public services, and to contribute effectively to the business of public administration whether directly or via their parent Department.

2. *Policy formulation*
   In the Irish system of public administration, Government Departments are and should be the primary locus of public policy formulation, evaluation and analysis. Policy evaluation and advisory functions should not, as a general rule, be carried on by external State-funded agencies. Specialist advice and consultancy may be availed of from time to time by Government Departments, subject to the tightened Government strictures on the budgets for external consultancies.

3. *Specialist agencies*
   Decisions should take into account whether it is appropriate that a separate agency carry out particular functions in areas where specialist skills may be required, and where independence in the performance of functions requires functional separation from Government Departments.

4. *Streamlining*
   Decisions should be cognisant of duplication, overlapping and similarities of functions and roles of agencies, and the synergies from bringing together separate bodies within cognate areas.

5. *Service sharing*
   Even where bodies should remain separate from one another, or from a ‘parent’ Department, the possibility of sharing back-office functions should be explored to the maximum extent possible.

6. *Agency life cycle*
   Decisions should consider whether the goal for which an Agency was originally established has been achieved (or has been found to be unachievable) and whether the original objective remains relevant today having regard to developments in society or changes in Government priorities.

Accountability for performance needs to be improved for non-commercial State agencies. At present, the Annual Output Statements do not apply to them directly, nor are the bodies subject to clear “Service Level Agreements” as in other countries. The Group understands that these issues have been flagged for reform in the context of the Government’s *Transforming Public Services* agenda, and we recommend that progress be pursued with a view to establishing a common, coherent framework for results-focused management and governance in Irish State agencies. The Group’s own general recommendations for improving performance and value-for-money, as outlined in section 2.13 above, are also relevant in this regard.

On this basis, the Group now proposes a further 43 rationalisation measures concerning State agencies and other bodies/structures. Please note that the proposals summarised in table 2.3 have been included under the most relevant Department, usually where the target saving will accrue. Collectively, these proposals would deliver over €170m in savings, including some €19m in capital expenditure. Details on particular rationalisation proposals and their associated estimated savings are contained in the relevant Detailed Paper in each case.

Table 2.3 Proposed Rationalisation of State agencies and other bodies / structures

Proposal		*Annual saving**
Department of Agriculture, Food & Fisheries (D/AF&F)		
1	Transfer functions of *Bord Iascaigh Mhara* into D/AF&F; consider similar transfer for *An Bord Bia*	€7.3m
Department of Arts, Sports & Tourism		
2	Discontinuation of *Sports Campus Ireland*	€1.0m *€2.0m (capital)*
3	Discontinuation of *Irish Film Board* and investment fund	€3.0m *€17.3m (capital)*
Department of Communications, Energy & Natural Resources		
4	Merge the *Digital Hub Development Agency* with *Enterprise Ireland*/IDA	€1.8m
5	Merge *ComReg* and the new *Broadcasting Authority of Ireland.*	€1.4m
6	Transfer the *Irish Film Classification Office* into the *Broadcasting Authority of Ireland*	-
7	Merge the *Ordnance Survey of Ireland* with the *Property Registration Authority* (see also nos. 30 & 34 in this table)	€0.6m
Department of Community, Rural & Gaeltacht Affairs		
8	Discontinuation of *Dormant Accounts Fund Board*	€1.7m
9	Discontinuation of *Western Development Commission*	€2.2m
Department of Education & Science (D/E&S)		
10	Amalgamation of smaller primary schools	€25.0m
11	Discontinuation of *Comhairle um Oideachas Gaeltachta agus Gaelscolaíochta* (COGG)	€1.2m
12	Rationalise VECs from 33 to 22	€3.0m
13	Rationalisation of third level institutions	€9.2m
14	Merge HEA into D/E&S	€1.0m
15	Discontinue funding for the *Grangegorman Development Agency*	€1.5m
16	Discontinue the *National University of Ireland*	€3.0m
17	Absorb *National Education Welfare Board* (*NEWB*) into D/E&S	€0.5m
18	Absorb *National Council for Special Education* (*NCSE*) into D/E&S	€0.3m

Department of Enterprise, Trade & Employment		
19	Consolidate all indigenous enterprise support and sector marketing functions in *Enterprise Ireland* (EI) and rationalise the organisations losing functions as appropriate. This encompasses *County Enterprise Boards, Business Innovation Centres, Western Development Commission and the relevant enterprise/,marketing support functions of Údaras na Gaeltachta, Shannon Development, Bord Iascaigh Mhara, Bord Bia and the Irish Film Board*	€10.0m
20	Transfer *Shannon Development's* enterprise functions to EI/IDA as appropriate. Surplus property assets should be realised for the benefit of the Exchequer.	€2.0m
21	Rationalisation of all employment services provided/funded by the State into a single operation offering a consistent nationwide service	€1.0m
22	Rationalise the industrial relations institutions (*Labour Court*, the *Labour Relations Commission*, *Employment Appeals Tribunal*, etc.)	€3.0m
23	Merge the *Health and Safety Authority* and the *National Employment Rights Authority* into one *Work Place Inspectorate.* Co-operative efficiencies should yield €2m a year in the meantime.	€5.0m
24	Formally merge the functions of the *Registrar of Friendly Societies* and *Companies Registration Office and secure additional efficiencies*	€0.5m
25	Merge the *Irish Takeover Panel* with the *Competition Authority*	-
Department of the Environment, Heritage & Local Government		
26	Rationalise housing agencies and schemes	€8.2m
27	Rationalise the number of local authority structures into a single tier by discontinuing town councils and regional authorities, and reduce the remaining single tier from 34 city and county councils to 22 local authorities.	-
28	Merge the functions of *Comhar* into the Department	€0.7m
Department of Finance		
29	Potential to merge the Office of the Commission for Public Service Appointments with the Office of the Ombudsman	-
30	Merge the Ombudsman for Children, Office of the Data Protection Commissioner with the Office of the Ombudsman	€0.5m
31	Merge the Valuation Office with the *Property Registration Authority* (see also nos. 7 & 34 in this table)	€1.5m
Department of Health & Children		
32	Merge the *Health Research Board* with single stream of science funding	€10.6m
33	Merge the *Health Insurance Authority* with the *Financial Regulator*	-

Department of Justice, Equality & Law Reform		
34	Merge the *Property Services Regulatory Authority* with the *Private Residential Tenancies Board*	€0.5m
35	Merge the *Ordnance Survey of Ireland* and the Valuation Office with the *Property Registration Authority* (see also nos. 7 & 30 in this table)	€3.7m
Department of Social & Family Affairs		
36	Discontinuation of the *Family Support Agency*	€30.0m
37	Merge *Pensions Ombudsman* with the *Financial Service Ombudsman*	€1.0m
38	Merge *Pensions Board* with the *Financial Regulator*	€1.0m
Department of the Taoiseach		
39	Discontinue the *National Economic & Social Development Office* except for the *National Economic Social Council*	€4.0m
40	Discontinuation of the *Law Reform Commission*	€2.8m
Department of Transport		
41	Merge National Vehicle & Driver File (function in D/Trans.) into the *Road Safety Authority*	€2.0m
42	The Group considers that the creation of a single transport safety body comprising existing separate bodies (the *Road Safety Authority*, the *Railway Safety Commission,* the *Maritime Safety Directorate*, and the *Irish Aviation Authority*) should be examined.	-
43	Merge the *Railway Procurement Agency* and the *National Roads Authority*	€3.0m

Chapter 3

Savings identified in each area

This chapter sets out the outcome of the Special Group's consideration of the scope for savings in each area. Each section summarises the conclusions of the Detailed Papers which are presented in Volume II of this Report, and includes a comprehensive list of the proposed savings in each case.

The Group has considered the scope for savings in each Ministerial Vote Group, and in other standalone agencies as appropriate, and the findings in each case are presented in alphabetical order as set out below.

3.1 – Agriculture, Fisheries & Food

Table 3.1.1 Agriculture, Fisheries & Food expenditure allocations

	2008 provisional outturn	*2009 Revised Estimates*	*year-on-year % change*	*proposed full year savings*	*% savings*
Gross Current	€1,417m	€1,509m	+6.5%	€305.1m	-20.2%
Gross Capital	€684m	€476m	-30.4%		
Gross Exchequer Total	**€2,101m**	**€1,985m**	**-5.5%**	**€305.1m**	**-15.4%**
EU Direct Expenditure	€1,459m	€1,355m	-7.1%		
Total Expenditure	**€3,560m**	**€3,340m**	**-6.2%**	**€305.1m**	**-9.1%**
Staff numbers	6,372	6,264	-1.7%	1,140	-18.2%

The Department of Agriculture, Fisheries & Food (D/AF&F) has a broad remit embracing policy, regulatory and developmental roles in relation to the production and processing sectors of the agriculture, food, forestry and fisheries industries. The Special Group has identified potential savings of €305m a year and proposes that staffing numbers be reduced by approximately 1,140 positions. The full set of proposals and their rationale are set out in Detailed Paper No. 1 and summarised in table 3.1.2. The key elements of our proposals for this area are outlined below.

Structural reform

The Group recommends that the export promotion function for indigenous industry should be transferred to *Enterprise Ireland*, including those functions of *An Bord Bia* and *Bord Iascaigh Mhara (*BIM*)*, with BIM's remaining functions carried out in D/AF&F. Consideration should be given then to whether the remaining functions of *An Bord Bia* warrant the maintenance of a separate organisation. If not, the functions should be carried out by a dedicated section in D/AF&F.

The Group considers that there should be a large reduction in staff numbers and a significant rationalisation of *Teagasc* and D/AF&F locations. The services and functions should be supplied at no more than 35 locations (as against over 150 at present), which should be focused on delivering customer service, and co-located with other local agency centres as appropriate.

In line with the Group's recommendation that all research should be funded through a single funding stream (See Detailed Paper No 7. on the Department of Enterprise, Trade & Employment) agricultural research funding should be transferred to the new single funding entity enabling agricultural research to compete with other areas on the basis of economic return over a fixed period.

Programme adjustments

The Group recommends that: the *Suckler Cow Scheme* is terminated; disease levies be increased; the operation of the *TB* and *Brucellosis Eradication Schemes* be reviewed for efficiency and effectiveness, including, by restricting *TB* eradication compensation to 75% of the market value.

With regard to the *Rural Environmental Protection Schemes* (REPS), it also recommend that there should be no rollover of participants from the REPS 2 and 3 Schemes into the REPS 4 scheme, which should be closed; and that, as a general principle, each farmer should be entitled to avail of REPS once rather than multiple times.

In this period of exceptionally tight resources, the Group considers that the expenditure under the *Disadvantaged Area Compensatory Allowance Scheme* could be reduced by 30% as farmers' incomes are now supported by the *Single Farm Payment* and payments under the *Rural Development Programme.*

Administrative and other efficiencies

Consistent with the reduction in available Exchequer resources, the Group puts forward a range of reductions in administrative costs and increased flexibility and recommends that D/AF&F should conduct a review with a view to reducing administrative costs. In particular, we see significant scope for the outsourcing of payment processing activities.

In addition, the Group has suggested exploring the following avenues which could provide once off receipts for the Exchequer:

- dispose of non-essential land/property holdings owned by the State Agencies;
- sell surplus *Teagasc* assets; and
- review the operations of *Coillte* with a view to realising optimal return through rationalisation, asset disposal and, possibly, privatisation.

Table 3.1.2 Agriculture, Fisheries & Food savings measures

	Annual savings identified
Programme A – Agriculture food & fisheries policy trade and development	
A.1 Transfer export promotion function of *An Bord Bia* and BIM to *Enterprise Ireland*, transfer BIM's other functions to D/AF&F and consider same for *An Bord Bia*	€7.3m
A.2 Reduce *Teagas*c staff numbers and rationalise offices	€30.0m
A.3 Transfer agriculture research funding to new single funding stream for all research	€14.0m
Programme A savings	*€51.3m*
Programme B – Food, animal, plant safety and welfare and consumer protection	
B.1 Terminate the *Suckler Cow Scheme*	€44.0m
B.2 Increase disease levies	€5.0m
B.3 Review the operation of the *TB* and *Brucellosis Eradication Schemes*	€9.0m
B.4 Efficiencies/reform in Inspection procedures	€2.0m
B.5 D/AF&F should conduct a full review with a view to reducing administrative costs by a minimum of 10%.	€15.0m
B.6 Staffing reductions	€8.3m
Programme B savings	*€83.3m*
Programme C - Rural economy, environment and structural change	
C.1 Close REPs 4 and no rollover of participants from REPS 2 & 3 into REPS 4	€80.0m
C.2 Staffing reductions	€7.5m
Programme C savings	*€87.5m*
Programme D – Customer service and payment delivery	
D.1 Reduce the annual expenditure on the *Disadvantaged Area Compensatory Allowance Scheme* by 30%	€66.0m
D.2 Rationalise the Departmental local office network	€7.0m
Programme D savings	*€73.0m*
Programme E – Corporate services	
E.1 Reduce staff numbers and implement efficiency savings	€10.0m
Programme E savings	*€10.0m*
Total Programme Savings	**€305.1m**
Total Associated Staff Savings	**1,140**

3.2 – Arts, Sport & Tourism

Table 3.2.1 Arts, Sports &Tourism expenditure allocations

	2008 provisional outturn	*2009 Revised Estimates*	*year-on-year % change*	*proposed full year savings*	*% savings*
Gross Current	€434m	€405m	-6.6%	€85.5m	-21.1%
Gross Capital	€275m	€136m	-50.6%	€19.3m	-14.2%
Gross Total	**€708m**	**€540m**	**-23.7%**	**€104.8m**	**-19.4%**
Staff numbers	1,433	1,433	0%	170	-11.9%

This Group of Votes includes the Department of Arts, Sports & Tourism (D/AS&T) and the *National Gallery of Ireland.* D/AS&T supports the continued development of the tourism sector as well as overseeing sports capital investment and formulating sports policy. The Department oversees the national cultural institutions, which preserve, protect and present Ireland's heritage and cultural assets.

Having regard to the large increases in expenditure in this area over recent years, and the lower priority of many D/AS&T expenditure programmes given the crisis in the public finances, the Special Group has identified proposals to save almost €105m in 2010, including €19m capital savings, and it has identified scope for a structural reduction of at least 170 staff across the Department and its agencies. Given the extensive savings that are possible, the Group believes that the rationale for a separate Department to administer programmes which mainly involve allocations to national bodies and institutions is significantly diminished. Consideration should be given to the discontinuation of D/AS&T as a Department in its own right.

Programme reductions

In light of the lower priority that can be afforded to the areas covered, the Group considers that reductions should be applied across the range of expenditure programmes in this area, including reduced allocations for:

- tourism marketing to reflect cost efficiencies in the current environment
- sports (including elimination of spending on *Sports Campus Ireland)*
- the *Horse and Greyhound Fund*
- the *Arts Council* and various cultural projects.

As the *Tourism Marketing Fund* is partially administered by *Tourism Ireland*, a cross border body, the implications of the proposal outlined in recommendation A.2 in table 3.2.2 will need to be discussed with the Northern Ireland Department of Enterprise Trade and Investment through the North South Ministerial Council.

Structural reforms and efficiencies

The Group proposes to discontinue the allocation to *Culture Ireland,* and that the film development functions of the *Irish Film Board* should be transferred to a restructured *Enterprise Ireland* with over-arching responsibility for indigenous job-creation expenditure. Finally in this regard, the Group considers that there is significant scope for outsourcing of activities, including posts in the cultural institutions.

Table 3.2.2 Arts, Sports & Tourism savings measures

	Annual savings identified
Programme A – Tourism	
A.1 Reduction in allocation to *Fáilte Ireland*	€15.0m
A.2 Reduction in allocation to *Tourism Marketing Fund*	€12.0m
Programme A savings	*€27.0m*
Programme B – Sport	
B.1 Reduction in grant to Sports Council	€17.7m
B.2 Elimination of spending on *Sports Campus Ireland*	€1.0m €2.0m (capital)
B.3 Reductions in staffing across sports programme	€1.0m
Programme B savings (incl. €2.0m capital)	*€21.7m*
Programme C – Horse & greyhound industry	
C.1 Reduction in Horse and Greyhound Fund	€16.4m
Programme C savings	*€16.4m*
Programme D – Arts & culture	
D.1 Reduction of allocation for *Arts Council*	€6.1m
D.2 Discontinuation of allocation for *Cultural Projects*	€5.3m
D.3 Discontinuation of allocation for *Culture Ireland*	€4.6m
D.4 Transfer of *Irish Film Board* functions into overall enterprise promotion body	€3.0m €17.3m(capital)
D.5 Staff savings through outsourcing across cultural institutions	€2.0m
Programme D savings (incl. €17.3m capital)	*€38.3m*
Programme E – National Gallery	
E1. Administrative efficiencies – advertising, miscellaneous, consultancy	€0.3m
Programme F savings	*€0.3m*
Programme F – D/AS&T administration	
F.1. Administrative efficiencies at D/AS&T	€1.1m
Programme F savings	*€1.1m*
Total Programme Savings (incl. €19.3m capital)	**€104.8m**
Total Associated Staff Savings	**170**

3.3 – Communications, Energy & Natural Resources

Table 3.3.1 Communications, Energy & Natural Resources expenditure allocations

	2008 provisional outturn	*2009 Revised Estimates*	*year-on-year % change*	*proposed full year savings*	*% savings*
Gross Current	€360m	€355m	-1.4%	€22.1m	-6.2%
Gross Capital	€126m	€165m	31.0%	€43.5m	-26.4%
Gross Total	**€486m**	**€520m**	**7.0%**	**€65.6m**	**-12.6%**
Staff numbers	1,301	1,315	1.1%	106	-8.1%

The Department of Communications, Energy & Natural Resources (D/CE&NR) has responsibility for the telecommunications, broadcasting and energy sectors and to regulate, protect and develop the natural resources of Ireland.

The Special Group has identified savings of up to €66m each year and associated staffing reductions of 106 posts. These recommendations would reduce total expenditure by 12.6% and staff numbers by 8.1%.

The full set of recommendations are set out in Detailed Paper No. 3 and listed in table 3.3.2 below. The key recommendations are set out below.

Structural reforms

These include:

- The merger of *ComReg* with the new *Broadcasting Authority of Ireland* (the result of merging the *Broadcasting Commission of Ireland* and the *Broadcasting Complaints Commission* and the regulatory functions of the RTÉ Authority) because of the growing convergence between the communications and broadcasting industries.

- Reform the funding of TG4 by partially funding it directly from the TV Licence with reciprocal savings in the Exchequer subvention to TG4. The Group does not recommend an increase in the TV Licence.

- Transfer responsibility for inland fisheries to the Department of Environment, Heritage & Local Government given that there is a great deal of overlap between inland fisheries and the provision of water, particularly in relation to water quality and habitats. Following this move, the full scope for operation synergies and efficiencies in the area could be explored and realised.

- Merging the *Ordnance Survey of Ireland* (OSI) and the *Valuation Office* with the *Property Registration Authority*.

Programme reforms

The Group recommends that the multiplicity of energy efficiency schemes funded by *Sustainable Energy Ireland* (SEI) and the funding of energy awareness programmes should be rationalised, as the benefits are already well appreciated by consumers and energy prices are a stronger determinant of consumer behaviour. Such programmes should be promoted routinely by the energy companies, under regulatory requirements if necessary.

Energy efficiency schemes should only be funded in the future if the cost of achieving the reduction in carbon output secured by them is equal to or less than the market price for carbon credits. Furthermore, the introduction of a carbon tax, in due course, should obviate in economic terms the need for any such schemes.

Scarce resources such as radio magnetic spectrum should be allocated through auctions to maximise the return to the State.

Table 3.3.2 Communications, Energy & Natural Resources savings measures

	Annual savings identified
Programme A - Communications	
A.1 Merge the *Digital Hub Development Agency* with EI/IDA	€1.8m
A.2 Merge *ComReg* and the new *Broadcasting Authority of Ireland.*	€1.4m
Programme A savings	*€3.2m*
Programme B – Broadcasting	
B.1 Transfer the *Irish Film Classification Office* into the *Broadcasting Authority of Ireland*	-
B.2 Partially Fund TG4 directly from TV Licence and reduce the direct Exchequer subvention	€10.0m
Programme B savings	*€10.0m*
Programme C - Energy	
C.1 Terminate energy awareness programmes run by D/CE&NR or SEI	€1.0m
C.2 Rationalise multiplicity of energy efficiency schemes run by SEI	€40.0m (capital)
C.3 Transfer energy research funding to new single funding stream for all research	€3.5m (capital)
C.4 Review the operations of *Bord na Móna* to achieve optimal value	-
Programme C savings (incl. €43.5m capital)	*€44.5m*
Programme D – Natural resources	
D.1 Merge the OSI and the *Valuation Office* with the *Property Registration Authority*	€0.6m
D.2 Secure efficiencies/ increased revenue worth 20% of *Geological Survey of Ireland's* operating costs.	€0.8m
Programme D savings	*€1.4m*
Programme E – Inland fisheries	
E.1 Secure additional savings from the merger of the regional fisheries boards	€4.0m
E.2 Transfer responsibility for Inland Fisheries from D/CE&NR to the Department of the Environment, Heritage & Local Government	€0.8m
Programme E savings	*€4.8m*
Programme F – Administration	
F.1 Reduce D/CE&NR authorised number of civil servants by 30 posts	€1.7m
Programme F savings	*€1.7m*
Total Programme Savings (incl. €43.5m capital)	**€65.6m**
Total Associated Staff Savings	**106**

3.4 – Community, Rural & Gaeltacht Affairs

Table 3.4.1 Community, Rural & Gaeltacht expenditure allocations

	2008 provisional outturn	*2009 Revised Estimates*	*year-on-year % change*	*proposed full year savings*	*% savings*
Gross Current	€372m	€343m	-7.8%	€96.2m	-28.0%
Gross Capital	€149m	€133m	-10.5%	€54.9m	-41.2%
Gross Total	**€521m**	**€476m**	**-8.6%**	**€151.1m**	-31.7%
Staff numbers	812	846	4.2%	196	-23.2%

This area includes the Department of Community, Rural & Gaeltacht Affairs (D/CR&GA) as well as the Charitable Donations and Bequests Office (CDBO). The Special Group has identified potential annual savings of €151m and proposes that staffing numbers be reduced by approximately 196 positions. The full set of proposals and their rationale are set out in Detailed Paper No. 4 and summarised in table 3.4.2 below. The key proposals for this area are outlined below.

Redistribution of Departmental functions

As outlined in Chapter 2 of this Report, the Group considers that the greater part of the functions of D/CR&GA involve a degree of overlap with functions of other Departments, or have a relatively lower priority in terms of the existing pressures on the public finances. The Group accordingly recommends that the Department itself should be closed and its various functions either re-distributed to other Government Departments, or discontinued as appropriate.

Programmes E and F are focussed on the Gaeltacht and the Islands. If the D/CR&GA is to be closed, then these Programmes fall to be transferred elsewhere. In that event, it is considered that matters relating to Irish language and culture should be assigned to the Department of Education & Science while the allocation of grants should become a responsibility of the Department of the Environment, Heritage & Local Government.

Other structural changes include the transfer of the enterprise development function of *Údarás na Gaeltachta* and the management of the *Western Investment Fund* to the over-arching enterprise agency outlined in Chapter 2; the merger of *Partnerships* and *Volunteer Centre* structures with *County Childcare Committees* (funded by the Department of Health & Children); and the provision of support for these community bodies, alongside *Drugs Task Forces* and *Volunteer Centres*, by the relevant Local Authority. Taken together, these measures should generate significant administrative savings. The requirement under the *Official Languages Act 2003* to translate all official publications into Irish should be amended to apply to a more limited range of cases.

Programme savings

Irrespective of Departmental changes, the Group sees significant scope for reductions in expenditure allocations in this area. The Group recommends the discontinuation, on a phased basis, of a number of programmes within the Department which can be better accommodated under existing schemes in other Departments. Expenditure on Gaeltacht Housing Grants, RAPID and CLÁR fall into this category. It is recommended that there be a scaling-back in expenditure across a wide range of D/CR&GA expenditure programmes which have received significant increased allocations over recent years, but which are no longer affordable at existing levels.

Table 3.4.2 Community, Rural & Gaeltacht Affairs savings measures

	Annual savings identified
Programme A – Corporate services/administration	
A.1 Reduction in staffing for corporate services	€3.6m
A.2 Reduction in senior management	€0.8m
A.3 Other non pay administrative overhead	€0.4m
Programme A savings	*€4.8m*
Programme B – Community (including CDBO)	
B.1 Discontinuation of *Dormant Accounts Fund Board*	€1.7m
B.2 Discontinuation of RAPID scheme	€1.4m €6.1m(capital)
B.3 Reduction in allocation for community and voluntary sector supports	€10.0m
B.4 Reduction in allocation for *Community Services Programme*	€10.0m
B.5 Reduction in allocation for local &community development programmes	€44.0m
B.6 Associated staff reductions	€0.4m
Programme B savings (incl. €6.1m capital)	*€73.6m*
Programme C – Drugs	
C.1 Better targeting of funds to drugs task forces projects	€2.0m
C.2 Provision of shared services by local county structures	€0.6m
Programme C savings	*€2.6m*
Programme D – Rural	
D.1 Transfer *Western Development Commission's* enterprise development functions to *Enterprise Ireland*	€2.2m
D.2 Phase out *Ceantair Laga Árd-Riachtanais (*CLÁR)	€16.9m (capital)
D.3 Savings arising from Departmental civil servant reductions under D.2	€0.4m
Programme D savings (incl. €16.9m capital)	*€19.5m*
Programme E – Gaeltacht and Islands	
E.1 Gaeltacht Housing Grant Schemes should not be resumed	€2.9m (capital)
E.2 Discontinuation of specific Gaeltacht schemes	€8.9m €9.0m (capital)
E.3 Reduce allocation for island infrastructure	€20.0m (capital)
E.4 Transfer *Údarás na Gaeltachta's* enterprise development functions to *Enterprise Ireland*	€6.9m
E.5 Associated Staff reductions	€1.9m
Programme E savings (incl. €31.9m capital)	*€49.6m*
Programme F – Irish Language	
F.1 Reduction in allocation to *Ciste na Gaeilge*	€1.0m
Total Programme Savings (incl. €54.9m capital)	**€151.1m**
Total Associated Staff Savings	**196**

3.5 – Defence

Table 3.5.1 Defence expenditure allocations

	2008 provisional outturn	*2009 Revised Estimates*	*year-on-year % change*	*proposed full year savings*	*% savings*
Defence					
Gross Current	€850m	€804m	-5.4%	€53.4m	-6.7%
Gross Capital	€27m	€18m	-31.9%	-	
Gross Total	**€877m**	**€822m**	**-6.2%**	**€53.4m**	**-6.5%**
Staff numbers	11,652	11,482	-1.5%	520	-4.5%
Army Pensions					
Gross Current	€204m	€209m	2.6%	-	-
Gross Capital	-	-	-	-	-
Gross Total	**€204m**	**€209m**	**2.6%**	**-**	**-**
Pension numbers	11,671	11,640	-	-	-

The Defence Group of Votes consists of the Votes for the Department of Defence (D/Defence) and for Army Pensions. The primary role of the D/Defence is to provide policy advice and support on Defence matters. The roles of the Defence Forces are to defend the State against armed aggression, to aid the civil power, to participate in multinational peace support, crisis management and humanitarian relief operations in support of the United Nations, to provide a fisheries protection service in accordance with the State's obligations as a member of the EU and to carry out other duties that may be assigned to them from time to time. The Special Group has identified potential annual savings of over €53m and proposes that staffing numbers are reduced by approximately 520 positions.

In formulating our proposals, the Group notes that growth in gross current expenditure in the Defence area has been lower than in other areas over recent years, reflecting ongoing reforms in the Defence Forces including a reduction of over 900 personnel (see table 2.1 on page 12). The Group's full proposals and their rationale are set out in Detailed Paper No. 5 and summarised in table 3.5.2 below. The key elements of these proposals in this area can be set out under the headings below.

<u>Reductions in Defence sector personnel</u>

While participation in overseas missions helps to maintain the readiness of the Defence Forces, most of these missions (other than Chad and Kosovo) tend to involve small numbers of personnel, but entail significant commitments in terms of resources. The Group also notes that the Minister for Defence has indicated to the UN the possibility that the state of the public finances may not permit the extension of Ireland's participation in the mission to Chad beyond March 2010. The Group recommends that Ireland end its participation in Chad in a timely manner and rationalise its overseas commitments to a small number of key missions at a time.

The Group is of the view that it should be possible to achieve a reduction of 500 Defence Forces personnel through natural wastage and non-filling of non-essential vacancies taking account of barrack reorganisation, consolidation of the command structure as well as the proposed rationalisation of Ireland's overseas commitments. Based on the proportionate reduction in the 2009 net pay provision in the Defence Vote, the resultant saving in the pay provision should, over a

2-3 year period as operational requirements allow, rise to approximately €25m a year in 2009 prices.

The Group also considers that a smaller, more focused *Reserve Defence Force* (RDF) could deliver a more usable capability to the Defence Forces for less expenditure. It recommends accordingly that the RDF be reduced by two-thirds.

Property portfolio

Given the distribution of the Permanent Defence Forces across the country and their extensive property portfolio, the Group believes that there are opportunities for further consolidation. It recommends that the D/Defence bring forward detailed proposals for the closure of barracks, in particular Cathal Brugha Barracks (Rathmines, Dublin), and the disposal of property that is not fully and economically utilised by the Defence sector.

Streamlining and programme efficiencies

The Group recommends the discontinuation of programmes within the Department of the Defence which are no longer justifiable given the significantly reduced Exchequer resources available and the existence of other more important expenditure priorities.

The D/Defence provides significant support to other Departments and agencies through Aid-to-the-Civil Power, Aid-to-the-Civil-Authority and the Ministerial Air Transport Service. In order to enhance transparency in costs for the Defence Forces of these activities, as well as providing opportunities for these services to be procured from private sector providers where it is more economical, the Group recommends that the full economic cost of these services be charged to the relevant body.

Administrative and other efficiencies

Consistent with the reduction in available Exchequer resources, and in particular the reduction in the Defence Sector, the Group recommends reductions in administrative costs of €1m in the D/Defence and reducing the number of staff by 20.

Table 3.5.2 Defence savings measures

	Annual savings identified
Programme A – Contingent Capabilities	
Indicative share of pay savings	€16.5m
Indicative share of non-pay savings	€13.3m
A.1 Charge full value of rent to 'overholders' of married quarters	€0.1m
A.2 Discontinue the Army Equestrian Team	€1.0m
A.3 Reduce the Reserve Defence Force by two-thirds	€5.6m
Programme A savings	*€36.5m*
Programme B – On Island Security and Support to other Agencies	
Indicative share of pay savings	€3.5m
Indicative share of non-pay savings	€2.8m
Extend timeframe of Navy vessel replacement programme	-
Programme B savings	*€6.3m*
Programme C – International Peace and Security	
Indicative share of pay savings	€4.2m
Indicative share of non-pay savings	€3.3m
Programme C savings	*€7.5m*
Programme D – Defence Policy, Military Advice and Corporate Services	
Indicative share of pay savings	€0.7m
Indicative share of non-pay savings	€0.6m
D.1 Reduce staff numbers in D/Defence in proportion to the reduction in the Permanent Defence Forces	€1.0m
D.2 Close the sail training scheme (*Asgard II*)	€0.8m
Programme D savings	*€3.1m*
Total Programme Savings	**€53.4m**
Total Associated Staff Savings	**520**

The allocation across the Programmes of the Special Group's recommendations of gross reductions across the Defence Vote of €25m in pay and €20m in non-pay in a full year are indicative.

3.6 – Education & Science

Table 3.6.1 Education & Science expenditure allocations

	2008 provisional outturn	*2009 Revised Estimates*	*year-on-year % change*	*proposed full year savings*	*% savings*
Gross Current	€8,412m	€8,642m	2.7%	€735.7m	-8.5%
Gross Capital	€830m	€850m	2.4%	€10.2m	-1.2%
Gross Total	**€9,241m**	**€9,492m**	**2.7%**	**€745.9m**	**-7.9%**
Staff numbers	92,483	95,415	3.2%	6,930	-7.3%

The Department of Education & Science (D/E&S) aims to provide high-quality education which will enable individuals to achieve their full potential and to participate fully as members of society, and contribute to Ireland's social, cultural and economic development.

The Special Group has identified potential annual savings of €746m and proposes that staffing numbers be reduced by approximately 6,930 positions. The full set of proposals and their rationale is set out in Detailed Paper No. 6 and summarised in table 3.6.2 below. The key elements of the proposals for this Vote are set out below.

Structural efficiencies

There is scope to reduce the overall number of primary schools through amalgamations and mergers of smaller schools. The number of *Vocational Education Committees (*VECs*)* should be reduced from 33 to 22 through amalgamation of city and county VECs as well as amalgamation of certain VECs on a regional basis. The Group also considers that there is significant scope to reduce the number of third level institutions, to protect and promote the quality of teaching in these institutions. Among the Group's proposals in this area are the amalgamation of the three Dublin-based *Institutes of Technology* into a single Institute and the amalgamation of some of the *third level institutions* elsewhere through a regional rather than a county approach.

The Group also recommends that the *National Education Welfare Board* and *National Council for Special Education* be absorbed into the D/E&S, and that savings be made in the allocations for the Teacher Training Colleges and for Education Centres.

Staffing reductions and productivity improvements

The cost of substitution cover, to replace teachers absent on sick leave and other approved absences such as in career development and official school business, is around €300m a year, and arises in large part from a set of restrictive working terms, conditions and practices for teachers. The Group recommends that savings of one-third in the overall cost of substitution arrangements, or €100m a year, should be targeted at the very minimum, with further savings of €50m in management allowances.

The Group also considers there is scope to reduce the number of Special Needs Assistants (SNAs) by up to 2,000 which would leave about 8,500 SNAs in the system to provide support for students with special needs; this would still be higher than the numbers in place in 2006. The Group also recommends a further reduction of 1,000 in the number of English language support teachers from

September 2010, to a figure of approximately 500 which is more in line with estimated immigration and labour market parameters. The Group also recommends a slowdown in the planned recruitment of additional psychologists.

The average Pupil Teacher Ratio (PTR) for primary schools is 16:1; this ratio is more favourable still (at around 12:1) if all adults involved in teaching or teaching-support duties are included. The Group recommends that the "staffing schedule" (the number of extra pupils required to qualify for an additional teacher), which will be 28:1 in September 2009, should be increased to 29:1, which was the level that applied in September 2006. At post-primary level, the staffing schedule should be increased from 19:1 to 20:1 in September 2010 to generate significant full-year savings. (The Staffing Schedule at post-primary level varied between 19:1 and 20:1 from 1972 until 2000.)

The Group considers that there is scope for greater productivity at third level institutions through an increase in the number of teaching hours delivered and administrative staff savings. The Group estimates that overall staff numbers across the third level sector could be reduced by up to 10% or 2,000 over the medium term.

Programme adjustments

The capitation grants provided to primary schools to fund the costs of running the schools should be brought back to 2007 levels. The capitation grants for post-primary schools should be reduced by approximately 10%. It also proposes that the Exchequer subvention towards the running of private fee-paying schools should be reduced by 25%.

The Group recommends greater mainstreaming of traveller education; and better targeting of grant supports for students attending third-level institutions, including through the inclusion of an asset test for means-testing purposes, and reform of the *Back to Education Allowance (*BTEA*)* scheme.

The costs of the *School Transport Scheme* should be recouped to a greater extent, with parents required to pay €500 a year for the service (i.e. about half the economic cost) at both primary and post-primary level, subject to standard means-tested exemptions. In principle the Group considers that the very high costs of special needs school transport (typically taxi-based) should also be subject to means-tested contributions.

The Group also proposes winding down expenditure on PRTLI, the *Grangegorman Development Agency*, and a range of efficiency savings in other areas.

More generally, the Group considers that third level fees should be re-introduced to provide a sustainable funding stream for third level education which would relieve the existing burden on the Exchequer. As this issue is now being considered separately by Government, we have not included a specific costed proposal in this regard.

Table 3.6.2 – Education & Science savings measures

	Annual savings identified
Programme A - Administration	
A.1 Outsourcing payroll function	€2.3m
A.2 Suspend additional recruitment to the *National Education Psychological Service*	€1.4m
A.3 Reduction in allocation for Inspectorate	€1.2m
A.4 Reduction in administrative staff	€5.0m
Programme A savings	*€9.9m*
Programme B – First Level Education	
B.1 Increase the staffing schedule at primary level	€30.0m
B.2 Amalgamation of smaller primary schools	€25.0m
B.3 Staffing efficiencies in the primary/post-primary sectors	€150.0m
B.4 Reduction in the number of Special Needs Assistants	€60.0m
B.5 Progressive reduction in the number of English language support teachers	€21.0m
B.6 Decrease in the main capitation grant	€25.0m
Programme B savings	*€311.0m*
Programme C – Second Level Education	
C.1 Rationalisation of VEC's	€3.0m
C.2 Reduction in the capitation grants	€10.0m
C.3 Increase in the staffing schedule for non fee paying schools	€50.0m
C.4 Reduce support for fee paying schools	€25.0m
C.5 Integration of Senior Traveller Training	€25.0m
C.6 Discontinuation of *Comhairle um Oideachas Gaeltachta agus Gaelscolaíochta* (COGG)	€1.2m
Programme C savings	*€114.2m*
Programme D – Third Level Education	
D.1 Staffing efficiencies across third level sector	€140.0m
D.2 Rationalisation of third level institutions	€9.2m
D.3 Merge *Higher Education Authority* (HEA) and D/E&S	€1.0m
D.4 Reduction in the allocation for teacher training colleges	€5.0m
D.5 Reduction in the allocation for Research and Development (incl.€10.2m capital)	€27.5m
D.6 Reduction in the allocation to the *Strategic Innovation Fund*	€10.0m
D.7 Rationalisation research administration structures at third level institutions	€4.0m
D.8 Reduction in the allocation to *Student Support Grant*	€70.0m
D.9 Discontinue funding for *Grangegorman Development Agency*	€1.5m
D.10 Discontinue *National University of Ireland*	€3.0m
Programme D savings (incl. €10.2m capital)	*€271.2m*
Programme E – Other Services	
E.1 Reduce allocation to school transport	€25.0m
E.2 Reduce allocation for teacher training & funding for education centres	€12.0m
E.3 Absorb *National Education Welfare Board* (*NEWB*) into D/E&S	€0.5m
E.4 Absorb *National Council for Special Education* (*NCSE*) into D/E&S	€0.3m
E.5 Reduce allocation to certain Local Drugs Task Force (LDTF) Projects	€1.0m
E.6 Reduction in allocation for *National Council for Curriculum and Assessment*	€0.8m
Programme E savings	*€39.6m*
Total Programme Savings (incl. €10.2m capital)	**€745.9m**
Total Associated Staff Savings	**6,930**

3.7 – Enterprise, Trade & Employment

Table 3.7.1 Enterprise, Trade & Employment expenditure allocations

	2008 provisional outturn	*2009 Revised Estimates*	*year-on-year % change*	*proposed full year savings*	*% savings*
Gross Current*	€1,462m	€1,450m	-0.8%	€169.7m	-11.7%
Gross Capital	€451m	€488m	8.2%	€68.0m	-13.9%
Gross Total	**€1,913m**	**€1,938m**	**1.3%**	**€237.7m**	**-12.3%**
Staff numbers	5,475	5,465	-0.2%	594	-10.9%

*Includes National Training Fund

The Special Group has identified savings of €238m each year and it is also recommending staff reductions of almost 600. These recommendations would reduce total expenditure by over 12% and staff numbers by almost 11%.

The full set of recommendations are set out in Detailed Paper No. 7 and listed in table 3.7.2 below. The key recommendations for this Vote Group are as follows.

Structural reforms

The structural and institutional reforms proposed in Chapter 2 have particular significance for this Vote Group. The Group recommends:

- Moving all science, technology and innovation (STI) funding into a single stream to achieve savings through the removal of administrative and research duplication, consistent measurement of outputs and outcomes and the prioritisation of resources on the basis of likely commercial return;

- Consolidating all enterprise and marketing support to indigenous enterprise in *Enterprise Ireland* including taking over the functions of the *County Enterprise Boards*;

- Rationalising all State funded employment services, which are primarily provided through FÁS, into a single service that will be better placed to address the major activation challenges that need to be faced; and

- Removing red tape by rationalising all the State's institutions dealing with industrial relations and workplace safety and employment rights.

Programme reforms

The current entitlement of certain categories of welfare claimants on *Community Employment Schemes* to largely retain their payments from the Department of Social & Family Affairs while also receiving full payments from FÁS is a major barrier to progression to the normal labour market. It also violates the principle that no one should be in concurrent receipt of more than one primary income support payment from the State.

Funding of *Skillnets* and *FÁS Services to Business* should cease because these services can be provided by employers. This will mean that funding for training will be fully concentrated on the unemployed. This is appropriate given current unemployment levels and increasingly scarce resources.

Efficiencies

The Group recommends a wide range of efficiency measures for this Vote Group, ranging from the introduction of shared services and outsourcing to the ending of costly employment and training schemes and switching participants to more cost effective equivalents.

Table 3.7.2 Enterprise, Trade & Employment savings measures

	Annual savings identified
Programme A – Science, Technology & Innovation	
A.1 Create a single funding stream for all science, technology and innovation (STI) activities across all Departments, with reduced grant support and efficiency savings.	€4.9m €48.0m(capital)
A.2 Discontinuation of funding for the Irish Council for Bioethics	€0.4m
A.3 Reduction of Departmental civil servants serving this Programme	€0.7m
Programme A savings (incl. €48m capital)	*€54.0m*
Programme B – Enterprise Development & Competitiveness	
B.1 Consolidate all indigenous enterprise support and sector marketing functions in *Enterprise Ireland* and rationalise the organisations losing functions as appropriate e.g. the *County Enterprise Boards*	€10.0m
B.2 Reduce IDA capital and administrative costs including rationalisation of regional offices in Ireland and shared services	€10.0m(capital) €16.0m
B.3 *Enterprise Ireland* - efficiency saving in administration; review and prioritisation of range of programmes, grants and supports offered	€36.0m €10.0m(capital)
B.4 Rationalise IDA & Enterprise Ireland overseas offices – will contribute to measures B.2 and B.3 above	-
B.5 *Shannon Development's* enterprise functions should be transferred to EI/IDA as appropriate. Surplus property assets should be realised for the benefit of the Exchequer.	€2.0m
B.6 *Forfás* – transfer shared services to a wider shared services operation and cut the remaining operation by 20%	€2.0m
B.7 *National Standards Authority of Ireland* - outsource Certification Service, and Implement Organisational Renewal and Opportunities Programme	€4.5m
B.8 Associated staff savings	€0.7m
Programme B savings (incl. €20m capital)	*€91.2m*
Programme C – Labour Force Development	
C.1 Rationalise all employment services provided/funded by the State into a single operation offering a consistent nationwide service	€1.0m
C.2 End the dual entitlement of certain social welfare claimants to both social welfare payments and FÁS training allowances or *Community Employment* allowances; this measure to apply to new entrants to FÁS training or to CE	(€100m saving included in the S&FA Vote)
C.3 Cease funding *FÁS Services to Business* and *Skillnets*	€27.0m
C.4 Apply a 10% efficiency cut on FÁS administration	€15.0m
C.5 Close down the *Jobs Initiative Scheme*	€10.0m

C.6 Savings on Training for the Unemployed: - Abolish FAS training allowances for participants who do not qualify for Jobseekers Benefit/Allowance - Replace supplementary allowances with a standard cost of training allowance - Abolish the higher training bonus of €31.80 per week payable to the long-term unemployed	€19.5m €2.0m €3.0m
C.7 Reduction in number of Departmental civil servants serving this Programme	€0.5m
Programme C savings	*€78.0m*
Programme D – Employment Rights, Industrial Relations & Occupational Safety	
D.1 Relocate all IR institutions to a single location with increased potential for shared services and efficiencies, and rationalise the industrial relations institutions over the medium term	€3.0m
D.2 Merge the *Health and Safety Authority* and the *National Employment Rights Authority* into one *Work Place Inspectorate.*	€5.0m
D.3 Associated staff savings	€0.4m
Programme D savings	*€8.4 m*
Programme E – Commerce, Consumers & Competition	
E.1 Formally merge the functions of the *Registrar of Friendly Societies* and *Companies Registration Office* and secure additional efficiencies	€0.5m
E.2 The *Irish Auditing and Accounting Supervisory Authority* should maximise the use of shared services and efficiencies to reduce the Exchequer's subvention from its current level of 40% to 20%	€0.8m
E.3 Associated staff savings	€1.9m
Programme E savings	*€3.2m*
Programme F – Delivery of Strategic Goals	
F.1 Savings in Corporate Services; reduction in Administrative Budget; transfer of foreign posts to Brussels to reduce T&S spend	€1.0m
F.2 Associated staff savings	€1.9m
Programme F savings	*€2.9m*
Cross-cutting proposal	
Merge the *Irish Takeover Panel* with the *Competition Authority*	-
Cross-cutting savings	-
Total Programme Savings (incl. €68m capital)	**€237.7m**
Total Associated Staff Savings	**594**

3.8 – Environment, Heritage & Local Government

Table 3.8.1 Environment, Heritage & Local Government expenditure allocations

	2008 provisional outturn	*2009 Revised Estimates*	*year-on-year % change*	*proposed full year savings*	*% savings*
Gross Current	€954m	€876m	-8.2%	€130.0m	-14.9%
Gross Capital	€2,215m	€1,807m	-18.4%		
Gross Total	**€3,169m**	**€2,683m**	**-15.3%**	**€130.0m**	**-4.9%**
Staff numbers	1,200	1,172	-2.3%	30	-2.6%

The Department of the Environment, Heritage & Local Government (D/EH&LG) is central to the delivery of a number of important policy objectives in the areas of social housing, development of water infrastructure and environmental and heritage protection. The Department accounts for over €2.6bn of expenditure in 2009. Total current expenditure by the Local Authorities amounts to €5bn (including Exchequer subvention).

The Special Group has identified potential annual savings of €130m for D/EH&LG in a full year; of which €100m relates to the *Local Government Fund* which has a 2009 allocation of around €400m. A further €100m of the current expenditure allocation funds D/EH&LG accommodation, administration and payroll while over €150m relates to leased housing under the *Rental Accommodation Scheme* and non-discretionary debt service expenditure under the *Capital Loans and Subsidy Housing Scheme.*

Policy changes

A number of new policy directions are identified which would generate significant savings in both current and capital spending in the medium to long term rather than in 2010. The full set of proposals and their rationale are set out in Detailed Paper No. 8 and summarised in table 3.8.2 below. The key elements of our proposals for this area can be set out under the following headings.

Structural reform

The Group recommends reducing the number of housing authorities (in line with its proposals for a re-structuring of the local tier of government – see below), consolidating the various housing agencies into one body; and delivering water and sewerage services through a single national authority rather than via the local authorities as at present.

The Group is of the view that the legislative basis of the *Environment Fund* should be amended to return the proceeds directly to the Exchequer.

Programme adjustments

The Group notes that the Department's budget accounts for some €2.7bn in capital and current spending. We consider that there is scope for greater and more rigorous targeting of resources.

In particular, having regard to the current over supply position in the housing market we suggest that the focus of social housing provision should shift more towards leasing and rental of housing units and rely to a lesser extent on traditional direct construction by local authorities. A review of the local authority tenancy system should be carried out; new loans provided to voluntary bodies for the construction of housing under the *Capital Loan and Subsidy Scheme* should be discontinued due to the impact of increased borrowing on debt service funded from current expenditure. Voluntary housing bodies should use their current housing portfolios to raise necessary funding; and the policy of selling local authority housing stock should be examined. These changes would build upon the savings and efficiencies achieved to date. Given the current position of the housing market, the Group considers that the *Home Choice Loan Scheme* and the *Affordable Housing Programmes* should be discontinued. Furthermore, Part V of the *Planning and Development Act 2000* should be amended to provide greater flexibility and protect the position of the Exchequer.

Administrative and other efficiencies

The main efficiencies identified by the Group are listed below. Further efficiencies are set out in Detailed Paper No. 8.

Local Authority policy proposals

The Group notes that the local government layer of public expenditure is not within our core remit. However, the Group sees scope for:

- rationalising the structures of local government by abolishing both regional authorities and town councils to provide a single local authority tier with a reduced number of local authorities (from 34 to 22);
- exploring opportunities for outsourcing and sharing of services with other State bodies;
- the strategic management of land/ property portfolio estate management;
- reducing current expenditure by at least 10% while freezing commercial rates to alleviate pressure on business in the current economic climate;
- eliminating all bonus payments to local government staff.

The Group considers that local authorities should be self-financing in the longer term and that Exchequer support should be replaced with increased revenue generation from local sources, including such measures as may be suggested by the *Commission on Taxation* in its forthcoming Report, and increased cost recovery levels for appropriate services. Charging for domestic water services would be consistent with this approach, and should in the Group's view be within the remit of a single national water authority.

On the basis of the above proposals, the Group considers that a full-year reduction of €100m in the Exchequer subvention for local authorities, which amounts to about 2% of the current expenditure of local authorities, should be applied.

Table 3.8.2 Environment, Heritage & Local Government savings measures

	Annual savings identified
Programme A – Corporate Services Division	
Range of administrative efficiencies	€5.0m
Programme A savings	*€5.0m*
Programme B – Housing Division	
B.1 Rationalise housing policies	-
B.2 Rationalise housing agencies and schemes	€8.2m
Programme B savings	*€8.2m*
Programme C – Water & Natural Heritage Division	
C.1 Delivery of water services through a national water authority	-
C.2 Administrative streamlining	-
Programme C savings	-
Programme D – Environment Division	
D.1 *Environment Fund* • Amend the legislative basis of the *Environment Fund* to return the proceeds directly to the Exchequer • A number of savings can be generated through programmes currently funded through the *Environment Fund* such as *ENFO*, the *Farm Plastics Schemes* and waste prevention and recovery	€9.6m
D.2 *Environmental Protection Agency* • Review to be carried out • Rationalise the number of office locations	€2.0m
Programme D savings	*€11.6m*
Programme E – Local Government Division	
E.1 Reduce Exchequer contribution to the *Local Government Fund*	€100.0m
E.2 End funding of RAPID coordinators	*€3.2m*
Programme E savings	*€103.2m*
Programme F – Heritage and Planning Division	
F1. Administrative savings from *An Bord Pleanála*	€0.5m
F.2 Postponing part or prioritising some of the inventory work on the *National Inventory of Architectural Heritage* could be examined together with a new time frame	-
F.3 Create efficiencies in *Heritage Council* administration and expenditure	€1.5m
Programme F savings	*€2.0m*
Total Programme Savings	**€130.0m**
Total Associated Staff Savings	**30**

3.9 – Finance Group of Votes

Table 3.9.1: Finance Group of Votes expenditure allocations

Finance Group of Votes	*2008 provisional outturn*	*2009 Revised Estimates*	*year-on-year % change*	*proposed full year savings*	*% savings*
Gross Current	€1,265m	€1,242m	-1.8%	€82.8m	-6.7%
Gross Capital	€317m	€209m	-34.0%	-	-
Gross Total	**€1,582m**	**€1,451m**	**-8.3%**	**€82.8m**	**-5.7%**
Staff Numbers	9,860	10,133	2.8%	660	-6.5%

The Finance Group is comprised of the Department of Finance, the President's Establishment, the Office of the Comptroller & Auditor General, the Vote for Superannuation & Retired Allowances, the Office of the Appeal Commissioners, the Office of the Revenue Commissioners, the Office of Public Works, the State Laboratory, the Secret Service, the Valuation Office, the Public Appointments Service, the Office of the Commission for Public Service Appointments and the Office of the Ombudsman. The Special Group has identified potential annual savings of almost €83m in a full year. The full set of proposals and their rationale are set out in Detailed Paper No. 9 and summarised in table 3.9.2 below. The key elements of our proposals for this Vote Group can be set out under the headings below.

Structural reform

It is recommended that further steps are taken the Department of Finance to build upon and develop shared services in the interests of driving cost efficiencies on a service wide basis. The potential for outsourcing opportunities should also be reviewed and possibilities identified and, where cost effective, pursued.

The Group considers that there are synergies in the activities carried out by the *Valuation Office*, the *Property Registration Authority* and the *Ordnance Survey of Ireland* and as a result there would be efficiencies from merging these organisations.

Given the multiplicity of agencies set up to provide ombudsman/regulators offices, these should be rationalised within a single *Ombudsman Commission*. The Bodies concerned are the *Office of the Ombudsman / Information Commissioner*, the *Children's Ombudsman*, the *Office of the Data Protection Commissioner* and the *Office of the Commission for Public Service Appointments.*

There is a case for merging the *Local Government Audit Service* with the Comptroller and Auditor General (C&AG) and extending the scope of the C&AG's Office to enable it to audit any entity in receipt of significant public expenditure.

Streamlining and programme efficiencies

The centralisation and rationalisation of procurement within the Civil Service is seen as a positive development, in principle, in terms of creating a professional procurement competency within the Service and generating efficiencies. However, for this initiative to be a success the procurement unit will have to be managed proactively and be completely results-focused.

All real estate assets held by the State should be managed by one organisation rather than having ownership of assets vested in a range of different Departments and agencies (commercial and non commercial). The OPW should assume this role and ensure that its clients use accommodation to the maximum extent possible.

Given the moratorium on recruitment and the economic situation, the *Public Appointments Service* (PAS) could manage an additional task of implementing a system transfer and the reallocations/redeployment of surplus staff for the civil and public sector. In addition, the PAS should undertake a review of the efficiency of recruitment in line with international norms.

Administrative and other efficiencies

Use of the new centralised procurement system and IT efficiencies across the different members of the Finance Group of votes should achieve considerable savings. In addition, consistent with the reduction in available Exchequer resources, the Group recommends reduction in administrative expense generally.

Table 3.9.2 Finance Group savings measures

	Annual savings identified
Programme B – Office of the Comptroller and Auditor General	
B.1 Merge the *Local Government Audit Service* within the aegis of the C&AG	-
B.2 Make legislative changes to ensure that significant public expenditure is audited by the C&AG	-
Programme B savings	-
Programme C - Department of Finance	
C.1 General administration and programme efficiencies	€5.0m
Programme C savings	*€5.0m*
Programme F – Office of the Revenue Commissioners	
F.1 Examine scope for further efficiencies	€10.0m
F.2 IT Efficiencies	€8.6m
F.3 Efficient use of consumables	€5.0m
F.4 Savings in legal services	€1.0m
F.5 Review the number of regional office locations	€2.0m
Programme F savings	*€26.6m*
Programme G – Office of Public Works	
G.1 Spare capacity should be reduced	€20.0m
G.2 Benchmark rents & occupancy levels with private sector rates	€20.0m
G.3 Introduce a moratorium on the State providing car parking spaces in urban areas	-
G.4 Identify the State's real estate portfolio	-
G.5 Outsource engineering and architectural activities	€1.0 m
Programme G savings	*€41.0m*
Programme J – Valuation Office	
J.1 Administrative efficiencies	€0.5m
J.2 Merge the *Valuation Office* and the *Ordnance Survey of Ireland* (OSI) with the *Property Registration Authority* (PRA)	€1.5m
Programme J savings	*€2.0m*

Programme K – Public Appointments Service	
K.1 Reduce Expenditure by 20% • Reduce large volume recruitment • Rationalise senior executive recruitment • Deferral of selected research projects and staff efficiencies • Improve the efficiency of recruitment	€2.4m €1.6m €0.5m €0.4m
K.2 Staff reductions	€3.0m
Programme K savings	*€7.9m*
Programme L – Office of the Commission for Public Service Appointments	
L.1 Potential to merge the *Office of the Commission for Public Service Appointments* with the *Office of the Ombudsman*	-
L.2 Reduce staff numbers	€0.3m
Programme L savings	*€0.3m*
Programme M – Office of the Ombudsman	
M.1 Consider undertaking investigative functions at lower grading levels	-
M.2 Amalgamate ombudsmen/regulators offices into the *Office of the Ombudsman*	-*
Programme M savings	-
Total Programme Savings	**€82.8m**
Total Associated Staff Savings	**660**

* savings are included in Detailed Papers for Justice, Equality & Law Reform and Health & Children.

3.10 – Foreign Affairs

Table 3.10.1 Foreign Affairs Group of Votes expenditure allocations

	2008 provisional outturn	*2009 Revised Estimates*	*year-on-year % change*	*proposed full year savings*	*% savings*
Foreign Affairs					
Gross Current	€241m	€235m	-2.3%	€26.9m	-11.5%
Gross Capital	€15m	€12m	-18.8%	-	-
Gross Total	**€255m**	**€247m**	**-3.2%**	**€26.9m**	**-10.9%**
Staff numbers	1,377	1,379	-	65	-4.7%
International Co-Operation					
Gross Current	€767m	€570m	-25.6%	€14.8m	-2.6%
Gross Capital	€1m	€1m	-16.7%	-	-
Gross Total	**€768m**	**€571m**	**-25.6%**	**€14.8m**	**-2.6%**
Staff numbers	199	200	-	-	-

The Department of Foreign Affairs (D/FA) advises the Minister for Foreign Affairs and the Government on all aspects of foreign policy and coordinates Ireland's response to international developments. It also provides advice and support on all issues relevant to the pursuit of peace, partnership and reconciliation in Northern Ireland and is responsible for managing Ireland's Overseas Development Aid (ODA) expenditure. The Special Group has identified potential annual savings of almost €42m and proposes that staffing numbers are reduced by 65 positions. The full proposals and their rationale are set out in Detailed Paper No. 10 and summarised in table 3.10.2 below. The key elements of our proposals in this area can be set out under the headings below.

Missions

A significant proportion of the D/FA's expenditure is in respect of overseas missions, most of which are small. Given the potential for developing synergies between D/FA and agencies such as *Enterprise Ireland*, *Tourism Ireland* and *An Bord Bia* as well as the potential establishment of a *European External Action Service* in the event of the ratification of the Lisbon Treaty, the Group recommends that the network of embassies and consulates be reduced from 76 to 55. The Group also recommends that Ambassador posts routinely be graded at Principal Officer level, with only the three or four largest missions graded at Assistant Secretary level as compared with the 41 ambassadors who are currently of Assistant Secretary grade or higher. The Group notes that the *Foreign Service Allowance* is not taxable nor is it subject to the pension levy or income levy and recommends that it be reduced by 12½% in recognition of the contributions made by those serving in other areas of the public service.

Overseas development aid

Currently, Ireland's ODA contribution is 0.48% of GNP. In light of the current fiscal crisis, the Group recommends that the Government maintain that aspect of Ireland's ODA allocation under the International Co-operation Vote (Vote 29) at 0.39% of GNP in 2010 and extend the timeframe for reaching the UN target of 0.7% of GNP until 2015, in line with the collective EU commitment in this area. Moreover, the Group recommends that the totality of Ireland's humanitarian expenditure (including our traditional commitment to international peace-keeping) be made explicit in accounting for our overall commitment to the international community.

Streamlining and programme efficiencies

While there may be little room for reductions in expenditure on Contributions to International Organisations, as they are governed by international agreements, the Group notes that the 2008 Provisional Outturn is significantly less than the 2008 Estimate and recommends that the allocation for this be reduced by €5m in 2010.

Given the budgetary crisis and the impact that this is having on the delivery of services, the Group recommends that the allocation for expenditure on *Support for Irish Emigrant Services* be reduced. The Group also recommends efficiencies in the delivery of passport services, including through greater use of on-line services and applying the full passport charge to all applicants.

Table 3.10.2 Foreign Affairs Group savings measures

	Annual savings identified
Overseas Missions	€15.0m
Overseas Missions savings	*€15.0m*
Programme B – International Foreign Policy	
B.1 Cease funding the *European Movement in Ireland* and the Ireland *United Nations Association*	€0.3m
B.2 Reduce allocation for Contributions to International Organisations	€5.0m
Programme B savings	*€5.3m*
Programme C – European Union	
C.1 Cease expenditure to EU and other European States under Subhead K	€1.0m
Programme C savings	*€1.0m*
Programme E – Irish Aid	
E.1 Maintain allocation for Vote 29 at 0.39% GNP in 2010 and extend timeframe for reaching UN target until 2015	€14.8m
Programme E savings	*€14.8m*
Programme F – Citizens Abroad	
F.1 Reduce expenditure on *Support for Irish Emigrant Services*	€1.0m
F.2 Remove free passport scheme for those aged-65 years and older	€4.6m
Programme F savings	*€5.6m*
Total Programme Savings	**€41.7m**
Total Associated Staff Savings	**65**

3.11 – Health & Children

Table 3.11.1 Health & Children expenditure allocations

	2008 provisional outturn	*2009 Revised Estimates*	*year-on-year % change*	*proposed full year savings*	*% savings*
D/Health &Children and Office of the Minister for Children & Youth Affairs					
Gross Current	€1,112m	€867m	-21.9%	€41.2m	-4.8%*
Gross Capital	€104m	€78m	-24.7%	-	-
Gross Total	**€1,216m**	**€947m**	**-22.1%**	**€41.2m**	**-4.4%**
Staff numbers	1,623	1,689	4.1%	168	-10.0%
Health Services Executive					
Gross Current	€14,353m	€14,600m	1.7%	€1,188.3m	-8.1%
Gross Capital	€575m	€410m	-28.7%	-	-
Gross Total	**€14,928m**	**€15,010m**	**0.6%**	**€1,188.3m**	**-7.9%**
Staff numbers	111,493	111,800	0.3%	6,000	-5.4%

* Allowing for the 2009 provision for *Early Childcare Supplement* (which is to be removed from 2010), the % saving would be 6.5%.

The Exchequer funds Irish health care services through the Department of Health & Children (D/H&C), the *Heath Service Executive* (HSE) and the *Office of the Minister for Children and Youth Affairs* (OMCYA). The Special Group has identified potential annual savings of just under €1,230m and proposes that staffing numbers be reduced by 6,168 positions. The full proposals and their rationale are set out in Detailed Paper No. 11 and summarised in table 3.11.2 below. The key elements of our proposals in this area can be set out under the headings below.

Staffing efficiencies

The Group makes a number of recommendations that will enhance the efficiency of health care administration. In particular, the Group recommends that the staffing complement of the D/H&C be reduced by 10% a year for the next three years as demand allows, and that staff reductions of 6,000, at a minimum, be targeted for the HSE under the *Employment Control Framework for the Health Sector*. Furthermore, the Group recommends that staff flexibility and redeployment, on a compulsory basis if necessary, be introduced in the best interest of patients. The Group observes that restrictive agreements and work practices, involving trade unions and professional staff organisations, have been a major inhibitor to staffing and pay efficiencies in the Health sector, and a block to good quality patient-focused care. The Group considers that such practices have no place in an efficient, modern health system that is operating under severe budgetary constraints, and in which the needs of patients should be a paramount consideration.

Primary care

The Group is cognisant of the pressures on the public finances from demand-led schemes, such as the Medical Card, the *Drugs Payment Scheme* and the *Long-Term Illness Scheme*, and restrictions on the supply of health services, in particular through the operation of existing contracts regarding General Practitioners and Pharmacists.

On the demand side, the Group recommends that eligibility criteria for the Medical Card be focused on medical need, and that a system of modest co-payments be introduced for the supply of medicines. In particular, the Group recommends that the income guidelines for the *Medical Card* be revised to the basic rate of social welfare (*Jobseekers Allowance*), that the monthly threshold for the *Drugs Payment Scheme* is increased to €125 and that a co-payment of €5 is introduced for each prescription under the Medical Card and *Long-Term Illness Scheme*.

On the supply side, the Group is particularly concerned to increase competition for the provision of heath care services and recommends that the HSE should phase out existing contracts with GPs and Pharmacists as quickly as possible and achieve a price acceptable and affordable in the changed budgetary situation as well as enabling suppliers to compete to provide these services.

Acute hospitals

The Group makes a number of recommendations that will reduce inappropriate demand for health care services in public acute hospitals. In particular, the Group recommends that the standard charge for those presenting at A&E Departments without a letter from their General Practitioner should be increased to €125 and that the charge for private facilities in public hospitals should increase by 20%. The Group also recommends that, consistent with good patient care, the HSE should introduce mandatory protocols requiring publicly-funded hospitals and clinicians to prescribe generic medicines, off-patent drugs and value-for-money high-tech treatments as well as better cost management of community drug expenditure.

Rationalisation of agencies

The Group has identified a number of savings that can be achieved through the rationalisation of existing non-commercial semi-State bodies, in particular the merging of the *Ombudsman for Children* with the *Office of the Ombudsman*, the *Health Research Board* into a single stream of science funding and the *Health Insurance Authority* into the *Financial Regulator*.

Table 3.11.2 Health & Children/Health Service Executive savings measures

	Annual savings identified
Programme A- Administration	
A.1 Reduce the size of the D/H&C by 10% a year for three years	€11.0m
Programme A savings	*€11.0m*
Programme B – Grants to health bodies	
B.1 Merge the *Ombudsman for Children* with the *Office of the Ombudsman*	€0.3m
B.2 Merge the *Health Research Board* with single stream of science funding	€10.6m
B.3 Merge the *Health Insurance Authority* into the *Financial Regulator*	-
B.4 Restrict the *National Treatment Purchase Fund* to private facilities in Ireland and abroad	€7.5m
B.5 Remove the Exchequer element of agencies part funded by the *National Lottery*	€1.8m
Programme B savings	*€20.2m*
Programme E – *National Childcare Investment Programme*, youth affairs and other miscellaneous	
E.1 Abolish the transitional provisions	€2.0m
E.2 Alter the means test by eliminating Band C	€5.0m
E.3 Rationalise the administrative structures	€3.0m
Programme E savings	*€10.0m*
Programme F – Administration HSE	
F.1 HSE efficiencies	€90.0m
F.2 HSE staffing	€300.0m
F.3 Eliminate all bonus payments to HSE staff	€1.3m
Programme F savings	*€391.3m*
Programme H – Primary care	
H.1 Revise the income guidelines to the basic rate of social welfare (jobseekers allowance), so that all existing non-medical allowances and HSE discretion are removed and replaced with a variable allowance based on medical needs	€100.0m
H.2 Increase the threshold for the *Drugs Payment Scheme*	€37.0m
H.3 Introduce co-payment of €5 for each prescription under the GMS and LTI	€70.0m
H.4 Invite tenders by open competition to provide services under the GMS	€370.0m
Programme H savings	*€577.0m*
Programme I – Acute hospitals, including cancer care	
I.1 Increase hospital charges	€6.0m
I.2 Increase charges for private facilities in public hospitals by 20%	€50.0m
I.3 Introduce mandatory protocols requiring hospitals and clinicians to prescribe generic medicines, off-patent drugs and value-for-money high-tech treatments	€30.0m
I.4 Secure 20% efficiencies in non-emergency patient transport services	€10.0m
Programme I savings	*€96.0m*

Programme J – Disability and mental health	
J.1 Introduce measures to achieve greater efficiencies in the non-governmental agencies and organisations in receipt of State funding	€50.0m
Programme J savings	*€50.0m*
Programme K – Care of older people	
K.1 Increase the percentage of care costs under the 'Fair Deal' contributed by an individual from their residence	€50.0m
K.2 Introduce a means test for *Homecare* packages	€24.0m
Programme K savings	*€74.0m*
Total Programme Saving	**€1,229.5m**
Total Associated Staff Savings	**6,168**

3.12 - Houses of the Oireachtas Commission

Table 3.12.1 Houses of the Oireachtas Commission expenditure allocations

	2008 provisional outturn	*2009 Revised Estimates*	*year-on-year % change*	*proposed full year savings*	*% savings*
Gross Current [a]	**€122.8m**	**€137.2m**	**11.7%**	**€7.8m**	**-5.7%**
Staff numbers	804	840	4.5%	42	-5.0%

[a] All Oireachtas expenditure is regarded as current

The Houses of the Oireachtas Commission provides for the running of the Houses of the Oireachtas and manages the Office of the Houses. Funding of the Houses of the Oireachtas is fixed by legislation on a three-year cycle and is due for renewal at the end of 2009. The Special Group has identified potential annual savings of nearly €8m and proposes that staffing numbers be reduced by 42 positions. The full set of proposals and their rationale are set out in Detailed Paper No. 12 and summarised in table 3.12.2 below. The key elements of the proposals for this area are as follows.

Changes to allowances and benefits

Building on the proposed changes to allowances and expenses for members of the Oireachtas announced in the *Supplementary Budget 2009*, the Group sees scope for introducing further cost-savings, including: greater verification of expenses and allowances; curtailing the overnight expense allowance; reviewing the separate secretarial allowance for Ministers and Ministers of State; and removing the entitlement for independent TDs and senators to obtain a “party leader’s allowance”.

While the pay and pension levels of Members of the Oireachtas are beyond its core remit, the Group recommends that the pension arrangements be examined.

Streamlining, administrative and other efficiencies

The Group considers that there should be a rationalisation of staffing and security arrangements. The work flow of the Usher grade is such that a system of annualised hours could provide savings particularly on overtime. Cost savings could also be achieved through the laying of documents before the Oireachtas by electronic means; moving to web-based publication as a norm for Committee debates and replies to written questions; rationalisation of various approaches to funding research; and recouping some costs from media outlets in respect of facilities currently provided free of charge.

Potential for structural changes

Savings arising from the above efficiency proposals make up the bulk of the savings identified by the Group. The Group observes that in order to realise substantive savings in expenditure within the Houses of the Oireachtas, it would be necessary to bring about major structural changes with considerable political, legislative and constitutional implications. These potential changes centre on possible reductions in the number of public representatives and/or a move to a unicameral parliament. These measures could realise additional savings of the order of €28m a year. The Group is not making a specific recommendation in this area. Some of these possible changes would require constitutional amendments.

The Group considers that there is an overlap in the remit of some Oireachtas Committees and that the number of Committees could be reduced substantially while still maintaining the required oversight of the activities of Government.

Table 3.12.2 Houses of the Oireachtas Commission savings measures

	Annual savings identified
Programme A – Administration	
A.1 Complete an efficiency review of operations	€5.2m
A.2 Rationalise staffing/security	€0.1m
A.3 Provide for electronic laying of documents	€0.1m
A.4 Reduce the number of Oireachtas Committees	€0.6m
Programme A savings	*€6.0m*
Programme B – Other services	
B.1 Charge for media rights and facilities	€0.3m
Programme B savings	*€0.3m*
Programme F – Other allowances and expenses of members of the Oireachtas	
F.1 Reform of Oireachtas Allowances and Benefits	€1.5m
Programme F savings	*€1.5m*
Total Current Savings	**€7.8m**
Total Associated Staff Savings	42

3.13 – Justice Group of Votes

Table 3.13.1 Justice expenditure allocations

	2008 provisional outturn	*2009 Revised Estimates*	*year-on-year % change*	*proposed full year savings*	*% savings*
Gross Current	€2,565m	€2,440m	-4.9%	€136.4m	-5.6%
Gross Capital	€149m	€136m	-9.0%	-	-
Gross Total	**€2,714m**	**€2,576m**	**-5.1%**	**€136.4m**	**-5.3%**
Staff numbers	25,242	25,839	2.4%	540	-2.1%

The Justice Group of Votes is comprised of the Department of Justice, Equality & Law Reform (D/JE&LR), *An Garda Síochána*, the Prisons and Courts Services, and the *Property Registration Authority*. The Special Group has identified potential annual savings of at least €136m in a full year and proposes that staffing numbers be reduced by 540 positions. The full set of proposals and their rationale are set out in Detailed Paper No. 13 and summarised in table 3.13.2 below. The key elements of our proposals for this area are as follows.

<u>Structural reform and rationalisation</u>

The Group's proposals for the merger of the *Office of the Data Protection Commissioner* into the *Office of the Ombudsman*, and for the amalgamation of the *Valuation Office*, the *Property Registration Authority* and the *Ordnance Survey of Ireland* are relevant to the Justice area.

The Group also considers that there would be synergies from merging the *Property Services Regulatory Authority* with the *Private Residential Tenancies Board*, to create a single body responsible for the broad area of tenancy rights and the associated obligations of landlords etc.; and from the merger of the *Irish Film Classification Office* (IFCO) into the *Broadcasting Authority of Ireland* (along with *ComReg* as proposed in Detailed Paper no. 3).

We recommend that the disability functions of the D/JE&LR should be transferred to the *Office for Mental Health & Disability* under the aegis of the Department of Health & Children. Similarly, expenditure on gender mainstreaming should be reduced to €1m a year and this role, which has a strong labour-market focus, should be transferred to the Department of Enterprise, Trade & Employment.

The Group recommends that the *Office of the Minister for Integration* should be discontinued and replaced with a requirement on each Department to report annually on the promotion of cultural integration.

The number of Garda stations is very high at 703, and many of them are in need of extensive refurbishment. We recommend that the Garda station network be reduced by around half, and that it should be a function of the Garda Commissioner (rather than the Minister for Justice, Equality & Law Reform) to decide which stations should be maintained based on operational grounds. Apart from the savings in annual maintenance costs, once-off revenues from disposal of suitable properties could be used to refurbish and upgrade the existing stations.

The Group considers that the manning of passport control points is an inappropriate use of Garda operational resources. Greater overall efficiencies would be achieved by transferring responsibility for this function to the *Irish Naturalisation and Immigration Service* (INIS), who should manage the outsourcing arrangements of this work.

The D/JE&LR should implement control measures to contain the rising costs of the Criminal Legal Aid scheme, and in this regard should consider the possibility of putting in place a mechanism involving the *Legal Aid Board*.

The Group recommends that smaller District and Circuit Court venues within a reasonable distance of a larger venue should be closed, with a target of reducing the number of such venues by about one-half. We also recommend reducing the number of County Registrars from 26 to 15; and that the Tipstaffs grade be abolished and replaced with clerical and other staff within the Courts Service who can provide the necessary support functions to the judiciary.

The Group considers that there is merit in having all employment-related hearings dealt with under the State's industrial relations machinery. We therefore recommend a reallocation of the statutory employment and occupational benefits responsibilities of the *Equality Tribunal* to the *Employment Appeals Tribunal.*

<u>Operational efficiencies</u>

The operation of the Courts system is, in the Group's view, outdated and inefficient. Courts should be run in a more modern manner, including in terms of standard opening hours throughout the whole year; and effective supervisory / disciplinary mechanisms should be put in place. Jury selection should be modernised, and pre-trial technical hearings should be adopted to cut down on waste of jurors' time. The Group is also proposing changes to the system of Free Legal Aid to secure savings, and that the charging system in the commercial courts is adjusted in line with actual economic costs incurred.

D/JE&LR should take the lead in seeking greater cooperation between the *Courts Service*, *Irish Prison Service* and *An Garda Síochána* and the prosecuting barristers in the *Office of the DPP* to minimise time spent attending Court sittings by Gardaí and Prison Officers. Introducing a digital audio recording facility in the Civil Courts should lead to efficiencies.

More generally, the Group recommends that the non-pay baseline of the civil service offices should be reduced significantly.

<u>Pay efficiencies</u>

The Group notes the large number of allowances paid to members of the Gardaí and that the majority of these allowances are pay-related and pensionable. Many of the allowances appear to have limited rational justification. The Group consider that the current system of Garda allowances on top of pay, and high levels of overtime, should be reviewed to realise savings.

It is also the view of the Group that there needs to be a further overhaul of the existing work practices within the prison service in relation to manning levels, shift details etc.

<u>Other programme adjustments</u>

The primary (critical) sites for CCTV coverage are now covered and future plans are for areas that would not be deemed vital from a security perspective should be shelved in light of budgetary constraints.

Table 3.13.2 Justice savings measures

	Annual savings identified
Programme A – Community Security, Law Enforcement, Crime prevention by support for An Garda Síochána	
A.1. Reduce incidental expenses and utility costs	€2.1m
A.2. Slow down replacement of Garda vehicle fleet	€2.0m
A.3. Better co-ordination to reduce time spend by Gardaí in Court	€0.1m
A.4. Rationalise the Garda station network	€1.0m
A.5. Shelve new urban CCTV placements	€5.0m
A.6 Transfer responsibility of immigration control at entry point to INIS	€1.0m
A.7. Review of Garda pay and allowances	€50.0m
A.8. Reduce the non-pay baseline of civil service offices under this Programme	€2.0m
Programme A savings	*€63.2m*
Programme B – The maintenance of safe and secure custody for offenders by support for the Prisons Service	
B.1. Reduce utility costs	€0.5m
B.2. Generation of pay efficiencies	€15.0m
Programme B savings	*€15.5m*
Programme C - Management of the Courts and supporting the Judiciary	
C.1 Reduce the numbers of County Registrars	€2.0m
C.2 Rationalise the District and Circuit court network	€2.0m
C.3 The Tipstaffs grade should be abolished	€2.5m
C.4 Reduce surplus security personnel at the Four Courts	€2.0m
C.5 Review charging system for civil and commercial courts	€5.0m
C.6 Reduce the non-pay baseline of civil service offices under this Programme	€1.3m
C.7 Introduce a limited means testing system for criminal legal aid	€8.4m
Programme C savings	*€23.2m*
Programme D - The promotion of a safe society through the provision of a wide range of Justice services	
D.1. Amalgamate *Data Protection Commissioner* into an *Ombudsman Commission*	€0.2m
D.2. Improve value for money in the *Coroners Service*	€0.2m
D.3. Graffiti removal operations to be part of Community Service Orders	€1.0m
D.4. Merge the *Property Services Regulatory Authority* with the *Private Residential Tenancies Board*	€0.5m
D.5. Transfer the functions of IFCO into BAI	€0.5m
D.6. Reduce the non-pay baseline of civil service offices under this Programme	€0.4m
Programme D savings	*€2.8m*

Programme E - The promotion of a tolerant and equitable society	
E.1. Reallocate the statutory employment and occupational benefits responsibilities of the *Equality Tribunal* to the *Employment Appeals Tribunal*	€0.6m
E.2. Transfer the disability functions of D/JE&LR to the *Office for Mental Health and Disability* in the Department of Health & Children	€2.6m
E.3. Reduce expenditure on the gender mainstreaming [and integration] and transfer the function to the Department of Enterprise, Trade & Employment	€1.0m
E.4. Reduce the allocation to equality organisations and projects	€1.0m
E.5. Abolish the *Office of the Minister for Integration*	€1.5m
E.6. Reduce the non-pay allocation to civil service offices in this Programme	€0.8m
Programme E savings	*€7.5m*
Programme F - The provision of immigration and related services	
F.1. Reduce the number of staff in INIS	€10.0m
F.2 Reduce the non-pay allocation to civil service offices under this Programme	€2.0m
Programme F savings	*€12.0m*
Programme G - The provision of Probation Services	
G.1 Reduce the non-pay allocation to civil service offices under this Programme	€2.4m
Programme G savings	*€2.4m*
Programme H - The provision of a coherent effective Youth Justice Service	
H.1. Staffing levels in the *Youth Detention Centres* should be reduced	€2.5m
H.2 Reduce the non-pay allocation to civil service offices under this Programme	€3.6m
Programme H savings	*€6.1m*
Programme I - The provision of Property Registration Services	
I.1. Merge the *Valuation Office* and the *Ordnance Survey of Ireland* with the *Property Registration Authority*	€3.7m
Programme I savings	*€3.7m*
Total Programme Savings	**€136.4m**
Total Associated Staff Savings	540

3.14 - National Treasury Management Agency

Table 3.14.1 National Treasury Management Agency expenditure allocations

	2008 provisional outturn	*2009 Revised Estimates*	*year-on-year % change*	*proposed full year savings*	*% savings*
Gross Current	€35m	€43m	22.8%	€5.3m	-12.3%
Gross Capital	€0m	€0m			
Gross Total	**€35m**	**€43m**	**22.8%**	**€5.3m**	**-12.3%**
Staff numbers	170	217	27.6%	40	-18.4%

The *National Treasury Management Agency* (NTMA), established in 1990, is charged with borrowing money for the Exchequer and managing the National Debt on behalf of the Minister for Finance. The NTMA is also the *State Claims Agency* (SCA), the body through which the *National Development Finance Agency* (NDFA) advises State bodies on funding mechanisms for major infrastructure projects, and manager of the *National Pensions Reserve Fund* (NPRF).

The Special Group proposes a set of measures to generate €5m annual savings for the Exchequer. The Group is also putting forward a number of other general policy recommendations in relation to legal costs, periodic payment orders and the State indemnity scheme, which it believes have the potential to generate additional Exchequer savings in future years. The Group estimates that over €20m could be saved annually across a range of State bodies as a result of the proposals on reducing legal, insurance and risk management costs.

Structural efficiencies and productivity improvements

In addition to securing efficiencies in non-pay administrative costs, the Group considers that recruitment plans for 2009 for the NDFA should be cancelled in line with the public-service-wide moratorium on recruitment. The Group envisages further staff efficiencies across other areas. The Group also recommends that the current corporate governance arrangements should be reviewed to assess their ongoing suitability in the context of oversight norms across the public sector.

Programme adjustments

Under the *National Pensions Reserve Fund Act 2000,* 1% of GNP (€1.7bn in 2009) is paid into the NPRF each year. The Group considers that continuation of this annual payment is not justified at a time of huge public borrowing and should be suspended. This would have no impact on the General Government Balance, but would reduce the annual Exchequer Borrowing Requirement.

General savings

The Group recommends that significant Exchequer-wide savings would arise through alternative management of SCA operations, including: the recruitment of an in-house litigation team; the imposition of a fixed fee schedule on a residual external panel of defence solicitors and barristers; the introduction of ‘periodic payment orders’ as a mechanism for providing for lifetime care costs in catastrophic injury cases; and the more widespread use of SCA risk management services by Departments generally.

Table 3.14.2 National Treasury Management Agency savings measures

	Annual savings identified
Programme A – Core NTMA	
A. Administrative savings	€0.6m
Programme A savings	*€0.6m*
Programme B – State Claims Agency	
B.1 Managing litigation costs [*savings will accrue across different votes*]	-
B.2 Greater use of SCA risk management services *[savings will accrue across different votes]*	-
B.3 Introduce Periodic Payment Orders *[savings will accrue across different votes*]	-
Programme B savings	-
Programme C – National Development Finance Agency	
C.1 Cancellation of recruitment plans	€4.0m
C.2 Reduction in current staffing levels	€0.4m
Programme C savings	*€4.4m*
Programme D – National Pensions Reserve Fund	
D.1 Reduction in staffing	€0.3m
D.2 Cease payments into the *National Pension Reserve Fund*	-
Programme D savings	*€0.3m*
Total Programme Savings	**€5.3m**
Total Associated Staff Savings	**40**

3. 15 – Social & Family Affairs

Table 3.15.1 Social & Family Affairs expenditure allocations

	2008 provisional outturn	*2009 Revised Estimates*	*year-on-year % change*	*proposed full year savings*	*% savings*
Gross Current	€17,609m	€21,258m	20.7%	€1,847.6m	-8.7%
Gross Capital	€11.0m	€13.8m	25.5%		
Gross Total	**€17,620m**	**€21,271m**	**20.7%**	**€1,847.6m**	**-8.7%**
Staff numbers	4,495	4,875	8.5%	0	0

The Department of Social & Family Affairs (D/S&FA) formulates social protection policies and administers and manages the delivery of statutory and non-statutory schemes and services including provision for unemployment, illness, maternity, caring, retirement and old age. The S&FA vote group accounts for €21,271m of gross voted expenditure in 2009, €10,322m of which is funded by the Social Insurance Fund. This overall provision accounts for some 37% of gross voted current expenditure.

Within the D/S&FA, the Special Group has identified potential annual savings of up to €1,848m. While current expanding demands on services do not allow for any immediate reduction in staffing numbers, all possible efforts should be made to seek reductions in staff numbers where possible through greater efficiencies and outsourcing, particularly as the current temporary pressures eases. The full set proposals and their rationale are set out in Detailed Paper No. 15 and summarised in table 3.15.2 below. The key elements for this vote group can be set out under the following headings.

General rates adjustment

General social welfare rates have increased by between 90% and 110% since 2000 (or up to 67% in real terms), benefiting from the greater availability of resources during the 'Celtic Tiger' period. Rates of payment in the Social Welfare system were increased across the board by approximately 3% in the budget of October 2008. Since that time, the Consumer Price Index (CPI) has fallen by 5.3% (up to May 2009), while the HICP measure of inflation has fallen by 1.6%[2]. Relying only on the HICP, the real value of weekly and monthly Social Welfare payment rates would have risen since October even if no increase had been granted in the budget.

In the meantime, there appear to have been reductions in private sector pay rates in many sectors, and job losses have been widespread. There have also been significant increases in taxes on earned income for all workers and the pension levy in the public sector, raising some €3 billion in total. Arising from these developments, the ratio of social welfare income to take-home pay has increased, especially at lower income levels, affecting incentives in the labour market.

In these circumstances, the Group considers that there is a clear case for social welfare rates to be adjusted downwards in line with the pay and price adjustments that are being borne across the wider economy. Accordingly, the Group recommends that social welfare rates should be reduced

[2] The principal difference between the two is mortgage interest on owner-occupied housing, which up to May 2009 had been falling quickly. It is known from the Household Budget Survey that this item is a minor component in living expenses for those income groups most reliant on social transfers, for whom the HICP, which has declined less than the CPI, is more relevant.

generally by 5%, saving around €850m in a full year. This would effectively preserve living standards for affected groups relative to 2008. Alternatively a 3% reduction, reversing the increase of October last, would save around €510m a year.

More will be known about pay and price developments closer to the budget of December next. The Government will be in a better position then to make a judgement on the matter in the light of those data.

Further savings of €513m should be achieved by effecting a 20% reduction in the *Child Benefit* payments, for example by introducing a standard rate of €136 a month for all children. The Group notes that further options, including taxation or means-testing of *Child Benefit*, are being considered separately by the Government. The Group also recommends against reintroducing the December weekly bonus payment for 2010 and future years.

Care will need to be taken to avoid the inadvertent accumulation of measures in individual cases.

Programme reforms

The Group recommends changes to the eligibility conditions of social welfare schemes to eliminate second welfare payments, so that claimants already in receipt of a primary weekly social welfare payment should not qualify for payment under another scheme. Schemes where "double payments" are involved include the *Carers Allowance*, *Illness Benefit*, *Jobseekers Benefit*, the *Family Income Supplement scheme* (FIS), and *Community Employment Schemes*. In addition, the Group recommends treating the Household Benefits Package as taxable income and making changes to the *Rent Supplement* payment and *Exceptional Needs Payments* to generate further savings.

The Group understands that the D/S&FA will be undertaking a review of working-age social transfers, and recommends that the role of the *Widows'/Widowers' Pension* in the evolution of the social welfare code be included explicitly in this context.

Structural reforms and other efficiencies

Consistent with the reduction in available Exchequer resources, the Group recommends that the *Family Support Agency* and most of its programmes be discontinued. However, a proportion of community and voluntary funding should be retained and unified with other State-funded community and voluntary programmes to facilitate more effective targeting of resources and more coherent administration of the various schemes. The Group also recommends a number of cross-programme proposals to improve overall efficiency of the system and reduce costs including the introduction of new administrative penalties to deter fraud, increased use of profiling to better target intervention resources, various changes to the PRSI system and the standardisation of administrative and other disregards.

Table 3.15.2 Social & Family Affairs savings measures

	Annual savings identified
Cross Programme: 5% general reduction in rates	€850.0m
Cross Programme	*€850.0m*
Programme A – Administration	
A.1 Administrative savings	€3.0m
A.2 Agency services	€3.0m
Programme A savings	*€6.0m*
Programme B – Children and families	
B.1 Discontinuation of the *Family Support Agency*	€30.0m
B.2 Change eligibility conditions for *Family Income Supplement*	€20.0m
B.3 Reduce and standardise *Child Benefit* rate	€513.0m
Programme B savings	*€563.0m*
Programme C – People of working age	
C.1 Grading of jobseekers assistance by age	€70.0m
C.2 Discontinuation of Treatment Benefit	€92.0m
C.3 Phase out second welfare payment	€100.0m
C.4 Discontinuation of double payments for CE schemes	€100.0m
Programme C savings	*€362.0m*
Programme D – Retired and older people	
D.1 Tax *Household Benefits Package*	€11.6m
Programme D savings	*€11.6m*
Programme E – People with disabilities	
E.1 Merge *Blind Pensions* scheme with *Disability Allowance*	-
Programme E savings	-
Programme F – Poverty and social inclusion	
F.1 Re-examine the level of the *Rent Supplement* payment on a regional basis and reduce length of time on rent supplement	€35.0m
F.2 Legislate for and reduce eligibility for *Exceptional Needs Payments*	€18.0m
Programme F savings	*€53.0m*
Cross-cutting proposals	
Merge *Pensions Ombudsman* with the *Financial Service Ombudsman*	€1.0m
Merge *Pensions Board* with the *Financial Regulator*	€1.0m
Cross-cutting savings	*€2.0m*
Total Programme Savings	**€1,847.6m**

3.16 – Taoiseach's Group of Votes

Table 3.16.1 Taoiseach's Group expenditure allocations

	2008 provisional outturn	*2009 Revised Estimates*	*year-on-year % change*	*proposed full year savings*	*% savings*
Gross Current	€187.0m	€188.9m	1.0%	€17.5m	-9.3%
Gross Capital	-	-	-	-	-
Gross Total	**€187.0m**	**€188.9m**	**1.0%**	**€17.5m**	**-9.3%**
Staff numbers	1,623	1,666	2.7%	77	-4.6%

The Taoiseach's Group includes the Department of the Taoiseach, the Central Statistics Office (CSO) and a number of legal offices - the Attorney General's Office (AGO), the Chief State Solicitor's Office (CSSO) and the Office of the Director of Public Prosecutions (DPP). The Special Group has identified potential annual savings of €17.5m and proposes that staffing numbers be reduced by approximately 77 positions. The full set of proposals and their rationale is set out in Detailed Paper No. 14 and summarised in table 3.16.2 at the end of this section. The key elements of the proposals for this Vote group are set out under the headings below.

Discontinuation of expenditure programmes

The Group recommends the discontinuation of programmes within the Department of the Taoiseach which are no longer justifiable given the significantly reduced Exchequer resources available and the existence of other more important priorities. Expenditure on the *Active Citizenship Office* and the *Newfoundland Labrador Partnership* falls into this category.

Structural reform

The Group notes the overlap in responsibility for *Public Service Modernisation* at the Department of the Taoiseach with the Department of Finance and concludes that current resourcing at the Department of Finance is sufficient to manage this area.

The Group recommends that the *National Economic and Social Development Office* (NESDO) be discontinued leaving the *National Economic Social Council* (NESC) in place. This will generate savings of €4.0m and reduce duplication.

The Group concludes that the *Law Reform Commission* (LRC) should only be convened on a temporary basis as required. Therefore, the Group recommends that the LRC be discontinued with half of its staffing complement assigned to the AGO to finish remaining projects. This proposal should yield €2.8m annually.

The Group notes the Attorney General's scheme, which provides for legal representation costs in certain cases, is currently administered by the CSSO. The Group recommends that the scheme be transferred to the Courts Service to ensure greater cost control.

The Group urges that legal standards and practices should be reformed and amended in any case where this will help reduce or contain legal costs. In this context the abolition of the artificial distinction between junior and senior counsel should be pursued as soon as possible.

In order to eliminate the unnecessary legal cost burden arising from litigation arising between State bodies, the Group proposes that any State body which wishes to resolve a legal dispute with another State body should be required to inform the relevant Minister. All such cases should be resolved by mediation or arbitration as the Minister decides. The relevant Department should also notify the Department of the costs and legal issues involved.

Streamlining and programme efficiencies

The Group proposes streamlining line divisions and other measures at the CSO yielding €2.8m annually. Additional efficiency measures include deployment of public service surpluses to reduce the requirement for temporary staff during the census and a reduction in internal and external publication costs.

The Group also recommends reductions of expert witness costs and professional fees to generate efficiencies at the Director of Public Prosecution’s Office and the Chief State’s Solicitors Office.

Administrative and other efficiencies

Consistent with the reduction in available Exchequer resources, the Group recommends reductions in administrative costs of almost €1m across the three legal State bodies in the Vote Group.

Table 3.16.2 Taoiseach's Group savings measures

	Annual savings identified
Programme A – Department of the Taoiseach	
A.1 Discontinue NESDO except for the NESC	€4.0m
A.2 Discontinuation of *Newfoundland-Labrador Partnership*	€0.3m
A.3 Discontinuation of *Active Citizenship Office*	€0.1m
A.4 Discontinuation of *Public Service Modernisation Unit*	€1.8m
Programme A savings	*€6.2m*
Programme B – Central Statistics Office	
B.1 Staff restructuring	€2.8m
B.2 Reduce Census 2011 Project costs	€2.2m
Programme B savings	*€5.0m*
Programme C – Attorney General's Office	
C.1 Administrative savings	€0.3m
C.2 Discontinuation of *Law Reform Commission*	€2.8m
Programme C savings	*€3.1m*
Programme D – Chief State Solicitors Office	
D.1 Administrative savings	€0.4m
D.2 Expert witness fee reduction	€0.3m
D.3 Professional fees for Counsel	€1.5m
Programme D savings	*€2.2m*
Programme E – Director of Public Prosecutions	
E.1 Administrative savings	€0.25m
E.2 Reduction in professional fees	€0.75m
Programme E savings	*€1.0m*
Total Programme Savings	**€17.5m**
Total Associated Staff Savings	**77**

3.17 – Transport

Table 3.17.1 Transport expenditure allocations

	2008 provisional outturn	*2009 Revised Estimates*	*year-on-year % change*	*proposed full year savings*	*% savings*
Gross Current	€733m	€705m	-3.8%	€127.1m	-18.0%
Gross Capital	€2,986m	€2,398m	-19.7%	0	
Gross Total	**€3,719**	**€3,103m**	**-16.6%**	**€127.1m**	**-4.1%**
Staff numbers	1,104	1,101	-	80	-7.3%

The Department of Transport is responsible for the development of an integrated transport system, the delivery of a transport investment programme, the maximisation of safety in the provision of services and finally, the enhancement of the efficiency and effectiveness of services delivery through competition, economic regulation and structural reform. The Department accounts for €3,103m of voted expenditure in 2009.

The Special Group has identified potential annual savings of €127m and proposes that staffing numbers are reduced by approximately 80 positions. The full set of proposals and their rationale are set out in Detailed Paper No. 17 and summarised in table 3.17.2 at the end of this section. The key elements can be set out under the headings below.

Discontinuation of expenditure programmes

The Group recommends the discontinuation of a number of programmes within the Department which are no longer justifiable given the significantly reduced Exchequer resources and the existence of other more important expenditure priorities. These include *Public Service Obligation* (PSO) payments for regional air services, the related regional airport management operational grants and the *Green Schools Initiative*. The Group also recommends that there should be no further development of the Western Rail Corridor.

Programme savings

The Group recommends savings in the area of road maintenance as the extensive capital investment programme over recent years has delivered a relatively new stock of roads which should require lower expenditure on repairs. The Group concludes that the allocation for the *Road Safety Authority (RSA)* should return to 2007 levels and recommends that the RSA's driver testing and instructor testing/registration activities be run on a full cost-recovery basis. We also support the possibility of making the RSA entirely self-funded. The Group also recommends substantial reductions in the PSO payments made to CIÉ, reflecting the need for major efficiencies across its cost base. In the case of *Iarnród Éireann,* the group suggests that the lightly-used rail lines should be closed and replaced with bus services.

Revenue raising measures

The Group recommends that the Department of Transport investigates a range of revenue generating measures with a view to offsetting operational losses and/or reducing the dependency on Exchequer support, including: the sale of the *Bus Éireann* Expressway Service; the disposal of non-essential land/property holdings owned by State agencies under the aegis of the Department; increased and more regular shareholder dividend payments from the commercial State companies;

increased cost recovery levels for licensing and regulatory services; and the introduction of road pricing.

Organisational restructuring.

The Group recommends merging the *National Vehicle and Driver File* into the *RSA* as this would bring responsibility for testing and licensing drivers and vehicles under the same management control.

The Group supports the Department of Transport's proposal to assign responsibility for administering expenditure on regional and local roads to the *National Roads Authority* (NRA), freeing up resources within the Department and ensuring that the State's established centre of expertise for road infrastructure and investment has responsibility for all roads.

The Group considers that the creation of a single transport safety body comprising the *Road Safety Authority,* the *Railway Safety Commission,* the *Maritime Safety Directorate,* and the *Irish Aviation Authority* should be examined. We also recommend merging the *Railway Procurement Agency* (RPA) with the NRA to create a single entity responsible for the procurement of all major network infrastructure in rail and national roads.

The Group also sees merit in developing a central function to provide the State agencies and companies with a professional property/asset management service that would ensure an optimal return for the State.

Administrative and other efficiencies

Consistent with the reduction in available Exchequer resources, the Group recommends reductions in administrative costs of €2.9m in the Department.

3.17.2 Transport savings measures

	Annual savings identified
Programme A – Administration	
A.1 Reduce pay expenditure	€2.0m
A.2 Reduce non pay expenditure	€0.9m
Programme A savings	*€2.9m*
Programme B – Roads	
B.1 Reduce expenditure on roads maintenance/improvement	€20.0m
B.2 Reduce allocation to the *Road Safety Authority*	€4.2m
B.3 Merge the *National Vehicle and Driver File* into the *Road Safety Authority*	€2.0m
B.4 Outsourcing of driver testing and vehicle licensing	€10.0m
Programme B savings	*€36.2m*
Programme C – Public Transport	
C.1 Operational efficiencies among CIÉ companies	€55.0m
C.2 Cease funding the *Rural Transport Scheme*	€11.0m
C.3 Discontinue the *Green Schools Initiative*	€2.0m
Programme C savings	*€68.0m*
Programme D – Aviation	
D.1 Discontinue the *Public Service Obligation* for regional air services	€15.0m
D.2 Discontinue operational grants for regional airports	€2.0m
Programme D savings	*€17.0m*
Cross–programme	
Proposed amalgamation of NRA and RPA	€3.0m
Cross –programme savings	*€3.0m*
Total Programme Savings	**€127.1m**
Total Associated Staff Savings	**80**