

PART III ANALYTICAL OUTPUTS

Introduction

Part II of this Expenditure Report recaps the range of budgetary and procedural reforms that have been introduced and implemented during the course of 2012. One of these reforms has been the development of greater analytical capacity within the system of public administration, and the application of these analytical resources towards live issues of public policy.

This Part reproduces some of the analytical outputs that have been, and are being, generated within the Department of Public Expenditure & Reform by staff in the Central Expenditure Evaluation Unit (CEEU) and in the Irish Government Economic & Evaluation Service (IGEES) more generally. It is important to note that these analytical papers do not necessarily represent the views of either the Minister or the Department of Public Expenditure & Reform.

The topics outlined in this section are:-

- Reducing Public Expenditure on Legal Services
- Climate Change – Expenditure Impacts; and
- Demographic Projections and Education Expenditure 2015-2030.

This section concludes with an overview of work that is at or nearing completion on a range of Focused Policy Assessments (FPAs), the new tool for sharp and timely analysis of particular topics. It is envisaged that the final FPAs will be made available in due course on the website of the Department of Public Expenditure & Reform.

It should be noted that all of the above analytical outputs are those generated within the Department of Public Expenditure & Reform; other analytical and policy development work is of course also proceeding across the range of Government Departments and Agencies.

Reducing Public Expenditure on Legal Services: *Avoid, Minimise, Recover*

Summary

Public expenditure on legal services is a significant draw on exchequer resources. Positive steps have been taken in recent years to reduce spending in this area, and the provisions of related policy initiatives such as the *Legal Services Regulatory Bill* and the *Working Group on Efficiencies in the District and Circuit Courts* will make important contributions to enhancing competitiveness, transparency and value for money. In order to maximise the savings accruing to the Exchequer, this paper draws upon relevant international experience and sets out ways in which expenditure could be *avoided* where possible, *minimised* where it must occur and *recovered* in relevant cases.

These strategies can be assisted by greater use of alternative dispute resolution techniques, more widespread use of competitive tendering in some instances and the deployment of existing legal expertise within the State system to act as 'gatekeeper' to spending on legal services.

1. Introduction and Overview

Taken together, State bodies are the largest single consumer of legal services. It is therefore critical to ensure that maximum value for money is being achieved and that the State – as a consumer – is not acting to distort the market for legal services to the detriment of national competitiveness. While always an imperative, the need to attain maximum value for money is all the more immediate given the scale of the fiscal challenge.

This paper outlines some relevant issues in relation to public expenditure on legal services and articulates a set of principles to assist in achieving better value for money.

2. Public Expenditure on Legal Services

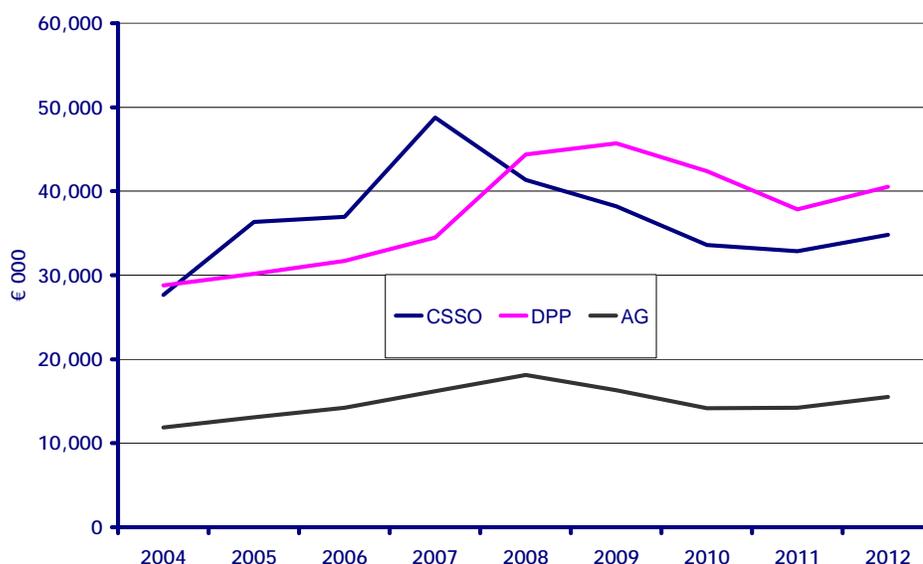
2.1 *The level of expenditure*

Establishing the actual level of public expenditure on legal services is not straightforward. 'Legal expenditure' potentially encompasses a wide variety of activities including day-to-day expenditure by Departments and Agencies on the services of barristers and solicitors, non-routine spending arising from tribunals and other enquiries and awards and payment of third

party costs. Complexities associated with the breadth of these issues are compounded by the level of variability involved – there is no ‘steady state’ position. A final problem relates to the fact that expenditure on these categories is not generally recorded separately, leading to a lack of robust and comparable information.

Some detailed data are available however, in particular regarding the State’s Central Legal Offices, namely: the Attorney General’s Office (AGO), Chief State Solicitor’s Office (CSSO) and the Office of the Director of Public Prosecutions (DPP). The State’s primary interface with the legal system and core consumption of legal services is through these Offices. Together, they represent the nucleus of the State’s day-to-day legal activities and account for just under €90 million in Voted Expenditure annually. Figure 1 below presents the trend over the past number of years.

Figure 1 Gross Expenditure by Central Legal Offices



Source: Revised Estimates for Public Services 2005 - 2012

Across each office, total expenditure is lower in 2012 than peak levels. Reductions in fees paid to legal counsel have been an important element of the observed consolidation. This is a positive development and reflects a more aggressive, systematic approach to cost management in the relevant Offices; it could also suggest a level of expenditure in the past which was excessive and not firmly grounded in a market-based mechanism.

On a day-to-day basis, Government Departments and Agencies are also significant consumers of legal services. Systems for separately recording and monitoring this expenditure are not widespread or uniform and estimates of total spending vary.

2.2 Models of Procurement

There is also considerable variety in the approach to procuring legal services. Competitive tendering is employed in some areas while use of panels of service providers is more common.

The AGO select and brief counsel to appear in court on behalf of State parties. Counsel who wish to be considered are required to apply, detailing relevant skills and experience. Lists of counsel are reviewed once a year.

Cases prosecuted on behalf of the DPP are conducted by independent counsel. Counsel are engaged on a case by case basis, giving cognisance to the particular requirements of the case under consideration. All cases of a particular type attract the same level of fees unless a case is exceptionally demanding in which case a top-up fee may be applied. The DPP maintains a number of panels of counsel, each panel relating to a particular type of case to be tried.

2.3 Recent developments

Given challenges posed by broader fiscal conditions and lower level of expenditure available across all areas of Government activity, many Agencies and Offices have already taken steps to deliver better value for money and reduce spending on legal services. Initiatives in this regard include:

- The *Financial Emergency Measures in the Public Interest (FEMPI) Act 2009* which imposed reductions on levels of professional fees, including legal fees.
- The State Claims Agency is reducing fees paid to barristers by 25 percent and is establishing a legal costs unit which will handle third party costs associated with the Mahon and Moriarty Tribunals.
- A range of Offices have unilaterally sought and achieved reductions in legal fees.

2.4 Ancillary Public Expenditure

In addition, considerable public resources are also committed to aspects of the running of the legal system. Net Exchequer expenditure on the Courts Service is estimated to be over €54 million in 2012. On top of this, public expenditure is incurred on Garda costs (including overtime), and costs in the probation and prison services. The majority of these costs are unavoidable. It is nonetheless critical to ensure that systems are appropriately attuned and that there are no barriers to the smooth running of processes or impediments to efficiency.

Overtime payments arising from Garda attendance at Court are a very significant cost of the administration of Justice. The McCarthy Report estimated that 25 percent of Garda overtime

was accounted for by court attendance.⁴ While a certain level of this expenditure is probably unavoidable, the current outlay appears large, notwithstanding that overtime costs in this area are being reduced.

Similarly, there are draws on Prison Service resources associated with Court proceedings. This arises principally through the transit and accompanying of prisoners by prison officers. Analysis by the Department of Justice & Equality shows that this is a resource-intensive process, requiring staff to be diverted from duties within prisons. In the same way there are ancillary public expenditure implications for the Probation Service.

3. The Emerging Policy Context

The Programme for Government undertook to deliver a number of important changes to the way in which legal services are regulated as well as procured by State bodies. Through the Legal Services Regulatory Bill, the Government is pursuing a deep structural reform of the legal services sector which will have far reaching implications for citizens, businesses, Government Departments and Offices and the legal professions. Accompanying policy measures will assist in delivering enhanced value for money and operational efficiencies in the legal system.

3.1 Legal Services Regulatory Bill 2011

With a particular focus on ending restrictive practices and bringing greater transparency to legal costs, the Legal Services Regulatory Bill, 2011 is currently being progressed.

The Legal Services Regulation Bill

The Legal Services Regulation Bill and Explanatory Memorandum were published in late 2011 by the Minister for Justice, Equality and Defence. The Bill aims to implement key structural reforms set out in the Programme for Government and satisfies a number of the State's commitments in the EU/IMF Programme aimed at structural reform building on the recommendations of the Legal Costs Working Group and the Competition Authority.

Together, these provisions will

- promote competition and transparency in the organisation and provision of legal services in the State and in relation to legal costs,
- create a single and independent point of call for those who wish to make complaints about legal services, and
- better balance the respective interests of the public, consumers and legal professionals in their respective provision and consumption of legal services.

⁴ Department of Finance (2009) *Report of the Special Group on Public Service Numbers and Expenditure Programmes*. Volume II, Detailed Papers.

The Bill, which has its roots in the Government's *Programme for National Recovery*, gives effect to undertakings in the EU/IMF agreement. The Bill completed Second Stage in the Oireachtas in February 2012 and preparations are ongoing for Committee Stage hearing. It is expected to be passed into law early in 2014.

3.2 Cross-Agency Working Group on Efficiencies in the Circuit and District Courts

The Working Group is composed of representatives from all of the relevant public bodies responsible for the operation of the criminal courts system. The Group is expected to deliver its preliminary report to the Minister for Justice and the Chief Justice shortly. The preliminary recommendations are expected to point to:

- The piloting of a pre-trial procedure in Dublin. The procedure involves an early stage assessment of a case's readiness for trial and will generate savings and efficiencies by facilitating shorter trials.
- The use of video conferencing. Necessary facilities are now installed in all prisons and the main courthouses. This will obviate the need to transfer prisoners for trial.
- New procedures to deliver efficiencies in the Probation Service and deliver same day probation reports.

3.3 Official Circular on Legal Services Procurement

The Department of Public Expenditure & Reform is issuing a new Circular on Procurement of Legal Services and Managing Legal Costs. This Circular clarifies and underlines the importance of the obligations upon public bodies to comply with the procurement rules and guidelines in retaining legal services. The Circular outlines appropriate competitive procedures that can be used in the engagement of legal services and sets out a number of approaches and tools for public bodies to use in managing legal costs.

4. International Practice and Procurement Models of Relevance to Ireland

Control and management of legal costs is a concern of governments across the world. A range of different policy approaches exist in attempting to enhance value for money. The sections below detail a number of pertinent issues which may be relevant in the case of Ireland.

4.1 Alternative Dispute Resolutions

Contentious legal matters are very expensive for the State for a number of reasons – the high cost of solicitors' and barristers' time; factors such as discovery and expert witnesses; delays experienced or the drain on employees' time; the range of costs associated with running the courts services. Alternative Dispute Resolution (ADR) mechanisms can help to alleviate all

aspects of these costs, and the US Federal Government's experience in promoting the use of ADR mechanisms has shown that they hold many advantages over traditional litigation procedures. The service providers are generally cheaper, the process itself is more timely and requires less time intensive or expensive procedures, the solutions it provides are more durable, the parties more satisfied with the outcomes and there is no drain on court services.

The *European Communities (Mediation) Regulations 2011* have placed mediation on a sound legal footing and there is a general recognition across Europe and the US that many cases would be more suitable to resolution by mediation than by litigation. In the UK, in the case of *Rolf v De Guerin* (2011), the Court of Appeal decided that the refusal by one party to enter mediation could be taken into account when awarding costs. While mediation is not mandatory in the UK, this decision should provide a significant incentive to parties when the Courts suggest mediation as an option.

In a speech in July of 2011 at the opening of the Cork Resolution centre, the head of the Commercial Court, Mr Justice Peter Kelly, said that many disputes could be resolved better and more cheaply through mediation than litigation. In his opinion, up to 70 percent of the cases brought before him could be resolved by mediation, which is generally much quicker, as parties do not have to wait for a hearing date, much less expensive, and led to an agreed rather than an imposed settlement.

4.2 The role of senior management and in-house legal teams

Practice in Australia recognises the importance of having senior management involved in the setting of legal service strategies. Key management decisions include which services to provide in-house, and which to procure externally.

In-house legal teams play an important role in both the delivery and the procurement of legal services in Australia. They can act in the first instance to decide which matters need to be dealt with by legal professionals, which can reduce costs both by recognising unnecessary actions early in the process and by identifying issues which may become problematic further down the line. In-house legal teams can also provide legal services directly, or can act as an informed purchaser of legal services, should that need arise.

4.3 Informed Purchasers

Again in Australia, a number of reports have reiterated the importance of having procurement processes for legal services managed by an experienced and informed individual. The 'informed purchaser' determines exactly what services need to be procured, how much should be paid for those services, and ensures that they are delivered in an efficient and effective manner. In Ireland – regarding ad hoc or once off legal matters - it is often the case that the

person in charge of procuring legal services for a Department or Agency may not be familiar with the operation of the market, or the legal system more generally.

4.4 Counsel Panels in the UK and Canada

As is the case in Ireland, the UK operates panels of Counsel for both civil and criminal cases. Both jurisdictions fill the panels based on the general experience and competency of the counsel as well as specific expertise; both jurisdictions also acknowledge the desirability of working for the State, both in terms of prestige and the certainty of payment and a reasonably certain level of work.

However, there are some differences in the operation of the panels. In the UK, the hourly rates payable to Counsel on civil panels are set, regardless of the nature of the case. Further, the Treasury Solicitors Department only recruit Junior Counsel to panels. Queens Counsel are only used in extraordinary circumstances, and must be approved by the Attorney General. Junior Counsel on the A Panel (the top panel), may regularly represent the State against a QC, but this is not a consideration when deciding on the experience of the State's representative. In Ireland, Senior Counsel are used more frequently, especially in cases where the opposing side has retained an SC.

5. Guiding Principles: Avoid, Minimise, Recover

Public spending on legal services and on the administration of the legal system is clearly a wide-ranging and complex area. In seeking to deliver enhanced value for money and realise expenditure savings a number of guiding principles are proposed, namely that expenditure should be avoided where possible, minimised where it must occur and recovered where relevant.

5.1 Avoid

The starting point is to ensure that all expenditure on legal services is warranted in the first instance. While this may not be a controversial sentiment, realising the goal is not straightforward for a number of reasons. For one, the legal sector is a classic example of a market characterised by imperfect information. Consumers are rarely as informed as producers and this can give rise to supplier-induced demand.

Some of the provisions of the *Legal Services Regulatory Bill* will address this issue to an extent. Public bodies can nonetheless go further. At any one time there are also a number of barristers and solicitors from the CSSO and AGO on secondment in Government Departments. In many cases, Departments and Offices have qualified barristers and solicitors among their staff. Where these resources are available they should be deployed to act as 'gatekeepers' or 'informed purchasers' for legal expenditure. Such a function can assist senior managers and

decision-makers in making more informed decisions and understanding potential risks regarding pursuing particular courses of action.

On a related point more use can be made of alternative dispute resolutions techniques (ADR) to avoid civil court proceedings. Consulting stakeholders from across the legal services market, D/PE&R has learned that ADR is rarely used in the Irish system. As noted above, the use of ADR in the first instance is compulsory in the United States. Greater use of these techniques should be explored in the case of Ireland and could lead to significant savings.

5.2 Minimise

As detailed, progress has been made in recent years in achieving lower levels of expenditure on legal services. While this is to be welcomed, it nonetheless could point to a level of expenditure in the past beyond what may have been justified.

Within the legal profession, securing State work is seen as prestigious and is sought after given the reliability and certainty of receiving full and timely payment. These features have an economic value and it should be ensured that the State is doing everything possible to secure the best value attainable and capture the benefits of these factors.

More extensive use of competitive tendering should be used to assist in this process. This is by no means to say that the State should always award contracts on the basis of lowest prices only. Such an approach would fail to recognise the importance of service quality, the complexities of particular cases and potentially catastrophic consequences of the State not having the very best representation in certain limited circumstances. The procurement model employed must take appropriate account of the various concerns involved.

In addition, system changes can deliver major efficiencies to the administration of the courts system and reduce the very high levels of ancillary public expenditure involved. Small changes and process improvements, repeated daily across the courthouses of the State, offer major potential for savings over the medium-term.

5.3 Recover

In awarding costs arising from a case, the Taxing Master will examine the case file which has been maintained by the solicitor. The records in the file must show that all work being claimed for was actually done, and that it was necessary for the case. The fees charged must also be reasonable with respect to the prevailing level of fees in the market. A premium may be charged for complexity or urgency, but these must be reflected in the file.

To ensure that the State is able to claim the correct level of costs in Taxation, it is of paramount importance to ensure that the file is properly maintained, meaning adequate

recording of all work done on the case. Regard must be given to amount of time expended on the case by the solicitor, but this is secondary to the amount of work done – higher fees cannot be charged for completing tasks unduly slowly. It has been recommended that solicitors employed by the State attend sessions of the Taxing Masters' Court to see at first hand what is required when proving costs.

6. Recap and Conclusions

Public expenditure on legal services is a significant draw on exchequer resources. Positive steps have been taken in recent years to reduce spending in this area, and the provisions of related policy initiatives such as the Legal Services Regulatory Bill and the Working Group on Efficiencies in the District and Circuit Courts will make important contributions to enhancing competitiveness, transparency and value for money. This principles set out in this paper – that such expenditure should be avoided where possible, minimised where it must occur and recovered where relevant – should help to build upon this progress and allow for greater savings to be realised over future years.

Climate Change - Expenditure Impacts

Summary

Ireland has challenging Climate and Energy targets for the period to 2020. These targets are legally binding. They are relevant to the analysis of policies and/or measures in a range of sectors. They need to be factored into future plans and policy developments, across a range of Government Departments, to ensure a coordinated and cost-effective approach.

In relation to climate finance, which refers to financial flows from developed to developing countries to cover the additional costs associated with climate change adaptation and mitigation, Ireland is expected to meet its Fast-Start Finance commitment (2010 to 2012) of up to €100m from public funds. There is also a collective Long-Term Climate Finance (2013 to 2020) commitment at UN level to mobilise US\$100bn per annum by 2020 from developed to developing countries from a variety of sources including public, private, bilateral, multilateral and alternative sources of finance. Ireland will need to ensure that our existing channels of financing and support are tracked.

1. Overall context for climate and energy policy in Europe

The *Climate and Energy Package* adopted in 2009⁵ is a set of binding European Union legislation which aims to ensure that the EU meets its climate change and energy targets for 2020. The overall ambition of the *Climate and Energy Package* is to implement an integrated approach to climate and energy policy that has the simultaneous aims of combating climate change, increasing the EU's energy security and strengthening its competitiveness. It also notes that tackling the climate and energy challenge offers an opportunity for the creation of jobs, the generation of "green" growth and a strengthening of Europe's competitiveness.

The Package sets binding legislation that aims to ensure the EU meets its ambitious climate and energy targets for 2020. These targets, known as the "20-20-20" targets, set three key objectives for 2020:

- A 20 percent reduction in EU greenhouse gas emissions from 1990 levels to be achieved by:
 - 21 percent reduction in Emission Trading Scheme (ETS)⁶ emissions from 2005 levels;

⁵ http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/misc/107136.pdf and associated links

⁶ About 100 Irish installations fall within the scope of the EU Emissions Trading Scheme (EU-ETS). These are installations such as power generation, cement manufacturers, food producers, etc.

- 10 percent reduction in non-ETS⁷ emissions from 2005 levels (the 10 percent is met by different national targets as set by the Commission) as legislated for under the Effort Sharing Decision (ESD);
- A 20 percent improvement in the EU's energy efficiency;
- Raising the share of EU energy consumption produced from renewable resources to 20 percent.

The main sectoral Departments involved in the development of policies to address our climate change and energy targets are: the Department of the Environment, Community & Local Government (D/ECLG) [Vote 25] who lead on overall policy, the Department of Communications, Energy & Natural Resources (D/CENR) [Vote 29] who formulate national energy policy including on expenditure proposals on energy efficiency measures, the Department of Agriculture, Food & the Marine (D/AFM) [Vote 30], the Department of Transport, Tourism & Sport (D/TTS) [Vote 31], and the Department of Finance (D/F) [Vote 7] who lead on environmental taxes. The expenditure on climate relevant measures is mainly through Votes for D/CENR, D/AFM, D/ECLG, D/TTS, and the Office of Public Works (OPW) [Vote 13]. Fast Start Climate Finance in the period 2010 to 2012 has been sourced from the D/ECLG, Irish Aid [International Cooperation, Vote 27], and D/AFM Votes.

D/ECLG worked closely with the Department of Public Expenditure & Reform (D/PER), the National Procurement Service (NPS) in the OPW, and in conjunction with other Government Departments, to draft *Green Tenders – An Action Plan on Green Public Procurement*⁸ which was published in January 2012 and outlines a range of means that could be progressed across the Government sector.

2. Ireland's national targets for energy and emissions reduction

2.1 Ireland's non-ETS targets

Under the *Climate and Energy Package*, and in particular the ESD, Ireland is required to deliver a 20 percent reduction in non-ETS greenhouse gas (GHG) emissions by 2020 (relative to 2005 levels) and keep emissions below annual limits over the period 2013 to 2020. The majority of the non-ETS emissions come from agriculture, transport, residential and commercial activities. The non-ETS sector excludes installations which produce large scale CO₂ emissions, such as power generation and industrial activities, as these are covered under the EU ETS.

⁷ Mainly emissions from the agriculture, transport, residential and commercial sectors

⁸ <http://etenders.gov.ie/Media/Default/SiteContent/LegislationGuides/27.%20Green%20Tenders%20-%20An%20Action%20Plan%20on%20Green%20Public%20Procurement.pdf>

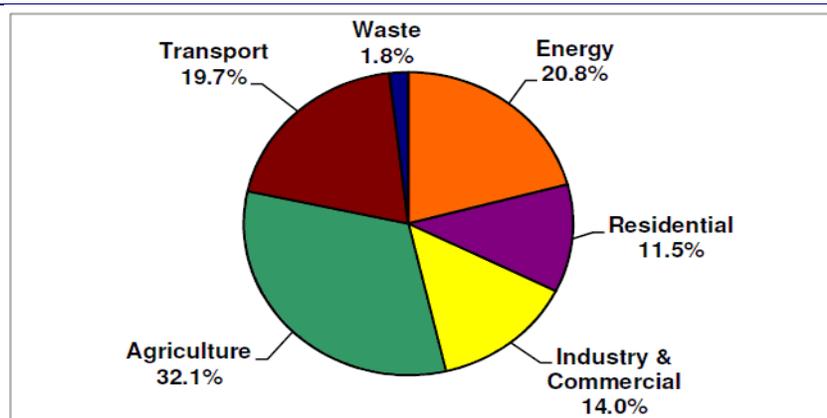
Ireland's 20 percent reduction target is very challenging for the economy given the particular configuration of our non-ETS emissions (See Section 2.1.1). The target was agreed in the context of the 2008 Impact Assessment by the Commission⁹. There was a subsequent Impact Assessment undertaken for the Commission which was published in 2012^{11,12} and which should help inform future approaches. It is welcome that there are improvements and more transparency in the modelling process for the 2012 round of analysis.

Although the 2013 to 2020 targets for Member States are legally binding, there are a number of options for Member States to use flexibilities to meet shortfalls in domestic mitigation. For example, Member States who over-achieve their targets have the option to sell the excess to other Member States who are short of their targets. There is also the option of purchasing carbon credits via Clean Development Mechanism (CDM) and Joint Implementation (JI) (See Section 2.1.2).

2.1.1 Ireland's emission profile by sector

Provisional inventories published by the Environmental Protection Agency¹³ (EPA) indicate that GHG emissions in Ireland in 2011 were 57.34 Mt CO₂e¹⁴. The largest contributor to emissions is the Agriculture sector at 32.1 percent. Emissions from Energy and Transport are 20.8 percent and 19.7 percent respectively, with Industry and Commercial representing 14.0 percent. The Residential sector represents 11.5 percent, while Waste represents 1.8 percent of emissions. The contributions from each of the sectors are shown in Figure 1.

Figure 1 Ireland's Greenhouse Gas Emissions profile by sector (2011)



Source: EPA, 2012¹⁵

⁹ http://ec.europa.eu/clima/policies/package/docs/sec_2008_85_ia_en.pdf

¹⁰ http://ec.europa.eu/clima/policies/package/docs/climate_package_ia_annex_en.pdf

¹¹ http://ec.europa.eu/clima/policies/package/docs/technical_report_analysis_2012_en.pdf

¹² http://ec.europa.eu/clima/policies/package/docs/swd_2012_5_en.pdf

¹³ http://www.epa.ie/downloads/pubs/air/airemissions/GHG_1990_2011_October_Final.pdf

¹⁴ Million tonnes of Carbon Dioxide (CO₂) equivalent

¹⁵ http://www.epa.ie/downloads/pubs/air/airemissions/GHG_1990_2011_October_Final.pdf

Agriculture is the largest sector for emissions in the non-ETS sector and a high share of emissions from this sector is from agricultural livestock where there is limited availability of cost effective mitigation options. Stable or increased emissions from agriculture in the period to 2020 will put increased pressure on other sectors on the non-ETS side of the economy to reduce emissions and increase energy efficiency in order to meet our legally binding commitments.

2.1.2 Addressing Ireland's emissions targets to 2020

In the event that the total emissions of our non-ETS sector exceed our legally binding targets in the 2013 to 2020 period, compliance may have to be reached by availing of the flexibilities provided for in the Effort Sharing Decision (ESD). The NESC Secretariat's Interim Report¹⁶ (2012), undertaken on foot of a request by Government, cites the EPA projections of Ireland's emissions (2010) and includes an estimate of the scale that could be associated with purchasing compliance.

Such estimates are strongly sensitive to the price projections used. The Report used the EPA's "With Measures" (WM) projection, which was based on existing policies in place by the end of 2010, to estimate cost of purchasing compliance. Under this scenario, Ireland's non-ETS emissions were projected to fall by in the region of 3.4 percent by 2020. This would have resulted in Ireland missing its 2020 target by approximately 7.8 Mt CO₂e. The Report also cited the possible cost of compliance under a "With Additional Measures" scenario where Ireland's non-ETS emissions fall by 11.3 percent and would have resulted in Ireland missing its 2020 target by approximately 4.1 Mt CO₂e.

On-going policy development is aimed at closing the gap to target. Should Ireland achieve its 2020 targets for Energy Efficiency and Renewables the costs of achieving compliance through flexible mechanisms under the ESD would be lower as the gap to target would be lower. Such a scenario is modelled by the EPA and is known as the "With Additional Measures" (WAM) scenario. Achieving the Energy Efficiency and Renewable targets also has associated cost implications.

The estimated cost of purchasing compliance in the NESC Secretariat's Interim Report is based on estimates of prices which might prevail in the carbon market. If there are structural changes to the carbon market which affect price, this would impact on compliance costs; it would also change the profile of returns from auctioning of allowances.

¹⁶ *Towards a New National Climate Policy: Interim Report of the NESC Secretariat.*

<http://www.environ.ie/en/Publications/Environment/ClimateChange/FileDownload.31202.en.pdf>

2.1.3 Increased emissions reduction target at EU level

In the years after 2020, Ireland – like all EU Member States – will have to manage a significant greenhouse gas mitigation challenge. Subject to the pace of technology and other developments key to mitigation, and even in a scenario where there is no increase in ambition in the 2013 to 2020 period, Ireland could face the possibility of considerably higher and rising annual costs of compliance after 2020.

It is to be expected that beyond 2020 the EU as a whole will adopt a more ambitious emissions–reduction target with attendant implications for cost. In the absence of increasing level of mitigation action, the costs of compliance will increase substantially.

2.2 Ireland's Energy Efficiency targets

Improving Ireland's energy efficiency is an essential part of Ireland's sustainable energy policy, and will play a vital role in reducing our dependence on fossil fuels. The Government's energy policy is designed to steer Ireland to a new and sustainable energy future, one that helps us reduce greenhouse gas emissions and energy costs. Efficient energy use directly contributes to security of energy supply, sustainable transport, affordable energy, competitiveness and environmental sustainability.

The Irish Government has committed to achieving, by 2020, a 20 percent reduction in energy demand across the whole of the economy through energy efficiency measures.

2.2.1 National Energy Efficiency Action Plan

The first steps to help achieving this target were set out in Ireland's first *National Energy Efficiency Action Plan (NEEAP)* which was published in May 2009¹⁷. The *NEEAP* set out 90 actions that Ireland was already taking or would take in the future to help achieve the required energy savings across the public, business, residential, transport, and energy supply sectors. The savings identified in the first Action Plan were projected to represent approximately €1.6bn in avoided energy cost reductions for the economy in 2020 and to reduce Ireland's CO₂ emissions by approximately 5.7 Mt¹⁸.

Ireland's second *NEEAP*, *NEEAP 2*, has gone through consultation phase and has received Cabinet approval. It is anticipated that *NEEAP 2* will be published in the coming weeks. *NEEAP 2* will emphasise the role of the public sector as a key element of the plan. The Government recognises that it must lead by example and is committed to achieving a 33 percent reduction in public sector energy use.

¹⁷ <http://www.dcenr.gov.ie/energy/energy+efficiency+and+affordability+division/national+energy+efficiency+action+plan.htm>

¹⁸ Source: National Energy Efficiency Action Plan (NEEAP) – (See aforementioned link)

2.2.2 Energy Efficiency Directive

On 25 October 2012¹⁹, the EU adopted the *Directive 2012/27/EU*²⁰ on energy efficiency. This Directive establishes a common framework of measures for the promotion of energy efficiency within the Union in order to ensure the achievement of the Union's 2020 20 percent headline target on energy efficiency and to pave the way for further energy efficiency improvements beyond that date. It lays down rules designed to remove barriers in the energy market and overcome market failures that impede efficiency in the supply and use of energy, and provides for the establishment of indicative national energy efficiency targets for 2020. Member States are required to have the Directive transposed by June 2014, eighteen months after its entry into force.

Some of the key features of the Directive are:

- Member States are to ensure that, as from 1 January 2014, 3 percent of the total floor area of buildings over 500m² owned and occupied by central Government is renovated annually to meet at least the minimum energy performance requirements set in current building regulations;
- With regards to the purchase of certain products and services and the purchase and rent of buildings, central governments which conclude public works, supply or service contracts should lead by example and make energy efficient purchasing decisions;
- Member States must establish an energy efficiency obligation scheme to ensure that obligated energy distributors and/or retail energy sales companies operating in each Member State's territory achieve a cumulative end-use energy savings target by 31 December 2020. That target shall be at least equivalent to achieving new savings each year from 1 January 2014 to 31 December 2020 of 1.5 percent of the annual energy sales to final customers of all energy distributors or all retail energy sales companies by volume, averaged over the most recent three-year period prior to 1 January 2013;
- Where the roll-out of smart meters is assessed positively, at least 80 percent of consumers should be equipped with intelligent metering systems by 2020.

Progressive steps have already been made on individual elements of the *Energy Efficiency Directive* in Ireland. Following pilot schemes and results from cost-benefit analyses²¹, the roll-out of smart meters (both electric and gas) to domestic homes and commercial premises is anticipated to proceed in 2015 and be completed by 2019 to meet the 80 percent roll-out requirement of the Directive²².

¹⁹ http://ec.europa.eu/energy/efficiency/eed/eed_en.htm

²⁰ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:315:0001:0056:EN:PDF>

²¹ <http://www.cer.ie/en/information-centre-reports-and-publications.aspx?article=1c6fdd02-da48-44b8-8703-7f0916c2de7a> and associated links

²² Commission for Energy Regulation (CER) – Press Release 4th July 2012

2.3 Ireland's Renewable Energy targets

Under the EU Commission's *Climate and Energy Package* Ireland has a target of 16 percent of total final domestic energy consumption to come from renewable energy in 2020. This target is made up of contributions from renewable energy in electricity (RES-E), renewable energy in transport (RES-T) and renewable energy for heat and cooling (RES-H). Individual targets for RES-E, RES-T and RES-H also exist. The targets to be achieved by 2020 are as follows²³:

- RES-E: 40 percent of gross electricity consumption to come from renewable sources;
- RES-T: 10 percent of the energy used in transport to come from renewable sources;
- RES-H: 12 percent renewable contribution to heat (Thermal requirement - heating and cooling).

In May 2012, the Minister for Communications, Energy & Natural Resources published Ireland's *Strategy for Renewable Energy 2012 - 2020*²⁴ setting out five strategic goals that can help Ireland meet its 2020 renewable energy targets. These strategic goals involve; increasing on-shore and off-shore wind for domestic and export markets, building a sustainable bioenergy sector, fostering research and development in renewables such as wave and tidal, growing sustainable transport, and building out robust and efficient networks.

3. International commitments to Climate Finance

3.1 Background

In simple terms Climate Finance could be considered to be financial flows from developed to developing countries to cover the additional costs associated with climate change adaptation and mitigation. Climate finance can be from a wide variety of sources such as public, private, bilateral, multilateral, and innovative sources, although to date has generally been counted from public funds.

3.2 UN Climate Finance commitments

At the UNFCCC²⁵ climate conferences in Copenhagen (2009) and Cancún (2010), the European Union and other developed countries pledged jointly:

- to provide US \$30bn in Fast Start Finance (from public funds) over the years 2010 to 2012, and
- in the longer term to mobilise US \$100bn a year by 2020 from a variety of sources: public, private, bilateral, and multilateral, including alternative sources²⁶, to help developing countries deal adequately with climate change, both to reduce their greenhouse gas emissions and to adapt to the consequences of climate change.

²³ http://www.seai.ie/Publications/Statistics_Publications/Statistics_FAQ/Energy_Targets_FAQ/

²⁴ http://www.dcenr.gov.ie/NR/rdonlyres/C0498ADB-362B-449C-B381-0099B552EBD1/0/RenewableEnergyStrategy2012_2020.pdf

²⁵ United Nations Framework Convention on Climate Change (UNFCCC)

²⁶ <http://unfccc.int/resource/docs/2010/cop16/eng/07a01.pdf#page=17>

3.2.1 Fast Start Finance (2010 to 2012)

The first phase of Climate Finance, known as the “Fast Start Finance” (FSF) phase, runs from 2010 to 2012. Over this 3-year period, the EU has a collective commitment to contribute €7.2bn of Climate Finance to developing countries. Ireland made a voluntary commitment of public funds towards meeting the total EU commitment for the initial FSF period (2010 to 2012). The EU is on course to substantially meet its full FSF commitment.

For the FSF commitment period, Ireland pledged to contribute up to €100m in Climate Finance. In fact, Ireland’s final contribution of Climate Finance over the FSF commitment period is expected to total approximately €110m which is in excess of the original pledge and further in excess of the €92m to €93m which would have been expected based on a strictly pro-rata burden-sharing approach by EU Member States to the overall EU pledge. The FSF contributions were sourced from D/ECLG, Irish Aid and D/AFM Votes.

3.2.2 Long term Finance (2013 to 2020)

As yet there is no clarity or agreement on a pathway or pathways to reach the 2020 goal for developed country support, as provided for in the 2009 Copenhagen Accord, or what the EU’s share of the US\$100bn target for 2020 might be. If we use a similar distribution key to that for the FSF period, Ireland’s contribution could potentially be of much greater scale in overall terms, although such a share would be derived from a wide variety of sources as outlined in the Cancún Agreement (2010)²⁷.

Public sources such as grant aid from the Exchequer could be counted, as could private, bilateral, multilateral and innovative sources of climate finance which are leveraged, mobilised, catalysed or facilitated by Government action. Further work is on-going at UNFCCC level regarding the potential streams of long-term climate finance.

Common issues that countries will grapple with are as follows:

- Identifying the various financial flows that can be counted towards climate finance contributions and determining the State’s role in facilitating these finance flows;
- Countries may also have to illustrate how these flows are “new and additional”, an approach which may raise some issues and implications;
- On-going monitoring, tracking and validation of climate finance flows – particularly for private climate finance flows, which are likely to account for the largest proportion of flows, but where the least amount of information is currently available;

²⁷ <http://unfccc.int/resource/docs/2010/cop16/eng/07a01.pdf#page=17>

- There are issues surrounding double counting: initial analysis shows that there is large potential for double counting e.g. market-traded units and investment funds;
- Bottom-up vs top-down approach to monitoring – there are implications and issues to be considered with each approach.

Pending further progress at EU and International level in identifying a pathway or pathways to scaling up climate finance, Ireland would aspire to maintain up to existing levels of climate relevant expenditure in 2013.

3.3 Scoping paper on Climate Finance

An initial scoping study is underway by the Irish Government Economic and Evaluation Service (IGEES) to ascertain what internal information is available in Departments on Climate Finance flows from Ireland to developing countries. The study will also take account of work being carried out under the UNFCCC process in respect to Long-Term Climate Finance Issues.

4. Conclusion

Ireland faces challenging targets and commitments at both EU and UN level in relation to emissions reduction, energy efficiency, renewable energy generation and climate finance in the period to 2020 and likely beyond. Comprehensive analysis of the potential policies and measures required to meet these targets and commitments across all sectors is essential to ensure that Ireland meets its legally-binding requirements in a cost-efficient manner.

Demographic Projections and Implications for Education Expenditure, 2015-2030

Summary

Ireland is experiencing substantial demographic growth. Pupil numbers at primary and post-primary level have increased by over 60,000 in the last 5 years. During this period a range of budgetary measures were implemented that impacted on the teacher allocations for schools. This was done in order to manage within tight budgetary constraints and to help offset the additional costs arising from increased demographics. The net effect is that the overall number of teachers now is broadly similar to what it was 4 years ago, notwithstanding the increased demographics. Had these budget measures not been introduced, the total number of teachers would be approximately 4,000 to 4,500 posts higher than current levels.

The budgetary framework out to 2014 takes into account demographic pressures in primary and post-primary schools. The post-2014 prospect now needs to be considered. Census 2011 provided a substantial basis for assessing future demographic trends with regard to school enrolment from 2015 onwards. The Department of Education & Skills has developed a number of scenarios based on the Census and this paper considers the budgetary implications of three scenarios within a 'no policy change' context. Three of these scenarios have been explored by the Department of Public Expenditure & Reform in conjunction with the Department of Education & Skills to assess the general scale of the expenditure implications of educational demographics.

The scenario considered most likely by the Department of Education & Skills, based on neutral migration and gradually declining fertility, projects an additional 15,000 pupils approximately in primary/post primary schools in 2015 compared to the previous year. Assuming no policy changes on teacher allocation arrangements and school funding, this scenario implies an additional €68m of expenditure in 2015 compared to 2014, gradually rising to a peak of an additional €378m nine years later in 2024, when the projection is for a total of approximately 979,000 pupils in schools, compared to 889,000 in 2014.

Two other scenarios, considered less likely, nonetheless also project substantial additional funding in 2015 (€71m or €63m) and funding peaks of €555m or €193m.

Table 1: Expenditure Pressures Resulting from Demographics: 2015-2030

Scenario	Description	2015 additional annualised costs	Peak year additional annualised costs
Scenario One	Neutral migration and a gradual decline in fertility over time	€68m	€378m (in 2024)
Scenario Two	A return to significant net inward migration by 2016 and a continuance of the currently high fertility rate	€71m	€555m (in 2026)
Scenario Three	Net outward migration and EU average fertility	€63m	€193m (in 2020)

1. Background

In July 2012 the Department of Education & Skills produced demographic projections for primary and post-primary school students out to 2030²⁸. These updated projections incorporated the population data from Census 2011.

From 2012 to 2014 the projections are reasonably robust as the school entry cohort has already been born. From 2015 the demographic projections diverge into nine scenarios based on different combinations of fertility and migration. Three of these scenarios have been explored by the Department of Public Expenditure & Reform in conjunction with the Department of Education & Skills to assess the expenditure implications.

The main cost drivers in primary and post-primary education are the number of pupils and the associated cost of teachers and school capitation grants and these drivers form the basis of the projections in this paper. It should be noted, however, that school expenditure programmes also include other elements such as administrative supports, Special Needs Assistant provision and the capital costs of school provision, all of which would be impacted by increases in pupil numbers.

2. Purpose of this exercise

Because of its intrinsic demographic component, it is possible to project and analyse likely school expenditure into the medium term. In this exercise, the analysis extends out to 2030. It is considered valuable to highlight the expenditure implications of demographic trends for

²⁸Department of Education & Skills, *Projections of Full Time Enrolment, Primary and Second Level, 2012–2030*, <http://www.education.gov.ie/en/Publications/Statistics/Statistical-Reports/Other-Statistical-Reports.html>

primary and post-primary education in the period out to 2030. The projections in this exercise are intended to inform and stimulate policy debate and analysis in a context of severely constrained resources generally.

3. Potential Scenarios

The Department of Education & Skills analysed a wide range of potential scenarios on the basis of the data arising from the 2011 Census. For the purposes of this exercise, three scenarios were selected:

- **Scenario One**, believed to be the most likely by the Department of Education and Skills, is based on neutral migration and a gradual decline in fertility over time;
- **Scenario Two** envisages a return to significant net inward migration by 2016 and a continuance of the currently high fertility rate; and
- **Scenario Three** projects net outward migration and EU average fertility.

4. Methodology and Costs Incorporated into Projections

Using the projected student numbers in each scenario, it is possible to project an indicative estimate of the likely expenditure implications, assuming that current policy on teacher allocations and school grants remain unchanged. The two main drivers of school costs are teacher numbers and general school capitation grants. Additional student numbers impact on both in a reasonably defined manner. Firstly, the school capitation grants are allocated on a per pupil basis. The figures used for capitation grants are based on the rates of payment in 2015, on the basis of current Government policy, including decisions on rates of capitation payments announced in Budget 2012. Currently, the 2015 projection for each pupil is €328 at primary and €497 at post-primary level.

Secondly, the Pupil Teacher Ratio (PTR – number of pupils as a ratio of total number of teachers) reflects the number of teachers required for a given number of pupils, allowing for classroom and non classroom teachers (non classroom teachers include additional teaching support provided for pupils with special needs, administrative principals etc.). For the years 2015 and 2016, it has been assumed, based on current average teacher costs, that the average cost to the Exchequer (including employer's PRSI, supervision and substitution allowance costs, etc) of a teacher in primary school is €63,289 and of a teacher in a post-primary school is €65,860. It is also assumed that, from 2017 to 2030, the revised salary terms for teachers will be reflected in the cost of any new recruits. For analysis purposes, it has therefore been assumed that the average cost of a teacher appointed in the years 2017-2030 will be €54,616 for primary and €53,722 for post primary. While this will tend to

somewhat overstate the costs in the earlier part of the period, it will tend to understate the costs towards 2030.

The projections are intended to show the potential extra costs after 2014 and which are additional to the level expected and provided for in 2014.

5. Other Costs Not Incorporated in Projections

The expenditure implications in primary and post-primary education of upward demographic pressures are most readily identifiable with regard to the number of teachers and the school capitation grants. However, the pressure on other expenditure items also needs to be noted and factored into ongoing consideration of education expenditure.

Firstly, demographic pressures will create pressure on school accommodation and consequent pressure for capital investment. Much will depend in this regard on the location and distribution of the additional pupil numbers. To the extent that the increasing number of pupils could not be accommodated within existing schools, there would be pressure to provide new schools or extensions at both primary and post-primary levels. The Department of Education & Skills estimates that the construction cost of a new 16 classroom primary school is €5m. Similarly the estimated average construction cost of a 1,000 pupil post primary school is approximately €12m. These estimates do not include site acquisition costs. The Infrastructure and Capital Investment Framework 2011-16 includes provision for capital investment in schools up to 2016.

Secondly, the upward trend in pupil numbers will also put pressure on administrative costs and on Special Needs Assistants expenditure. At present, for example, SNAs are assigned on the basis of individual pupil assessment within an overall ceiling of 10,575 SNAs. Any upward move in pupil numbers, particularly in primary schools, will need careful management within the context of pupil needs and resource allocations.

6. Results

Each of the three scenarios examined has two peak years in the number of students, earlier for primary and later for post-primary schools, showing the transition of the current demographic bulge through the education system. Taking primary and post-primary school projections together gives a combined peak which represents the year with the overall largest school population, and associated costs. As can be seen in the table below, the additional expenditure, compared to 2014, is considerable across all scenarios. This effectively represents a no-policy change background against which future spending should be appraised.

Table 2: Additional Pupils, Teachers and Expenditure at Combined Peak Compared to 2014

Scenario (Peak Expenditure Year)	Total Extra Pupils	Total Extra Teachers 2011/12 PTR	Total Additional Annualised Expenditure
Scenario One (Year 2024)	90,810	6,257	€378m
Scenario Two (Year 2026)	133,189	9,179	€555m
Scenario Three (Year 2020)	48,968	3,210	€193m

SUMMARY RESULTS

SCENARIO ONE: Neutral Migration; Gradual Decline in Fertility*

Based on 2011/12 PTR

Year	Primary Extra Pupils	Post-Primary Extra Pupils	Primary Extra Teachers	Post-Primary Extra Teachers	Annualised Additional Expenditure (million)
2015	12,057	3,165	744	228	€67.6
2016	22,711	6,711	1,402	483	€131.3
2017	35,387	9,734	2,184	700	€173.4
2018	44,318	14,182	2,736	1,020	€225.8
2019	48,873	20,779	3,017	1,495	€271.4
Primary Peak 2020	52,863	25,854	3,263	1,860	€308.3
2021	50,097	35,179	3,092	2,531	€338.7
2022	43,735	45,886	2,700	3,301	€361.9
2023	36,265	55,802	2,239	4,015	€377.6
Combined Peak 2024	27,056	63,754	1,670	4,587	€378.2
2025	16,350	70,039	1,009	5,039	€366
Post- Primary Peak 2026	5,197	73,436	321	5,283	€339.5
2027	-6,366	72,306	-393	5,202	€291.8
2028	-17,985	69,006	-1,110	4,964	€234.5
2029	-29,303	64,598	-1,809	4,647	€173.4
2030	-39,964	58,806	-2,467	4,231	€108.7

*The metrics shown for each year are in comparison to the 2014 Base Year

SCENARIO TWO: Significant Net Inward Migration by 2016; Continuing High Fertility*

Based on 2011/12 PTR

Year	Primary Extra Pupils	Post-Primary Extra Pupils	Primary Extra Teachers	Post-Primary Extra Teachers	Annualised Additional Expenditure (million)
2015	11,619	4,248	717	306	€71.4
2016	22,632	8,915	1,397	641	€142.5
2017	36,692	13,006	2,265	936	€192.5
2018	47,746	18,668	2,947	1,343	€258.1
2019	55,089	26,527	3,401	1,908	€319.5
2020	62,460	32,933	3,856	2,369	€374.7
Primary Peak 2021	63,588	43,796	3,925	3,151	€426.3
2022	61,556	56,097	3,800	4,036	€472.4
2023	58,700	67,743	3,623	4,874	€512.6
2024	54,098	77,875	3,339	5,603	€539.8
2025	47,238	87,040	2,916	6,262	€554.4
Combined Peak 2026	39,452	93,737	2,435	6,744	€554.8
2027	30,841	96,250	1,904	6,924	€533.9
Post- Primary Peak 2028	21,834	96,773	1,348	6,962	€502.9
2029	12,872	96,128	795	6,916	€466.9
2030	4,395	93,708	271	6,742	€425

**The metrics shown for each year are in comparison to the 2014 Base Year*

SCENARIO THREE: Net Outward Migration; EU average Fertility*

Based on 2011/12 PTR

Year	Primary Extra Pupils	Post-Primary Extra Pupils	Primary Extra Teachers	Post-Primary Extra Teachers	Annualised Additional Expenditure (million)
2015	10,708	3,350	661	241	€62.9
2016	19,457	6,489	1,201	467	€116.4
2017	29,011	8,421	1,791	606	€144.1
Primary	33,728	11,222	2,082	807	€173.7
Peak 2018					
2019	32,976	15,673	2,036	1,128	€190.4
Combined	30,608	18,360	1,889	1,321	€193.3
Peak 2020					
2021	20,482	25,412	1,264	1,828	€186.6
2022	5,814	34,034	359	2,448	€170
2023	-11,029	42,198	-681	3,036	€143.3
2024	-30,377	48,480	-1,875	3,488	€99.1
2025	-50,670	52,454	-3,128	3,774	€41.4
Post-Primary	-69,463	52,454	-4,288	3,774	-€28.2
Peak 2026					
2027	-86,769	46,886	-5,356	3,373	-€116.5
2028	-102,312	38,110	-6,316	2,742	-€212.3
2029	-115,816	27,247	-7,149	1,960	-€309.6
2030	-127,020	14,433	-7,841	1,038	-€406.9

*The metrics shown for each year are in comparison to the 2014 Base Year

Assumptions

	Primary Schools	Post-Primary Schools
Teacher Unit Cost 2011 - 2016 ²⁹	€63,289	€65,860
New Entrant Teacher Unit Cost 2017 - 2030 ³⁰	€54,616	€53,722
Grants per Pupil ³¹	€328	€497
PTR ³²	16.2:1	13.9:1

Base Year: 2014

	Primary Schools	Post-Primary Schools (excluding PLC numbers)
Pupil Numbers	548,939	339,682
Number of Teachers	33,620 ³³	24,484 ³⁴

Note: All pupil number projections used in the three scenario tables have been sourced from the Department of Education & Skills publication “**Projections of Full Time Enrolment - Primary and Second Level, 2012 – 2030**”

This document is available on their website at the following link:
<http://www.education.ie/en/Publications/Statistics/Projections-of-full-time-enrolment-Primary-and-Second-Level-2012-2030.pdf>

²⁹ Department of Education & Skills figures for approximate teacher unit cost.

³⁰ Department of Education & Skills figures for approximate teacher unit cost.

³¹ Figure provided by Department of Education & Skills, Estimated 2015 level of grant payments (after Budget 2012 changes out to 2015 have been implemented). Primary grants include basic and ancillary grant, plus standard book grant, while post primary grants are an average level of grant across the different school types and include basic grant and school services support fund grants. Does not include certain non-universal grants.

³² Pupil Teacher Ratio for 2011/12 school year as published in Department of Education & Skills, Key Statistics 2011/2012, September 2012

³³ Department of Education & Skills numbers projection for end 2014

³⁴ Department of Education & Skills numbers projection for end 2014

Focused Policy Assessments

Introduction

The *Comprehensive Expenditure Report 2012-2014* introduced a number of improvements to the Value-for-Money arrangements that apply to the development, appraisal and review of public expenditure programmes. One of these initiatives was the introduction of Focused Policy Assessments (FPAs), a model whereby a single evaluator or a small team can address specific aspects of policy configuration and delivery in a tightly-focused and expeditious manner. In this way, a corpus of policy-relevant analytical material can be developed over a relatively short period of time, to complement the analyses conducted under the more formal Value-for-Money & Policy Reviews.

The material below provides an overview of the range of work that is currently at or nearing completion by staff of the Irish Government Economic & Evaluation Service (IGEES) within the Department of Public Expenditure & Reform. It is intended that the various FPAs will be published on the website of the Department of Public Expenditure & Reform in due course. Since part of the rationale for the FPAs is to stimulate, and to a degree to challenge, existing aspects of public policy, it should be noted that the findings and suggested policy orientations are not intended to reflect necessarily the views of the Minister or the Department of Public Expenditure & Reform, nor indeed the views of other Departments.

Local Funding for Community & Voluntary Groups: a review of Pobal

Pobal is a not-for-profit company established in 1992 to promote social inclusion, reconciliation and equality and to counter disadvantage through local social and economic development. Its main activities focus on the administration of grants provided by Government Departments and administration of other publicly-funded schemes and programmes.

The FPA that is underway is examining the effectiveness, efficiency and continued appropriateness of Pobal in its role as a conduit of funds to local bodies. The context for this exercise is the changing environment for grants administration in the Community and Voluntary sectors; ongoing consolidation of spending programmes; alignment of local delivery mechanisms with local authorities; and policy developments relating to labour market activation and social inclusion.

In particular, the FPA explores the capacity of Pobal, and the model of funding delivery which it embodies, to contribute to potential new arrangements to enhance accountability relating to multiple sources of funding. Taking account of the previous analysis on this area in the context of the 2011

Comprehensive Review of Expenditure, new arrangements could include stronger central coordination, with a core database of funding sources for various organisations, designation of a lead funder for accountability purposes and enhanced reporting to funders by organisations in receipt of State funds.

Enterprise Supports for Indigenous Firms

Supporting the development and expansion of indigenous enterprise is a core part of the Government's policy commitment to job creation and economic recovery. There are a number of State agencies involved and each has its own suite of funding programmes and other supports. Given the volume of State investment, and in line with good practice, the relevance and effectiveness of supports must be constantly reviewed and evaluated, particularly in light of the impact of the economic downturn on Ireland's indigenous business sector. This FPA uses data sets from Forfás and from the Central Statistics Office to examine whether the range of supports currently on offer have made a real positive difference to the firms that have received them; and whether these supports are targeted properly on those companies that need them.

Rural Social Scheme

The Rural Social Scheme (RSS) was established in 2004 in order to provide income support to qualifying farmers and fisherpersons; to harness available skills at a local level; and to free up Community Employment places. The scheme costs approx. €45 million p.a. The FPA of this scheme will consider programme rationale, continuing relevance, and certain aspects of programme effectiveness. On the question of the scheme's continuing relevance, the nature and scale of developments in the Irish labour market and in related policy areas will be important elements of the analysis.

Civil Service Childcare Initiative

Seven crèches for the children of civil servants have been delivered under the Civil Service Childcare Initiative (CSCI), which was launched in 2001 in a context of acute shortage of affordable childcare, and a policy objective of increased female participation in the civil service workforce. Capital costs of €10 million were incurred in the provision of the crèches, and there is an ongoing State subsidy of c. €600,000 p.a. in respect of maintenance and other costs. An FPA was done to assess the initiative with reference to a number of standard evaluation questions such as rationale, continuing relevance and effectiveness. The analysis concluded that while market failure in the supply of childcare in the early 1990s provided a valid rationale for State intervention, the CSCI quickly became redundant as a result of a parallel and significantly larger programme of State expenditure in support of the overall childcare market. The supply of private sector childcare has increased substantially since 2001 and the majority of private sector childcare providers now have spare capacity. In addition, the fees

charged by the civil service crèches are not as low as would be expected given the level of State subsidy which they enjoy. This analysis supports a conclusion that there is no longer a strong rationale for State subsidy of civil service crèches, and that the State should end its direct involvement (both financial and managerial) in this sector in a structured and planned fashion.

Early Childhood Care and Education (ECCE) Programme

Under the ECCE Programme, capitation payments are made to providers of pre-school education in relation to almost 69,000 eligible children aged between 3 and 4 years. The scheme is administered by the Department of Children & Youth Affairs. In 2012, some €175.8 million was provided for the programme.

The FPA is examining the programme's effectiveness and economy, taking account of its role and impact within the broader policy context for this area, in particular *Siolta* (the National Quality Framework for early childhood education), *Aistear* (the early childhood curriculum framework developed by the National Council for Curriculum & Assessment) and the Department of Education & Skill's *Literacy and Numeracy Strategy*. The quality dimension of the ECCE programme, which is crucial if the scheme objectives and potential benefits are to be realised, will be analysed. The FPA will also consider the way in which the programme resources are utilised (e.g. the provision of a higher capitation rate for those providers that have a FETAC Level 7 qualification or higher), as well as how the scheme is targeted.

Centenarians' Bounty

The Centenarians' Bounty is a cash gift of €2,540 from the Irish State to persons living in Ireland and to Irish citizens living abroad who reach 100 years of age. The scheme costs approx. €1 million a year at present, although demographic factors indicate that the costs of the scheme may escalate significantly in coming years and decades. An FPA is being conducted to assess the cost-effectiveness and sustainability of the Centenarian Bounty, including by reference to other international models of providing appropriate recognition by the State to its long-lived citizens.

Use of Public Private Partnerships in the Water Services sector

Public Private Partnerships (PPPs) were first introduced in Ireland around 2000 as a means of procuring infrastructure projects in a way that effectively harnesses the specialist expertise within the private sector, while providing value for money for the State. In recent years the use of PPPs in the Water Services area, particularly DBO (Design, Build and Operate) contracts, has come under increased scrutiny in the context of the work carried out by the Joint Oireachtas Committee on Environment, Transport, Culture & the Gaeltacht, the Comptroller & Auditor General and academic

researchers. This FPA will examine the appraisal and procurement decisions of a sample of Water Services projects to determine the extent to which the required Value for Money (VFM) appraisal and procurement analysis was carried out and the quality of these VFM tests. The FPA will also consider how VFM analysis has informed the final procurement decision and assess the management information maintained by the Department of Environment, Community & Local Government in relation to these projects.

Free Travel Scheme

The Free Travel Scheme was introduced in 1967 in order to provide transport services to those aged over 70 who were living alone and in receipt of a social welfare pension. Since then, the Scheme has been extended to all persons living in the State aged 66 and over as well as people below that age in receipt of certain Social Protection payments. More than 20 percent of the national population benefits from the Scheme at present, at a total annual cost of around €77 million.

The FPA examines the operational arrangements of the scheme in terms of efficiency, including guarding against waste and fraud; and compares the scheme with other international models.

Household Benefits Package

The Household Benefits Package was introduced in 1967 as a single allowance to cover the cost of electricity for pensioners living alone. Over time the scheme, which is administered by the Department of Social Protection, has grown in scope and it now provides support for the costs of energy (electricity and gas), telephone rental and for a free TV licence. The scheme cost €335 million in 2012, an increase of over 220 percent since 2000. The increased costs have been driven largely by higher energy costs over the period and a growing number of older people in the population.

This FPA will examine the economic and social case for the scheme, and options for targeting, reforming and restructuring the scheme more generally.

Charitable Lotteries Fund

The Charitable Lotteries Fund was established in 1997 with the stated objective of supplementing the income of private charitable lotteries to compensate for the effects of competition from the National Lottery. In 2012, some €6 million in Exchequer funding is allocated for the Fund. This FPA assesses the Fund with reference to a number of standard evaluation questions, namely rationale, effectiveness and continued relevance. The analysis examines critically the original scheme rationale, including the extent to which beneficiary organisations are in fact 'in competition' with the National Lottery, and potential new market distortion as between private charitable lotteries established pre-1997 and post-

1997 (the latter category not being eligible to benefit from the Fund). Other policy and social developments since 1997, notably the introduction of tax reliefs on private charitable donations and the extension of direct Exchequer funding towards the projects / causes advanced by Fund beneficiaries, are also considered.

Programme of Disposal of State Assets

The report of the Review Group on State Assets and Liabilities set out the various assets which could form part of a disposal programme to raise revenue for the State. The four assets now agreed by Government for disposal are: Bord Gáis Energy (BGE), some of the ESB's non strategic generation capacity, the harvesting rights of Coillte Teoranta and the government's 25% stake in Aer Lingus. A disposal strategy must be formulated for each asset to ensure that the best value is extracted from any sale, while simultaneously meeting a number of broad policy objectives of the Government in the overall context of structural reforms aimed at improving the competitiveness of the Irish economy. The analysis which underpins this strategy and decision-making process is ongoing within the Department of Public Expenditure & Reform supported by the Irish Government Economic & Evaluation Service (IGEES). Factors that have a bearing upon the analysis of specific assets include: the range of competition effects; scope for economic and dynamic efficiency gains; the role of a strong regulatory framework; as well as policy and strategic issues specific to the sectors in question.

