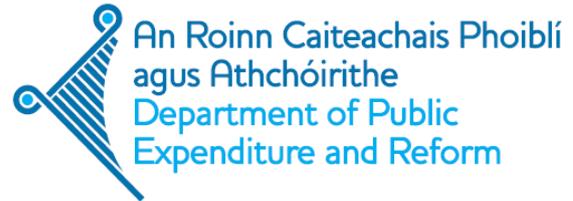




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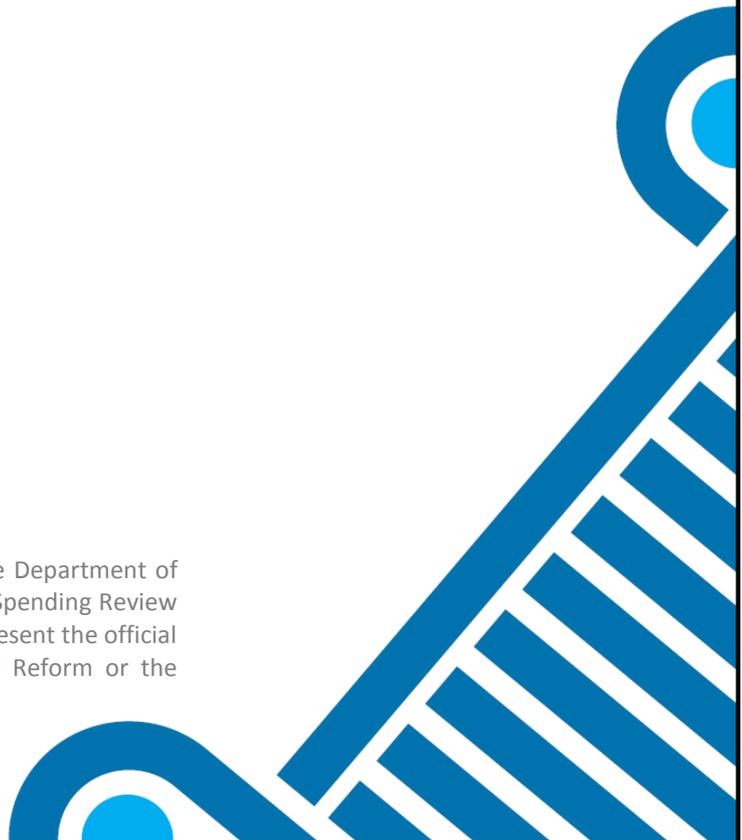
## Spending Review 2017

# The Central Votes: Spending Trends and Key Drivers

July, 2017

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This paper has been prepared by IGEES staff in the Department of Public Expenditure & Reform in the context of the Spending Review 2017. The views presented in this paper do not represent the official views of the Minister for Public Expenditure and Reform or the Departments/Offices referred to.



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## Summary

This paper covers seventeen Votes within the Central Votes group. These are: President's Establishment; Department of the Taoiseach; Office of the Attorney General; Central Statistics Office; Office of the Director of Public Prosecutions; Office of the Chief State Solicitor; Department of Finance; Office of the Comptroller and Auditor General; Office of the Revenue Commissioners; Tax Appeals Commission; Department of Public Expenditure and Reform; State Laboratory; Public Appointments Service; National Shared Services Office; Office of the Ombudsman; Office of Government Procurement; and Secret Service.

The objectives of this paper are:

- To identify the levels of expenditure and where pressures are emerging that will impact on the sustainability of expenditure in the near future.
- To examine how spending, as well as the composition of spending, has changed over time.
- To highlight a number of key areas, which could benefit from further, more detailed, analysis. These areas are:
  - ICT investment in the Office of the Revenue Commissioners
  - Expenditure on legal services
  - The National Shared Services Office and the Office of Government Procurement.

Key Findings:

- Given the limited scope for reallocation and reprioritisation, effective management of pay and numbers will be an important element of cost containment for the Central Votes.
- There has been significant investment in ICT by the Office of the Revenue Commissioners in recent years. A more in depth analysis than is possible in this paper would be beneficial in assessing the impact that this investment has had.
  - A future paper could focus upon digitisation and whether it has ultimately resulted in improved service delivery and/or savings.

- Each year, the State spends a significant amount providing legal services to Government Departments and Offices through the Offices of the Attorney General, the Chief State Solicitor and the Director of Public Prosecutions. While there is detailed data available on this expenditure, it is recognised that some Departments and Offices also have expenditure on external legal services. Though it is beyond the scope of this paper, an examination of what is driving this external spend in a future review may be useful. .
- Provision of centralised services, through establishment of organisations such as the NSSO and the OGP, was a core element of the Government’s 2011 Public Service Reform Plan. At the time of establishment, the NSSO and OGP were expected to result in significant savings for the Exchequer once fully operational. It is, perhaps, too soon to assess whether the expectations around these organisations have been met. However, this area should be examined in a future Spending Review round.

## 1. Introduction

There are seventeen 'Central Votes' covered by this paper. These are: President's Establishment; Department of the Taoiseach; Office of the Attorney General; Central Statistics Office; Office of the Director of Public Prosecutions; Office of the Chief State Solicitor; Department of Finance; Office of the Comptroller and Auditor General; Office of the Revenue Commissioners; Tax Appeals Commission; Department of Public Expenditure and Reform; State Laboratory; Public Appointments Service; National Shared Services Office; Office of the Ombudsman; Office of Government Procurement; and Secret Service.

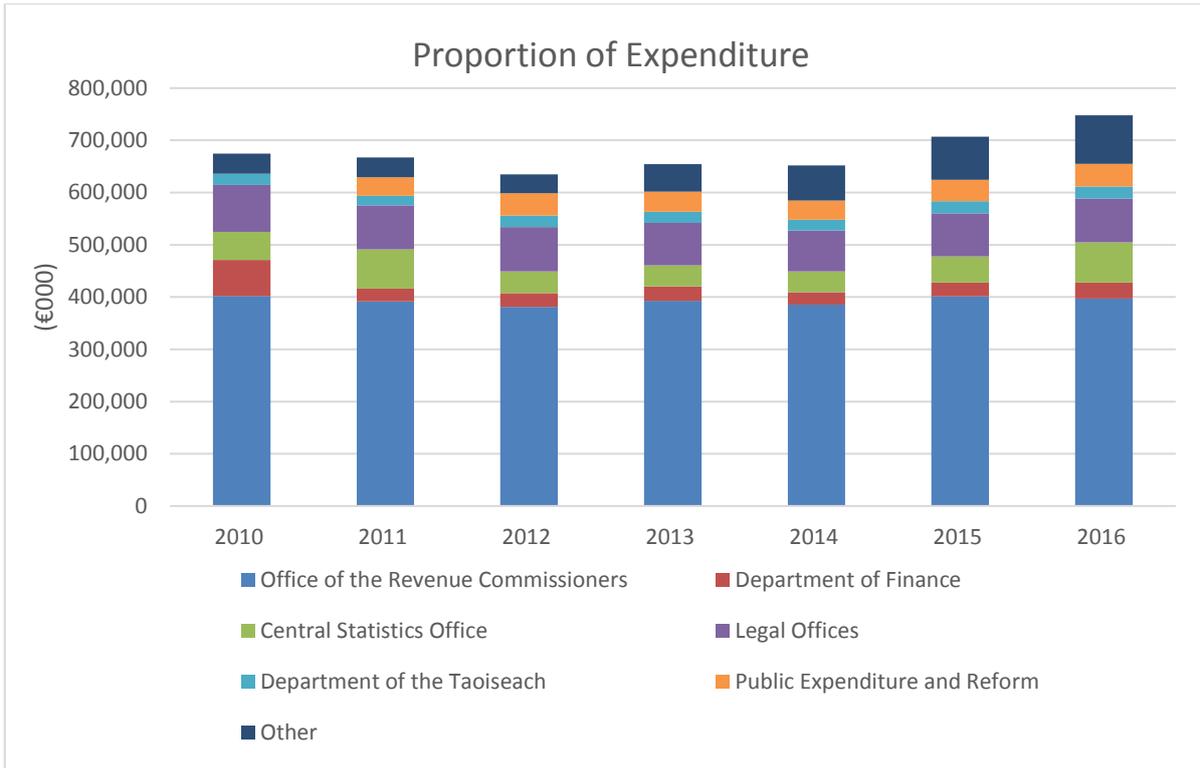
Many of the Central Votes operate a single spending programme, or are mandated to fulfil a specific, demand-led function. Where functions are demand-led, the scope for reprioritisation and re-allocation of funding is much more limited than it would be for larger Votes with multiple programmes and policy areas. A good example of this is the Office of the Director of Public Prosecutions. This office operates one spending programme, under the heading '*provision of prosecution service.*' The high level goal of that single programme is '*to provide on behalf of the People of Ireland a prosecution service which is independent, fair and effective.*' This does not leave a lot of scope for re-prioritising, as the Office must respond to cases as they occur. A similar argument could be made for many of the organisations within the Central Votes group.

### Objectives and Rationale

The main objectives of this paper are to identify the current state of play for these Votes in terms of expenditure and to examine where pressures are emerging that may impact on the sustainability of expenditure. The paper will also attempt to 'signpost' areas where further analysis may be useful in the context of future spending reviews.

The rationale for these Votes operating as separate offices, rather than having their functions sit within one of the main Departments, is self-evident. Many of these Offices are independent in their function, with the State Laboratory or Office of the Ombudsman as an example. Others provide a certain function that could not reside as a programme within any Department – Office of the Director of Public Prosecutions, Office of the Attorney General, Public Appointments Service for example.

It is important to note that the majority of the Central Votes have relatively small expenditure allocations. Only five of the seventeen Votes covered here had a spend of over €40m in 2016, and over half of the total gross spend for the Central Votes in 2016 was accounted for by the Office of the Revenue Commissioners, with gross expenditure of €409.3m



**Figure 1: Proportion of Expenditure by Vote, 2010 – 2016 [Source: DPER Expenditure Databank]**

## Methodology

This is a desk based view. This paper examines trends in expenditure and staffing to establish a baseline position for the Central Votes group. It also examines performance information for particular Votes in an attempt to map inputs to outputs. The main sources of information for this paper are:

- INFOR
- IT investment financial and output information provided by the Office of the Revenue Commissioners
- Data on legal services expenditure provided by the Office of Government Procurement.

## 2. Inputs

‘Inputs’ in this context refers to the financial and human resources allocated to the Central Votes.

### Expenditure

In 2016, the total gross expenditure by the seventeen Votes covered by this paper was just under €800m, or about 1.4% of total gross expenditure. Spending increased from the year 2000 on, peaking in 2008 at almost €817m. This figure fell over the years of the economic crisis to a low of €635m in 2012, before starting to increase again in 2013.

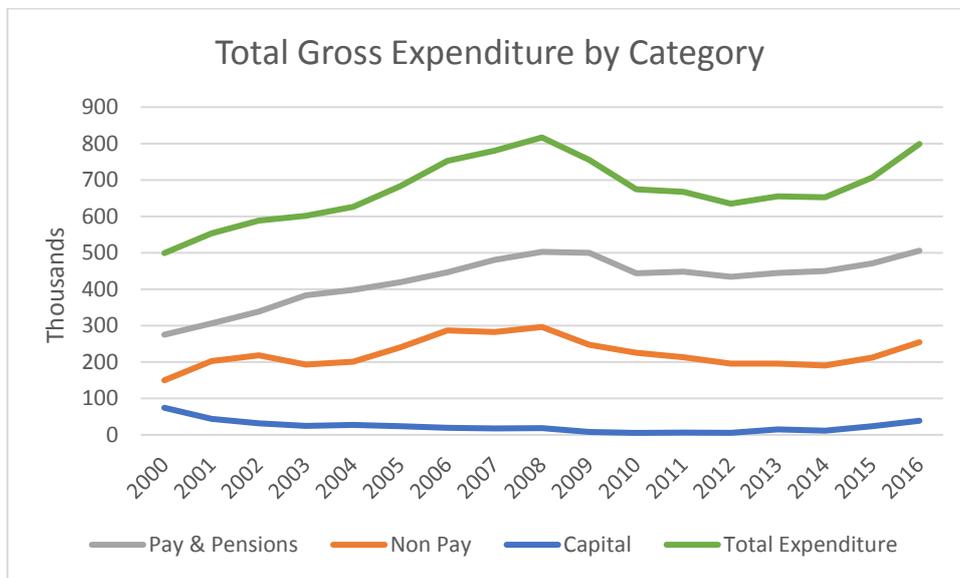


Figure 2: Total gross expenditure by category, 2000 – 2016 [Source: DPER Expenditure Databank]

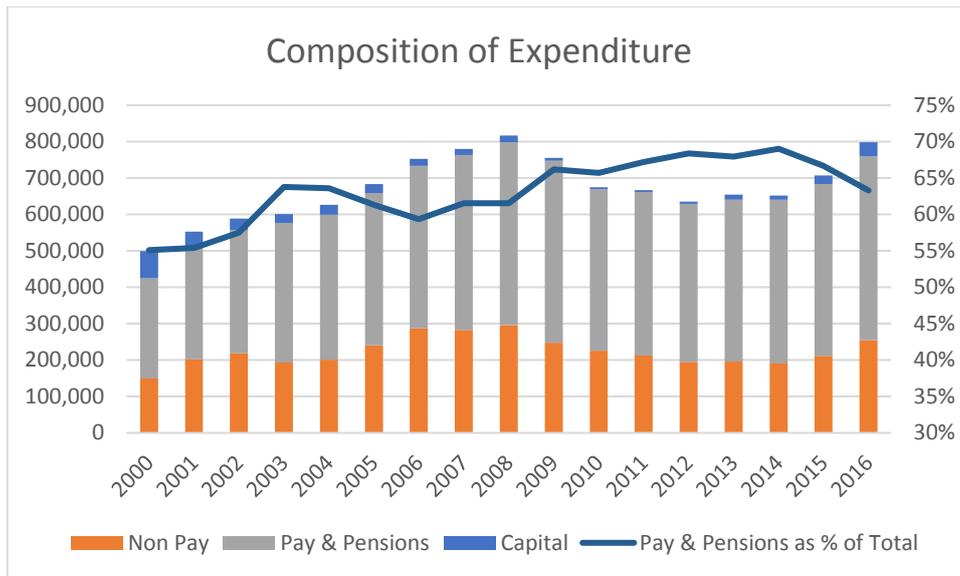
Since 2000, pay and pensions have accounted for the largest proportion of spend by these Votes. In 2016, pay and pensions accounted for 63% of overall gross expenditure, approximately €505.7m. This is proportionally similar spending to the peak in 2008, when pay and pensions accounted for 62% of gross expenditure for these Votes. Non pay expenditure made up 32% of spend in 2016 (compared with 36% in

2008), while capital expenditure makes up just 5% (compared with 2% in 2008) of total gross expenditure for the Central Votes.

<b>Year</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Total Gross Expenditure</b>	674,737	667,229	634,935	654,719	652,203	706,767	798,619
<b>Pay &amp; Pensions (as % of total)</b>	443,482 (67%)	448,474 (67%)	434,293 (68%)	444,743 (68%)	450,165 (69%)	471,234 (67%)	505,655 (63%)
<b>Non-Pay (as % of total)</b>	225,731 (33%)	212,941 (32%)	195,146 (31%)	195,497 (30%)	190,328 (29%)	211,894 (30%)	254,240 (32%)
<b>Capital (as % of total)</b>	5,524 (1%)	5,814 (1%)	5,496 (1%)	14,479 (2%)	11,710 (2%)	23,639 (3%)	38,724 (5%)

**Table 1: Composition of expenditure, 2010 – 2016 [Source: DPER Expenditure Databank]**

In relation to the increased percentage of total gross expenditure accounted for by capital spending, it is important to note here that neither the NSSO nor the OGP were in existence in 2008. These Votes had a combined capital spend of over €10m in 2016, which is a significant amount in the context of aggregate capital expenditure for the Central Votes. Also, in 2015, following the reclassification of certain categories of expenditure as capital rather than current, approximately €18m of expenditure per annum that was previously recorded as current was reclassified as current. Therefore, the increase in capital expenditure from 2% to 5% of gross total expenditure between 2008 and 2016 is not necessarily indicative of changes in patterns of expenditure, rather the analysis is somewhat skewed by the issues above.



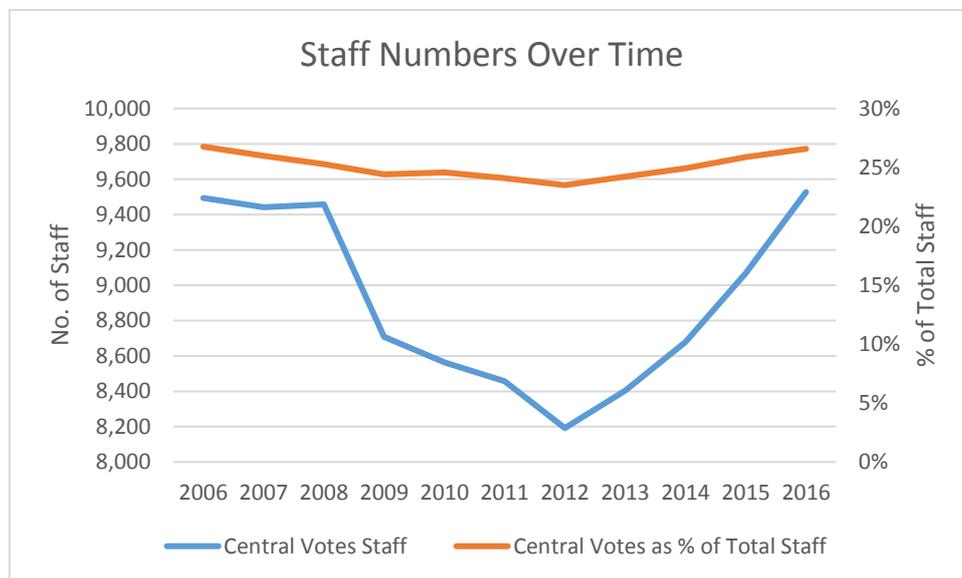
**Figure 3: Composition of expenditure, 2000 – 2016 [Source: DPER Expenditure Databank]**

This composition is largely consistent across the Central Votes, with pay and pensions accounting for the largest proportion of expenditure, though this is of course dependent on the function of the Office in question. For example, the Office of the Attorney General spent 80% of its allocation on pay and pensions in 2016, consistent with the trend since 2000. This level of expenditure on pay is to be expected in an organisation like the Office of the Attorney General, given the nature of the work and its ‘top heavy’ grade structure. However, given the varied nature of business carried out by the 17 Votes within the Central Group, a variation is to be expected in spending patterns. For example, the Office of the Revenue Commissioners is one of the few Votes in the group that has any significant level of capital spending, with expenditure of €23m in 2016.

### Staffing

The pay bill within this group is primarily driven by staffing levels and unit costs (i.e. all direct costs associated with employing an individual). From 2008, staff numbers in the Central Votes fell relatively sharply, as they did across the public service more generally. From 9,457 FTE in 2008, numbers fell to a low of 8,191.95 FTE in 2012. From there, numbers began to rise again, with the increase becoming more pronounced following the lifting of the moratorium on recruitment in 2015. At end 2016, numbers were approaching those seen in 2008, with 9,527.43 FTE employed. Between 2012 and 2016, Central Votes staff as a percentage of total Civil Service staff had risen from 23.5% to 26.58%. This increase can partly be explained by the establishment of new organisations within the Central Vote group, such as the Office of

Government Procurement and the National Shared Services Office, both of which were established in 2014. At end-2016, these two Votes employed 914 FTE staff between them.



**Figure 4: Staff numbers across Central Votes group, 2006 – 2016 [Source: DPER Databank]**

Where the functions carried out by these newly established organisations were not previously carried out by another organisation within the Central Votes group, the extra staff could perhaps more accurately be described as ‘newly added’ to the Central Votes, rather than as an increase in staff. For example, the procurement function now carried out by the OGP was previously the responsibility of the National Procurement Service, which was under the remit of the Office of Public Works. However, it must also be noted that some of the functions carried out by these newly established Offices *were* previously carried out by other bodies within the group. For example, the Department of Public Expenditure and Reform was established in 2011, but its functions were previously carried out by the Department of Finance and the Department of the Taoiseach. Thus, while the Department was new, many of its functions were not. Increased demand for services and changes to the remit of organisations also has an impact on the staffing levels of these Votes.

### Composition of Workforce

The composition of the workforce is also a driver of expenditure on pay and pensions. Grade composition, salary bands, age profile and length of service all have impacts on the pay bill and on workforce planning.

Grade Composition

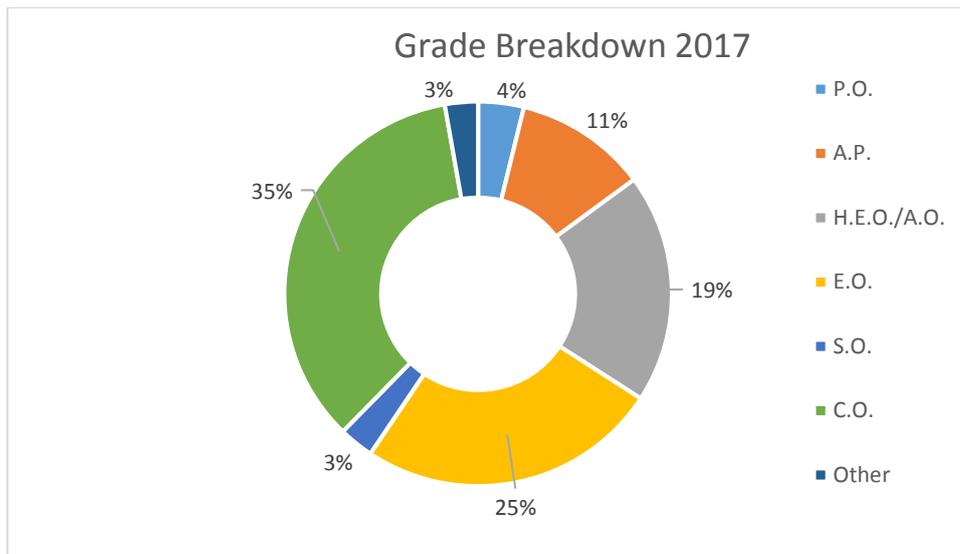


Figure 5: Grade composition of Central Votes workforce, 2017 [Source: DPER Databank]

Clerical Officers make up the largest proportion of the workforce in the Central Votes, at 35%. Together, Clerical Officers and Executive Officers made up 60% of the Central Votes workforce in 2017. These grades have consistently made up the majority of the Central Votes workforce since 2008, as evidenced in the table below. Senior management<sup>1</sup> make up just 4.5% of the workforce in 2017, a proportion which has also remained relatively consistent since 2008.

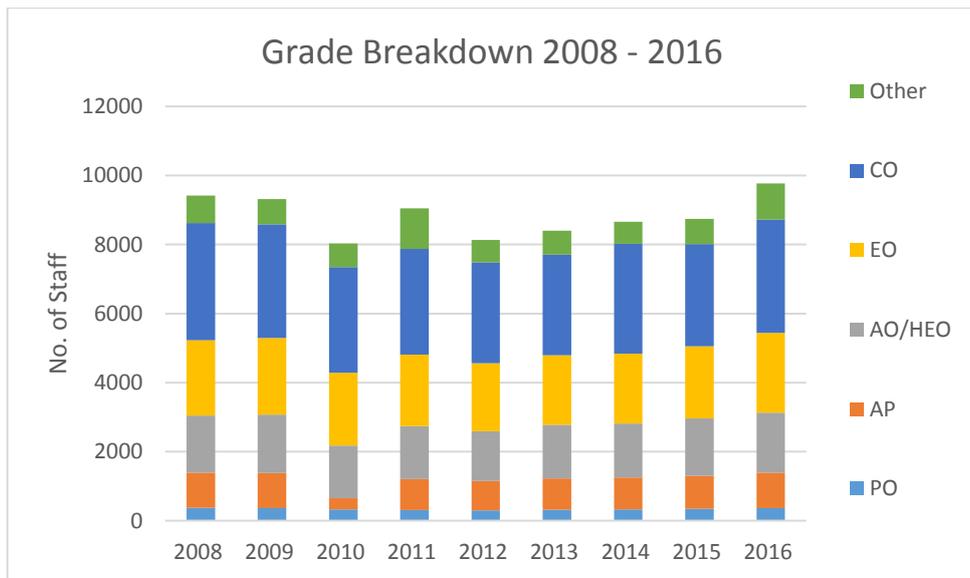
Grade Composition of the Central Votes							
Year	PO	AP	AO/HEO	EO	CO	Other <sup>2</sup>	Grand Total
2008	373.52	1,014.1	1,654.8	2,181.38	3,401.82	793.47	9,419.09
2009	366.32	1,013.89	1,690.62	2,219.17	3,292.42	734.25	9,316.67
2010	325.12	325.12	1,523.29	2,106.83	3,064.18	687.15	8,031.69
2011	309.2	895.44	1,531.96	2,072.49	3,062.94	1,176.27	9,048.3
2012	301.1	847.37	1,441.22	1,970.57	2,923.98	644.88	8,129.12
2013	319.1	908.87	1,551.93	2,016.06	2,908.44	694.03	8,398.43

<sup>1</sup> PO and above.

<sup>2</sup> Other includes Sec. Gen., Second Sec., Dep. Sec., A. Sec., SVO, POL, TEA, NPP, NPG, NPI.

<b>2014</b>	327.6	924.64	1,564.52	2,019.16	3,184.02	643.08	8,663.02
<b>2015</b>	345.6	950.26	1,668.05	2,084.65	2,967.23	729.11	8,744.9
<b>2016</b>	360.43	1,028.75	1,740.56	2,306.89	3,286.96	1,048.26	9,771.85

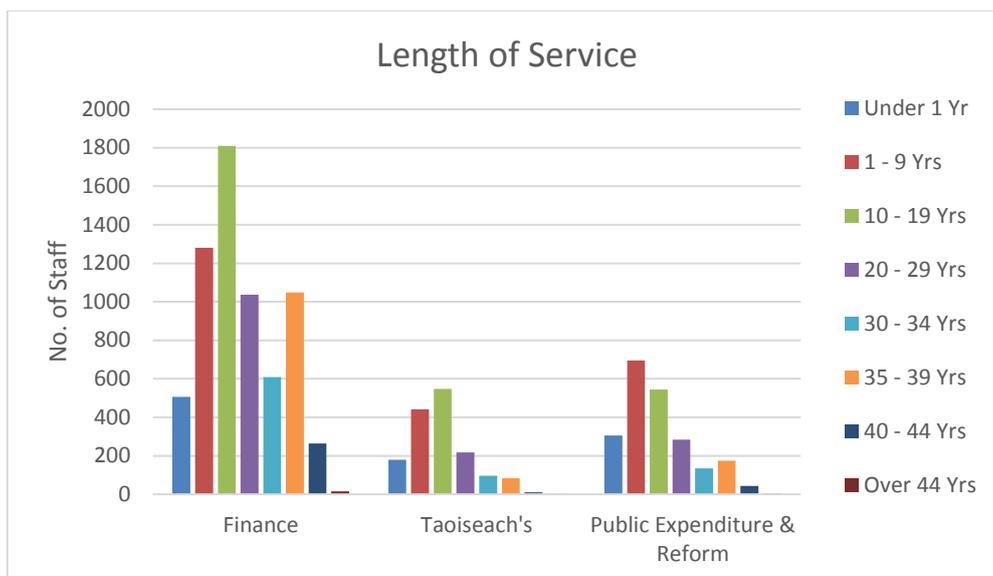
**Table 2: Grade composition of Central Votes workforce, 2008 – 2016 [Source: DPER Databank]**



**Figure 6: Grade composition of Central Votes workforce, 2008 – 2016 [Source: DPER Databank]**

### *Length of Service*

Length of service is also a useful indicator of where pressures may emerge in the near future. The graph below shows the breakdown of length of service for employees across the three groups within the Central Votes. As of March 2017, there were 1,326.24 FTE within the Finance group of Votes with 35 years of service or more. This equates to approximately 20% of staff in the four Votes that make up the Finance group.

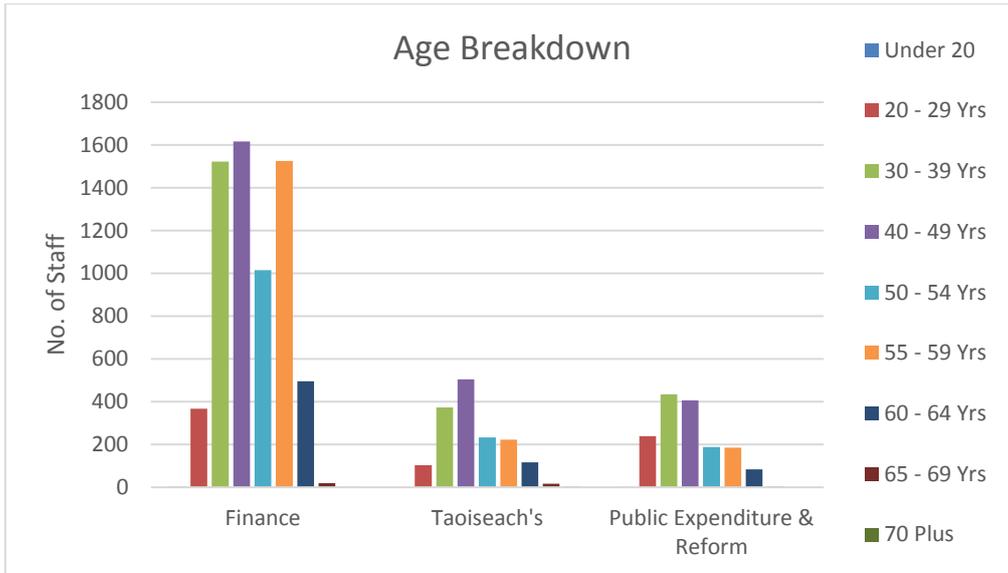


**Figure 7: Length of service of Central Votes workforce, 2017 [Source: DPER Databank]**

A large proportion of these staff members could be eligible for retirement within the next five years, which would create pressure in terms of workforce planning, recruitment and pensions. The proportion of staff with 35+ years of service in the Taoiseach's and Public Expenditure and Reform groups are not as high, at 6% and 10% respectively.

#### *Age Profile*

Similarly, an analysis of the age breakdown of the workforce can also give an indication of where pressures may occur in terms of retirements. 31% of the workforce in the Finance group of Votes are aged 55 or over. This means that almost one third of the workforce could potentially retire within the next 5 – 10 years, which has implications for workforce planning.

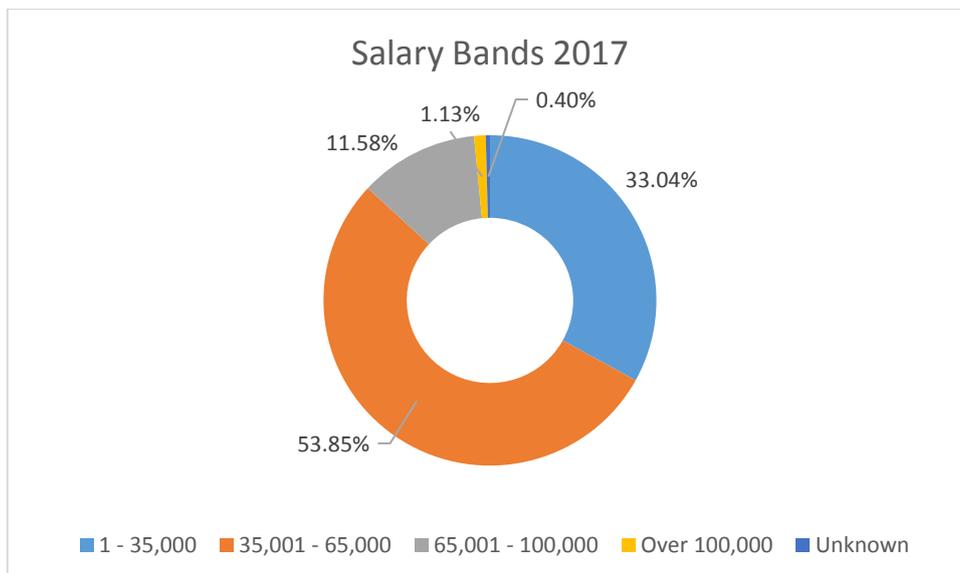


**Figure 8: Age composition of Central Votes workforce, 2017 [Source: DPER Databank]**

Similar to the pattern seen in the length of service analysis above, the proportion of staff aged 55 and over in the Taoiseach’s and Public Expenditure and Reform groups is lower, at 23% and 18% respectively.

### Salary

The vast majority of staff in the Central Votes earn €65,000 or less per year. Only about 13% earn above this level.



**Figure 9: Analysis of salary bands of Central Votes workforce, 2017 [Source: DPER Databank]**

This breakdown of salary bands has been relatively consistent over time, with the percentage of staff earning >€65,000 rising from 84% in 2008 to 87% in 2017.

Salary Band Breakdown in the Central Votes					
Year	1 - 35,000	35,001 - 65,000	65,001 - 100,000	Over 100,000	Other
2008	3,373.14	4,613.20	1,044.95	396.00	29.73
2009	2,733.16	4,627.24	960.92	366.00	21.47
2010	2,825.73	4,435.56	1,048.35	241.00	12.47
2011	2,412.75	4,762.31	1,018.45	248.00	15.23
2012	2,121.41	4,773.84	1,035.19	237.00	24.51
2013	2,175.43	5,000.08	1,099.40	109.00	20.95
2014	2,346.90	5,112.65	1,072.80	112.00	35.23
2015	2,649.07	5,188.11	1,085.08	113.00	32.52
2016	3,016.30	5,272.04	1,094.08	113.00	32.01
2017	3,169.98	5,252.99	1,103.08	112.00	41.02

Table 3: Salary band breakdown across Central Votes group, 2008 – 2017 [Source: DPER Databank]

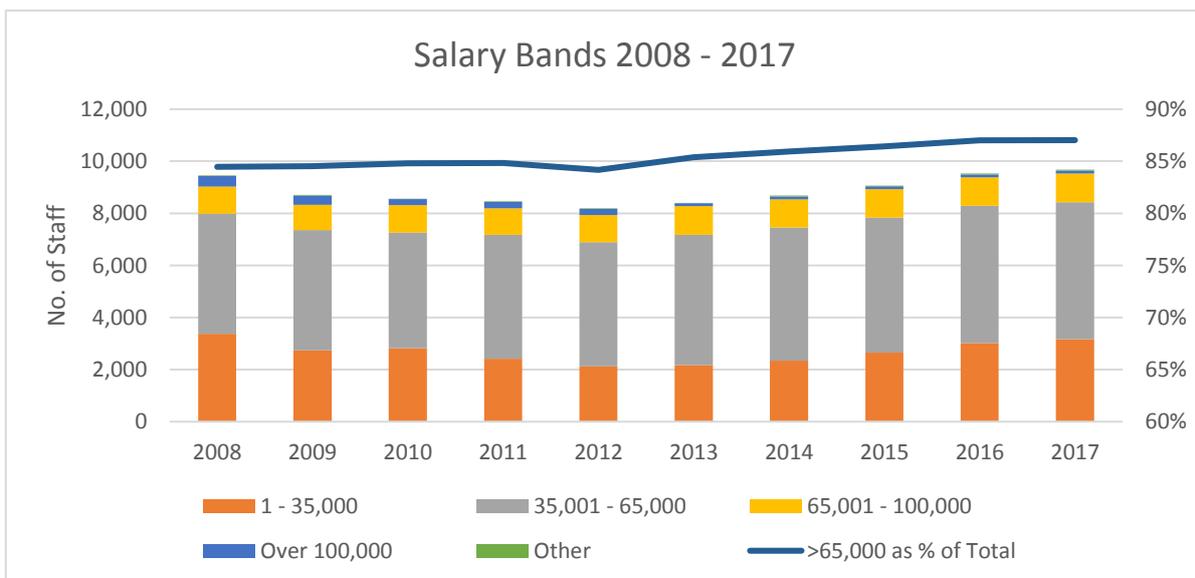


Figure 10: Salary bands breakdown across Central Votes group, 2008 - 2017 [Source: DPER Databank]

### 3. ICT Investment – Office of the Revenue Commissioners

The Office of the Revenue Commissioners is an example of an organisation that has made significant investments in ICT projects with the aim of driving productivity growth, enabling better governance and better service levels for customers. Given the limited scope for reprioritisation of policies or reallocation of expenditure common to the majority of the Central Votes, it is useful to examine the impact that this focus on digitisation has had on the organisation to determine whether there are any general learnings to be taken.

The core business of the Revenue Commissioners is the assessment and collection of taxes and duties. Revenue’s mandate derives from obligations imposed by statutes and by Government, and as a result of Ireland’s membership of the European Union. The Mission Statement of Revenue is ‘to serve the community by fairly and efficiently collecting taxes and duties and implementing Customs controls<sup>3</sup>.’ Each year, the Office has to develop and implement ICT projects to support budgetary and legislative changes as introduced by the EU or the Government. This often has to be done within tight timeframes. Some examples of these projects can be seen in Box 1 on page 17.

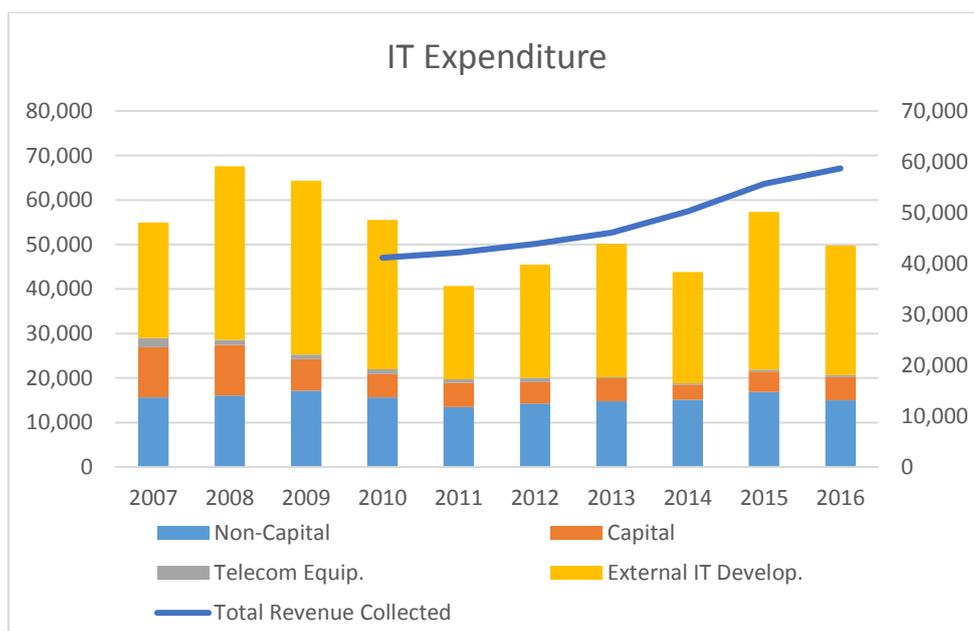


Figure 11: IT expenditure by the Office of the Revenue Commissioners, 2007 – 2016 [Source: Revenue]

Total IT spend in 2016 was €49.8 million. Revenue has four main categories of IT expenditure, which cover services related to the day-to-day business of the organisation. These are IT non-capital, IT capital, IT telecom and IT external development. IT non-capital spend covers licensing costs for upkeep and maintenance of new

<sup>3</sup> Source: <http://www.revenue.ie/en/about/index.html>

and existing IT systems, as well as legacy systems which are required to provide access to historic data. In 2016, this category of IT spending accounted for €15 million. IT capital, which last year accounted for a spend of €5.2 million, covers the cost of equipment. This includes storage and infrastructure hardware which ensures that Revenue services are available to the public on a 24/7 basis and that data is available in real time to staff in Revenue offices. With this investment, Revenue also provides hosting and printing facilities for circa 45 Government bodies free of charge. IT telecom expenditure is largely historic – this spending relates to telephone bills as well as the purchase, maintenance and licensing of physical assets related to telephony. However this spending is now mostly integrated under the IT capital and current spending categories.

The largest share of IT expenditure over the last 10 years has been external IT development. The majority of this expenditure is considered critical and is required to enable the Office to conduct its core business functions. This includes tax collection, assessments, processing import and export transactions, payment processing and integration with external Departments, such as Social Protection and Agriculture. This expenditure also covers software fixes, essential enhancements and the implementation of mandatory annual processes such as the normal Budget/Finance Act changes and mandatory EU developments.

**PAYE Online Services:**

This project extended availability of online services to PAYE customers. It also provided for updates to real time risk rules to ensure that risk assessment remained fit for purpose. This project resulted in a cost saving as a result of a decrease in paper output and decreased the manual effort for some processes.

**Local Property Tax (LPT):**

This project delivered on the Government's commitment to introduce the LPT. It facilitates property owners in filing and making LPT payments online as well as allowing Revenue to apply collection and compliance mechanisms in cases of non-compliance. This project facilitates the collection of between €400 – 500 million annually.

**Revenue Case Management (RCM):**

This project provides customer and risk profiling functionality, enabling visibility on a range of pertinent data at a glance, allowing for more comprehensive risk profiling. This functionality was designed to increase the volume of successful interventions through centralising and standardising compliance case working and improving case profiling capability from increased real time data availability.

**Box 1: Revenue ICT projects****Outputs**

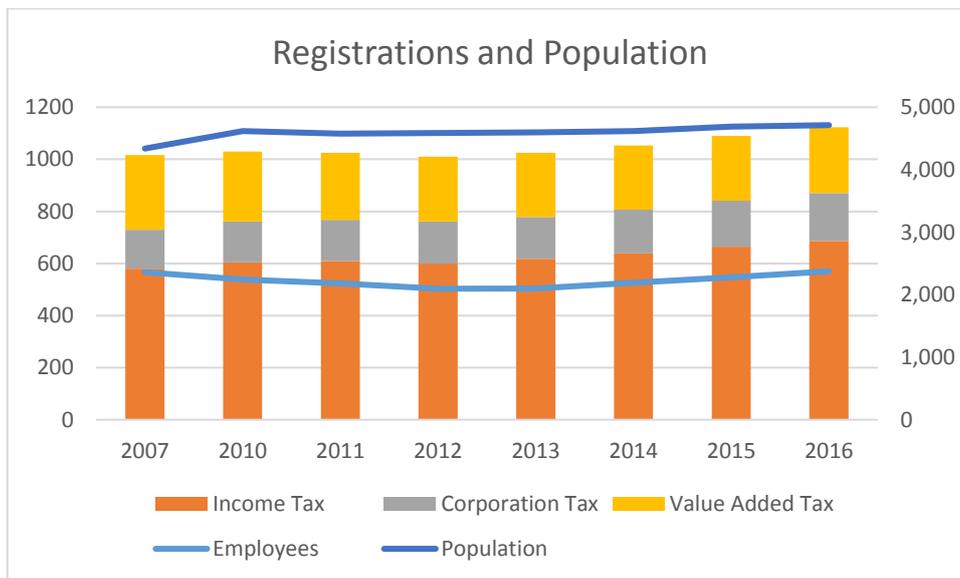
In order to determine whether or not investment in ICT has resulted in improved services or cost reductions, it is useful to look at whether the investment has impacted on the organisations outputs. A key indicator for the Office of the Revenue Commissioners is the amount of revenue collected. Table 4 below shows total revenue collected from 2007 to 2016.

	<b>2007</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<b>€(M)</b>							
Total Revenue/Net Receipts	47,502	31,918	34,237	36,656	37,875	41,384	45,786	47,954

Collection on behalf of Other Agencies (incl. PRSI)	7,681	9,220	7,937	7,217	8,173	8,913	9,914	10,758
Totals	55,183	41,138	42,174	43,873	46,048	50,297	55,700	58,712

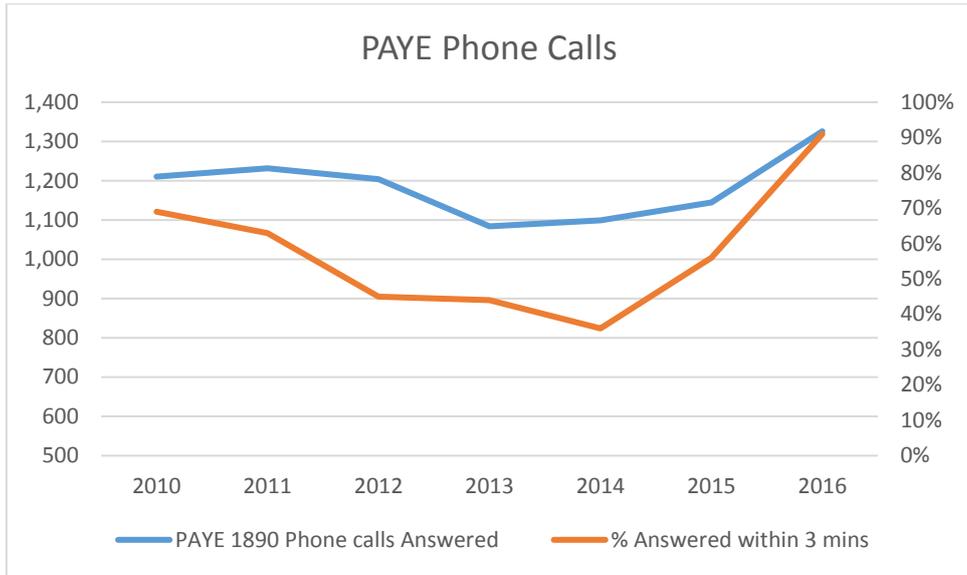
**Table 4: Revenue receipts 2007 and 2010 – 2016 [Source: Revenue]**

As is evidenced in the table, total revenue receipts have risen from 2010 to 2016, increasing by €17.5 billion. Of course this is influenced by the trend in tax-head registrations and the population level, which is set out in figure 12 below.



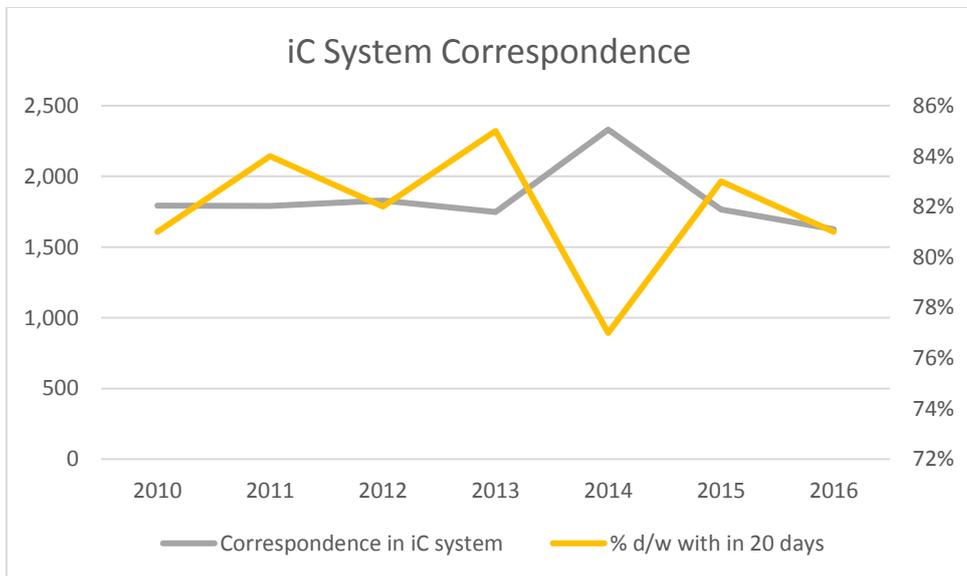
**Figure 12: Tax-head registrations and population of Ireland, 2007 – 2016 [Source: Revenue]**

Although the total revenue collected does appear to rise with increasing ICT expenditure, given the changes in registrations and population over the period, it is difficult to make any firm connection. A more useful metric may be services provided to customers and whether there have been improvements related to ICT spending. The graph below shows the number of PAYE phone calls taken each year, as well as the percentage of calls answered within 3 minutes.



**Figure 13: PAYE phone calls taken and % answered within 3 minutes, 2010 – 2016 [Source: Revenue]**

The graph below shows the level of correspondence in the integrated correspondence (iC) system used by Revenue, as well as the percentage dealt with within 20 days.



**Figure 14: Level of correspondence in the iC system and % dealt with within 20 days, 2010 – 2016 [Source: Revenue]**

Again, it is difficult to make any concrete connection here between customer service, efficiency and IT expenditure. While the dip in efficiency in 2014 may be related to a reduction in IT expenditure that year, it may also be due to an unusually high volume of correspondence.

These examples demonstrate the difficulty in assessing the impact of IT expenditure on outputs and outcomes. Given the emphasis placed on digitisation and automation as a driver of productivity growth, a more detailed analysis than is possible in this paper may be useful to determine a correlation between ICT investment and improved service delivery/savings.

#### 4. Expenditure on Legal Services

As set out in a previous IGEES paper published in 2013<sup>4</sup>, there are a number of difficulties in establishing an actual level of public expenditure on legal services. There are a wide range of activities that could potentially be described as ‘legal services’; from day-to-day spending by Departments and Agencies on the services of solicitors, to non-routine spending arising from tribunals. As a general rule, this expenditure is not recorded separately, meaning there is a lack of comparable data across the system in this area. The degree of variability associated with this type of expenditure (i.e. lack of a ‘steady-state’ position) adds to the difficulty. One area, however, where there is detailed data available, is in relation to the State’s Central Legal Offices.

There are three main legal offices that provide legal services to the State. The Attorney General is the legal adviser to the Government and therefore the chief law officer of the State. The mission of the Office of the Attorney General is *‘to provide the highest standard of professional legal services to Government Departments and Offices as economically and efficiently as possible and to support adherence to the rule of law’*. Secondly, the Chief State Solicitor’s Office (CSSO), which is a constituent element of the Attorney General’s Office. The CSSO provides litigation services to the Government, together with a wide range of other services such as advisory and conveyancing functions. In effect, the function of the CSSO is to act as a solicitor to Ireland, the Attorney General, Government Departments and Offices, and State Agencies. Thirdly, the Director of Public Prosecutions (DPP) which provides direction and supervision of public prosecutions and related criminal matters received from An Garda Síochána and from other specialised investigative agencies.

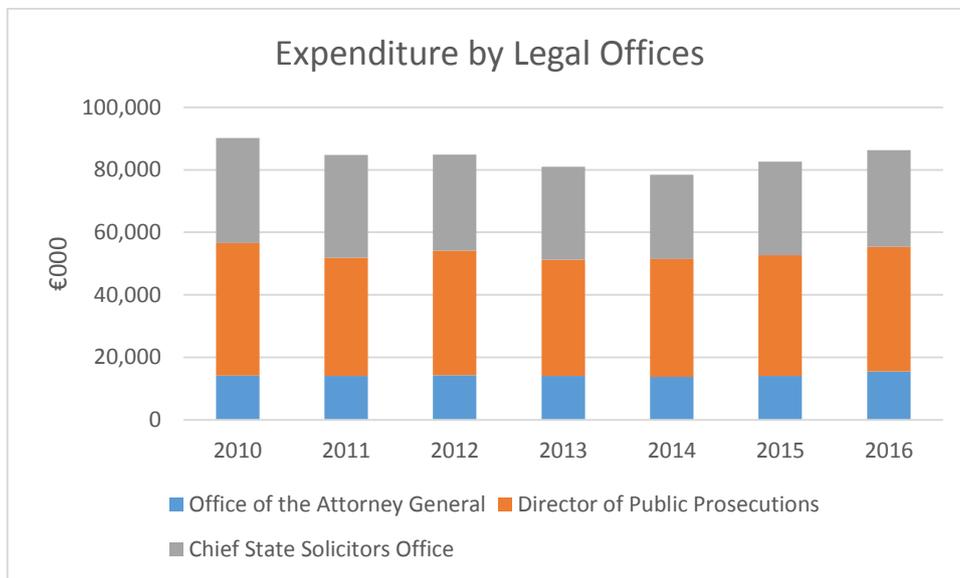
	2010	2011	2012	2013	2014	2015	2016
	(€000)	(€000)	(€000)	(€000)	(€000)	(€000)	(€000)
Office of the Attorney General	14,187	14,056	14,271	14,094	13,820	14,049	15,483

<sup>4</sup> Public Expenditure on Legal Services – Avoid, Minimise, Recover. Expenditure Report 2013 <http://igees.gov.ie/wp-content/uploads/2014/02/Public-Expenditure-on-Legal-Services.pdf>

Director of Public Prosecutions	42,384	37,820	39,890	37,145	37,675	38,622	39,861
Chief State Solicitors Office	33,582	32,915	30,679	29,737	26,983	29,925	31,008
<b>Total</b>	<b>90,153</b>	<b>84,791</b>	<b>84,840</b>	<b>80,976</b>	<b>78,478</b>	<b>82,596</b>	<b>86,352</b>

**Table 5: Expenditure by legal offices, 2010 – 2016 [Source: DPER Expenditure Databank]**

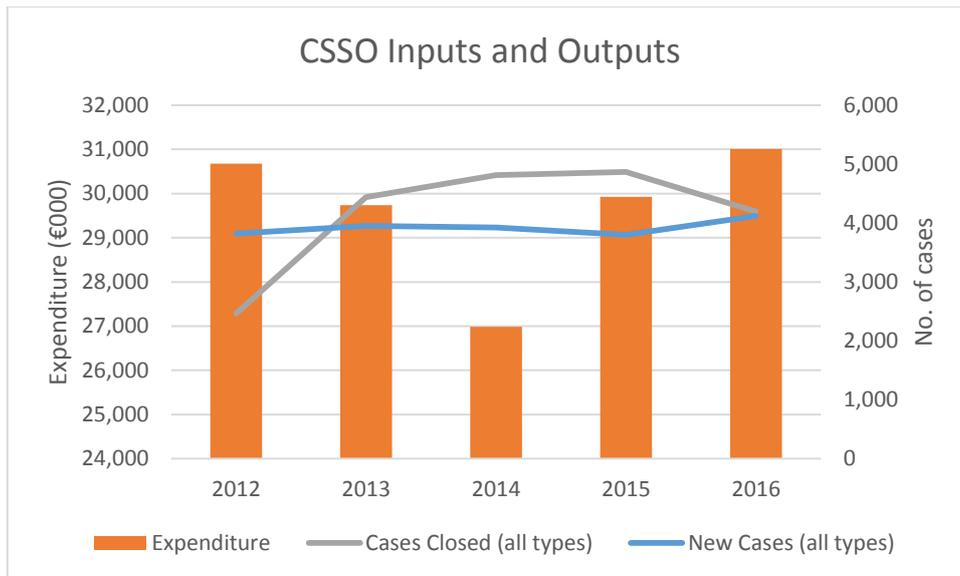
Table 5 above shows expenditure by the legal offices from 2010 to 2016. Total expenditure by the legal offices in 2016 was €86.4 million. The largest share of this expenditure was accounted for by the DPP, consistent with the trend since 2010. The graph below shows the breakdown of spend by the three offices from 2010 to 2016.



**Figure 15: Expenditure by legal offices, 2010 – 2016 [Source: DPER Expenditure Databank]**

As is the case in the other Central Votes, the services provided by the legal offices are largely demand-led, which means there is limited scope for re-prioritisation or re-allocation of expenditure. This demand-led nature also creates difficulty in setting performance targets and mapping the outputs of these offices to the inputs. For example, the graph below shows expenditure by the CSSO, along with the number of new cases taken on by the office and the number of cases closed in the period 2012 to 2016<sup>5</sup>.

<sup>5</sup> All types includes: administrative law; advisory, commercial and employment law; constitutional and state litigation; justice; and state property.



**Figure 16: Cases taken on/closed by the CSSO, against expenditure by the Office 2012 – 2016 [Source: CSSO]**

This graph illustrates the difficulty in mapping expenditure to the level of outputs produced (i.e. services provided). While the number of new cases remains relatively constant over the period in question, the trend in number of cases closed does not appear to follow the trend in expenditure. This reflects the fact that service delivery in the CSSO – and similar Offices – is impacted by more complex factors than level of expenditure, such as demand, complexity of cases and other external pressures.

### External Legal Services

Not all legal services to Government Departments and Offices are provided by the legal offices. Each year, Departments and Offices also acquire some legal services externally. Though it is beyond the scope of this paper, it would be useful to more closely examine what is driving this expenditure, and the types of services that are being procured external to the Legal Offices of the State.

## 5. National Shared Services Office and the Office of Government Procurement

‘Shared Services’ is the provision of common corporate services to a number of organisations by an independent service provider that were previously carried out by each organisation separately. Providing centralised services in this way reduces duplication of effort by consolidating transactional functions such as finance, payroll, HR and ICT. This facilitates quicker access to data and improved data quality through increased

standardisation, specialisation, automation and control<sup>6</sup>. Under the 2011 Public Service Reform Plan<sup>7</sup>, the Government gave a mandate to expand and accelerate the use of shared services in the Irish public service.

### **National Shared Services Office**

The National Shared Services Office (NSSO) was established in 2014, on an administrative basis as part of the Department of Public Expenditure and Reform. The National Shared Services Office Bill, which will establish the NSSO as an independent organisation is currently making its way through the Oireachtas. The Office is tasked with the transformation of HR, Pensions administration, Payroll and Financial Management administration in the Civil Service and integrating these separate functions under a single shared service organisation, as well as providing expert guidance and support to other public service sectors. Currently, the NSSO consists of two operational shared services centres – PeoplePoint and the Payroll Shared Services Centre (PSSC).

PeoplePoint is a HR and pensions administration shared services centre, which has been in operation since 2013. Services provided by Peoplepoint include elements of transactional HR such as approval of annual/non-annual leave and sick leave, processing of work share requests, all aspects of pensions administration and administration of all exits from the Civil Service. At end 2016, there were 34,500 Civil Service employees being serviced by PeoplePoint<sup>8</sup>. At the time of establishment, it was estimated that once fully operational, PeoplePoint would reduce the cost of providing HR services to the Civil Service by €12.5m per annum. The PSSC delivers payroll, pensions and travel and subsistence payments to public service bodies. At the end of 2016, the PSSC was servicing 103,000 payees across the public service<sup>9</sup>. At the time of establishment it was estimated that, by reducing the number of payroll processing centres from 17 to 3, the PSSC would result in savings in excess of €5m for the Irish Government.

### **Office of Government Procurement**

The Office of Government Procurement (OGP) also provides centralised services, in the area of procurement. The Office was established and commenced operations in 2014, as part of the Public Service Reform Plan. Reform of public procurement procedures formed a key element of the reform agenda. The OGP is responsible for sourcing all goods and services on behalf of the public service<sup>10</sup>. The Office also has responsibility for procurement policy and procedures, sourcing systems and data analytics.

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<sup>6</sup> Source: <http://www.per.gov.ie/en/shared-services/>

<sup>7</sup> <http://www.per.gov.ie/en/public-service-reform/>

<sup>8</sup> Source: [Public Service Performance Report 2016.](#)

<sup>9</sup> Source: [Public Service Performance Report 2016.](#)

<sup>10</sup> Source: <http://ogp.gov.ie/what-we-do/>

At end 2016, the OGP reported the establishment of 54 frameworks, with an estimated total contract value of OGP frameworks established of €1.4bn. The Office also estimated that €131m in savings had been enabled over the period of the OGPs existence, from procurement activity by sourcing organisations.

### **Future Considerations**

In looking at the experience of the NSSO and the OGP, it is clear that providing centralised services is expected to provide significant savings for the State. As these organisations are still relatively new, it is difficult to determine whether those expectations are being met as yet. However, this is an area that could benefit from a more in depth analysis in future Spending Review rounds. Analysis could focus not only on savings, but also efficiency and effectiveness of the services provided by these organisations.

## **6. Conclusions**

Total gross expenditure across the Central Votes has been on an upward trend since 2012 and is approaching peak levels last seen in 2008. The expenditure trends of the individual Votes within the group are largely consistent with this overall trend, indicating that the increase is not being driven by disproportionate changes in any one particular area. Pay and pensions have consistently made up the largest proportion of expenditure. Staff numbers are also increasing across the group, again heading towards peak numbers last seen in 2008. Similar to the expenditure pattern, the trends for individual votes are largely consistent with the overall staffing trend. While some of the increases in staff numbers can be explained by the establishment of new organisations within the group, such as the NSSO and the OGP, it is clear that this is an area that should be carefully monitored. The Votes in this group have limited scope for reprioritisation and reallocation of expenditure, which means that pay and numbers are important issues in the context of sustainability. It is clear from the evidence presented in this paper that effective management of pay and numbers will be a key element of cost containment in the Central Votes group in the medium term. Workforce planning could be a useful tool in achieving this, along with the reform of certain workforces through increased focus on digitisation and business process automation.

### **ICT Investment – Office of the Revenue Commissioners**

Focus on digitisation and investment in ICT is an approach that has been taken in Revenue over the last number of years. The evidence presented here appears to suggest that this has had a positive impact on service delivery and Revenue receipts. However, a more in-depth analysis would be required to draw any firm conclusions. A more detailed examination of the experience in Revenue could provide general learnings that could be applied to other Votes in the Central group to enable productivity growth and improved efficiency/effectiveness in service delivery.

### **Expenditure on Legal Services**

Expenditure on legal services is an important topic for future evaluation. Given that a significant amount is spent each year on providing legal services to Government Departments through the legal offices of the State, there are valid questions to be raised about the level of expenditure on external services. Answering these questions could perhaps provide insight into what could be done to reduce spending in this area, however it is beyond the scope of this particular paper.

### **National Shared Services Office and the Office of Government Procurement**

The NSSO and the OGP are good examples of centralised functions. As yet, it may be too early to assess whether they have provided the dividends that were envisaged at the time of establishment. However, given the considerable expense at which these organisations were set up, it would be valuable to examine whether they have resulted in savings in a future Spending Review round. It would also be useful to assess whether providing services in a centralised way has increased the efficiency of the process, or resulted in improved service delivery.

### **Quality Assurance Process**

In addition to the Spending Review Working Group, the author also engaged with the Office of the Revenue Commissioners.