



Comptroller and Auditor General

Special Report

# **Improving Performance Public Service Case Studies**

April 2007

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This report was prepared on the basis of information, documentation and explanations obtained from the public bodies referred to in the report. The draft report was sent to all relevant Secretaries General and Chief Executive Officers and, where appropriate, the comments received were incorporated in the final version of the report.

# **Report of the Comptroller and Auditor General**

## **Improving Performance - Public Service Case Studies**

I have, in accordance with the provisions of Section 9 of the Comptroller and Auditor General (Amendment) Act, 1993, carried out an examination into how performance issues, identified in my Value for Money Reports 1997 – 2000, have been addressed by the public sector organisations concerned.

I hereby submit my report on the above examination for presentation to Dáil Éireann pursuant to Section 11 of the said Act.

A handwritten signature in black ink, appearing to read 'John Purcell', with a stylized flourish at the end.

**John Purcell**

**Comptroller and Auditor General**

20 April 2007



## Table of Contents

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	<b>Page</b>
<b>Part A      General Review</b>	
Chapter 1    Introduction	11
Chapter 2    Overall Response to Value for Money Findings	17
<b>Part B      Specific Reports</b>	
Chapter 3    The Development of the Integrated Short-Term Schemes Computer System	31
Chapter 4    Management of Inland Fisheries	39
Chapter 5    Prescribing Practices and Development of the General Practitioner Services	49
Chapter 6    The Emergency Ambulance Service	63
Chapter 7    VAT Collection and Control	71
Chapter 8    The Administration of Supplementary Welfare Allowances	81
Chapter 9    The Provision and Management of Industrial Property	89
Chapter 10   The Use of Sheriffs and Solicitors in the Collection of Taxes	105
Chapter 11   Defence Property	115
Chapter 12   Performance Measurement in Teagasc	123
Chapter 13   Local Development Initiatives	133
Chapter 14   The Driver Testing Service	143
Chapter 15   Met Éireann	161
Chapter 16   Special Housing Aid for the Elderly	169
Chapter 17   Collection of Fines	175
<b>Part C      Cross-Cutting Reports</b>	
Chapter 18   Consultancies in the Civil Service	185
Chapter 19   Training and Development in the Civil Service	193
<b>Appendices</b>	
Appendix A   Overview of Responses to Value for Money Concerns	209



## **Improving Performance - Public Service Case Studies**

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**Part A      General Review**

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# 1 Introduction

**1.1** I have previously reviewed the outcome of Value for Money reporting in the period 1994 to 1996. The results are set out in Report Number 32.

**1.2** Subsequently, I completed a further 21 reports up to 31 December 2000. These reports contained findings in relation to a wide variety of performance issues. I considered that it would be worthwhile to review the extent to which organisations have addressed the concerns highlighted in those reports. While the reports have been considered by the Committee of Public Accounts, no formal report was issued by the Committee on the matters concerned.

**1.3** This follow-up report reviews the outcome in the case of 17 reports. Four reports were not included in the follow-up.

- Administration of Premium Headage Grant Applications – this report is not included because the basis of farm supports has fundamentally altered in the meantime.
- Year 2000 Compliance Projects – this report was concerned with a one-off issue.
- The Development of the National Roads Network – this matter was subsequently reviewed in a Special Report (Number 6) on the Primary Routes Improvement Programme.
- Central Bank Financial Regulation – A review of Financial Regulation is currently being finalised.

**1.4** Most of the 17 reports reviewed focussed on specific projects or programmes – however, two were concerned with cross-cutting issues that impacted on all Departments and Offices. These related to training and development in the Civil Service and the management of consultancies. One report examined the arrangements for effectiveness evaluation across a single organisation - Teagasc.

**1.5** Since I received a statutory mandate to review value for money performance in 1994, there have been considerable developments in public service modernisation under the general umbrella of the Strategic Management Initiative (SMI).

**1.6** The objectives of the SMI, which was launched in 1994, were that the public service should enhance its contribution to national development, provide excellent services that meet recipients' needs in a timely and efficient manner and use available resources to best effect. The aim of the SMI was to improve service delivery by introducing a requirement for Departments to formally set out their strategic objectives and improve the management of the service outputs that achieve them. The initial focus was to acquire the skills for strategic management and organisational development.

**1.7** Delivering Better Government (DBG), in 1996, expanded the scope of the SMI modernisation programme to other areas that form part of what the OECD has referred to as “the levers of change”. These were financial management, human resource management, information systems management, quality customer service, regulatory reform and openness, transparency and accountability. DBG was a response to a call from government for a review of the systems for decision-making, allocating responsibility and ensuring accountability. The review was intended to lead to an integrated programme to modernise the systems and practices in question and the consequent modernisation of existing personnel and financial management in the Civil Service.

**1.8** Between 1997 and 2000, which is the period covered by the Value for Money reports, the modernising initiatives were still largely under development. The passing of the Public Service Management Act, 1997, introduced the practice for Departments to prepare Statements of Strategy and business plans. In the same year, the Expenditure Review Initiative was launched. Significant initiatives in financial management (the Management Information Framework (MIF)) and in human resource

management (the Performance Management and Development System (PMDS)) were launched in 1999 and 2000. In the last six years there have been notable improvements in the use of information technology for service delivery in many areas, including the Revenue Commissioners, the Department of Social and Family Affairs and the Department of Enterprise, Trade and Employment. The work of performance verification groups seeks to ensure that pay elements included in partnership agreements are justified by real improvements in services. Overall, the modernisation changes can be summarised as set out in Figure 1.1.

**Figure 1.1 Elements of Public Service Modernisation in Ireland**

- the Public Service Management Act, 1997
- Management Information Framework
- Mullarkey report <sup>a</sup> recommendations
- three-year budgetary cycles
- five-year multi-annual capital envelopes (ten years for the Department of Transport)
- publication early each year of monthly profiles of expenditure and tax receipts; monthly reporting to Government on tax and expenditure trends, with bi-monthly specific reporting by the big-spending Departments
- guidelines by the Department of Finance for appraisal and the management of public capital expenditure
- value for money measures announced by the Government in October 2005
- public procurement reforms
- public private partnership (PPP) programmes
- administrative budget agreements.

**Note**

- a The Mullarkey Report was published in January 2003. It examined the role, responsibility and accountability of Secretaries General and Accounting Officers and considered the areas of internal financial control, internal audit arrangements and risk management. It also made recommendations in these areas and set out a timeframe for implementing them progressively over a two-year period.

**1.9** It will take time for these initiatives to bear fruit. Chapter 2 reviews the response of Departments and Offices to the findings in Value for Money reports both in terms of process change and wider structural adjustments associated with the modernisation drive.

**1.10** At this point, the results of my follow-up review suggest that while considerable progress has been achieved work remains to be done in order to realise the vision of more efficient and effective public services.

## Methodology

**1.11** The review was conducted in two stages

- organisations were queried on their response to findings in the original reports
- these responses were the subject of follow-up correspondence and discussions with the organisation.

**1.12** A reference partner – Epsilon Consulting was used to advise on the examination approach and quality assure the report content.

## Structure of the Report

**1.13** This report examines the outcome of my follow-up review. The results are set out in the chapters that follow.

- Chapter 2 examines the general response to those value for money concerns highlighted in the original reports and also sets out what the review has found in relation to public service modernisation and the evolution of delivery systems.
- Chapters 3 to 17 review the outcome of each individual programme focussing on the key value for money issues identified and the responses to them.
- Chapters 18 and 19 examine the response by Departments and Offices to my findings in the areas of consultancy support, and training and development of staff in the Civil Service.



## **Chapter 2**

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### **Overall Response to Value for Money Findings**





## 2 Overall Response to Value for Money Findings

**2.1** The response of audited bodies to value for money concerns can take two main forms – the adaptation of processes to achieve greater value for money in operations and/or the alteration of structures so as to conduct public business in an improved manner. This chapter overviews the response of audited bodies to specific economy, efficiency and effectiveness concerns covered in the original reports. It then goes on to examine the Public Service Modernisation (PSM) context for any structural alterations in the areas originally examined.

**2.2** Figure 2.1 outlines my assessment of the overall response in each case based on the details set out in chapters 3 to 19. Overall, the response of most organisations has been excellent or reasonable.

**Figure 2.1 Overall response to value for money concerns**

Area of Administration	Report Number	Response		
		Excellent	Reasonable	Limited
Integrated Short-Term Schemes Computer System (ISTS)	17	√		
Inland Fisheries	18			√
GP Prescribing Practices	19			√
Emergency Ambulance Services	20			√
VAT Collection	21	√		
Consultancies in the Civil Service	22	√		
Supplementary Welfare Allowances	23		√	
Management of Industrial Property	24		√	
Collection of Taxes	26	√		
Defence Property	27		√	
Performance Measurement in Teagasc	30		√	
Local Development Initiatives	31	√		
Driver Testing Service	33			√
Met Éireann	35		√	
Social Housing Aid for the Elderly	36		√	
Collection of Fines	37			√
Training and Development in the Civil Service	38	√		

## Specific Responses to Value for Money Concerns

**2.3** The concerns outlined in the original reports fell into a number of performance categories. Categorisation for the purposes of the analysis in this chapter is based on the classification criteria set out in Figure 2.2.

**Figure 2.2 Classification criteria for findings in value for money report**

Economy	Resource minimisation
	Resource mix
Efficiency	Volume of output
	Timeliness of output production
	Quality
	Cost effectiveness
Effectiveness	Management information
	Organisation of the service
	Evaluation of effectiveness

**2.4** Appendix A analyses the responses using the classification criteria set out in Figure 2.2. What follows is a high level review of the topics covered which focuses on instances and examples rather than on a comprehensive survey of the reports. The subsequent chapters outline the detailed responses of organisations to the specific value for money concerns raised in my reports.

## Concerns about Economy

**2.5** Economy involves procuring resources at the lowest cost consistent with desired quality. A number of reports reviewed issues relating to the cost of inputs and the mix of resources utilised by State organisations.

**2.6** Overall, the risks to economy due to failure to minimise the cost of inputs arose in circumstances where there were

- organisational deficiencies which increased input costs
- less than optimum management of assets
- failures to achieve savings targets.

### ***Resource Minimisation***

**2.7** Instances of opportunities to limit input costs were highlighted in my reports on Driver Testing and the Management of Industrial Property.

**2.8** The resource issue raised in the Driver Testing Service report was that there was scope for cost savings through better travel and subsistence arrangements and a revision of headquartering. It was further noted that changes in the rotation of testers could yield savings. These issues are acknowledged by the Department but the Accounting Officer informed me that the trade union representing the driver testers has strenuously resisted the designation of centres as headquarter centres and any changes to

rotation arrangements that would have the effect of reducing travel and subsistence payments. Accordingly, the potential savings have not been realised.

**2.9** In my report on the Management of Industrial Property, concerns were raised about the level of resources tied up in property and the associated cost for proper maintenance of these significant resources. The agencies have made some improvement in managing the amount of land held. IDA Ireland has an active programme to review land holdings and has embarked on a major initiative to develop a number of large sites to support utility-intensive industry. The Shannon Development land bank has reduced from 913 hectares in 1998 to 769 hectares in 2005. Both IDA Ireland and Shannon Development now dispose of land at prevailing market prices.

**2.10** The average holding costs of the agencies were higher than the cost in the private sector. The three agencies responded on this issue in different ways. IDA Ireland stated that since it no longer leases buildings, a better indicator in its case would be the holding cost per hectare of land. According to figures supplied by it, the holding cost per hectare of land has fallen from €4,455 in 1996 to €1,862 in 2005. Shannon Development informed me of positive steps taken to address the specific issues raised in the Value for Money report, including the introduction of service charges to tenants for the recovery of costs. At the end of 2005, Údarás na Gaeltachta had a total holding of 246,788 m<sup>2</sup>, which equates to a maintenance and management cost of €18.60 per m<sup>2</sup>, of which €13.01 was direct maintenance on estates and properties.

### **Resource Mix**

**2.11** As well as minimising the cost of resource inputs, value for money can be promoted by altering the mix of resources so as to substitute lower cost elements for more expensive ones or generally use more cost-effective approaches to administration.

**2.12** A particular instance of an opportunity to effect savings by altering the mix of products used was highlighted in the report on General Practitioner Prescribing Practices. The report noted that while some progress had been made in substituting lower cost generic drugs for higher priced proprietary items, there were opportunities for further savings (€1.65 million) in this regard. The National Centre for Pharmacoeconomics (NCPE) reported in 2005 that 21% of GMS prescription items and 23% of the Drug Payment Scheme (DPS) prescription items dispensed in 2003 were dispensed as a proprietary preparation when a generic equivalent was available. NCPE estimated that the potential savings from substituting the cheapest generic alternative for the top 30 drugs on the GMS scheme was €12.7 million and the equivalent savings for substitution of the top 30 drugs on the DPS scheme was €9.1 million. The possibility of introducing a system of generic substitution was considered in recent negotiations with the Irish Pharmaceutical Healthcare Association. In order to avoid a resource intensive requirement for reference pricing and to take advantage of price cuts offered by the drugs manufacturers, a discount of 35% for substitutable off-patent medicines was agreed - to be introduced in two phases between 2006 and 2010. The HSE estimates that savings of up to €250 million will be achieved over the lifetime of the agreement.

## Concerns about Efficiency

**2.13** The Value for Money reports identified a substantial number of findings associated with the efficiency of the operations examined. These related to performance issues such as achieving service output targets, providing quality services, delivering those services in a timely fashion and being cost-effective.

### *Service Output and Timeliness*

**2.14** Timeliness or service output were significant issues in a number of reports. In regard to the Emergency Ambulance Service, a considerable investment in technologies has taken place which has led to an improved capability to monitor and control operations, including their cost, activity levels, fleet performance, attendance management and the utilisation of private contractors. A National Ambulance Office, established in 2006, is centralising these monitoring functions. The improvements in rostering include the ending of single staff control arrangements and the widespread introduction of two person crewing. Additional funding received in 2004/2005 supported a reduction in on-call arrangements from 52% of operational hours in 1996 to 20% in 2005. Further improvements are expected to derive from the results of a spatial study which is underway. Priority dispatch systems have been introduced in three areas since 2000.

**2.15** The Emergency Ambulance Service has also taken steps in some areas to substitute less expensive means of transport for the use of ambulances in the case of non-emergency journeys.

**2.16** In the area of fines collection progress has been disappointing. While the original Value for Money report found that the average time between detection and a court hearing was 37 weeks in 1998 updated figures from the Department of Justice, Equality and Law Reform indicate that performance disimproved and the gap had increased to 49 weeks by 2005.

### *Quality of Service*

**2.17** Instances of service quality dealt with in the reports included the implication of the variation in pass rates in driving tests and the consequences of poor standards of housing accommodation in the Defence Force.

**2.18** The Driver Testing Service report drew attention to a wide variation in pass rates at centres around the country. In response to the findings of the Value for Money report on this particular issue, the Working Group on the Application of Common Standards for Conducting Driving Tests was re-established in July 2001 and reported in July 2002. A number of improvements were made, including the introduction of a new combined marking report sheet and a revision of the test procedures and the marking guidelines. However, despite the provision of additional training for testers who diverge from the normal pattern, there continues to be a significant variation in pass rates.

**2.19** The low level of occupancy of Defence Force housing, due in part, to the poor standard of accommodation provided, was a service quality issue covered in the Defence Property report. Major upgrades to accommodation costing €40 million have been completed since 1999 within the capital programme. The level of occupancy at December 2005 was 59%<sup>1</sup> compared to 36% in 1999.

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<sup>1</sup> A considerable element of this increase in the level of occupancy was due to the disposal of or change of use of property in the intervening years.

## **Cost Effectiveness**

**2.20** A particular example of the need to address the underlying reasons for different unit costs in the same service is set out in the report on Supplementary Welfare Allowances (SWA). The Value for Money examination of SWA found that there was a significant variation between the former Health Boards in unit costs of administering SWA claims. Within the HSE, there continues to be significant variations in administration costs, for example, from 4.9% in the former Eastern Health Board region to 10.2% in the former Southern Health Board region. Arrangements are underway for the transfer of the administration of SWA to the Department of Social and Family Affairs and this is expected to provide opportunities for further efficiencies.

## **Effectiveness**

**2.21** The effective management of operations is built upon the use of relevant and reliable information in decision-making, appropriate organisation of delivery systems and evaluations to establish the extent to which objectives are being achieved.

## **Management Information**

**2.22** The ability of public organisations to manage service delivery depends on the quality of information on inputs, activities, outputs and outcomes. The limitation of information to inform all parts of the service delivery cycle (planning, implementation, monitoring and review) was the most widespread topic covered in the Value for Money reports under consideration in this review.

**2.23** While the availability of information is a key building block in the effectiveness evaluation process it is necessary to go further and convert it into useful measures and indicators of performance.

**2.24** Moves to address these concerns are evident in some services.

- Emergency Ambulance Service - A national data set and performance indicators are in place.
- Defence Property - Recording and valuation of all property.
- Met Éireann - Verification scores are published for the most important parameters like maximum temperature, minimum temperature and rainfall, in its annual reports since 2001.

**2.25** Although some progress has been made, the overall level of improvement as represented by these specific findings is disappointing especially in the context of the length of time that has elapsed since the original Value for Money reports were issued and the outlay on systems building that has occurred in the intervening period.

**2.26** Performance information and reporting, therefore, remains a concern and evidence-based management will only become a reality if organisations commit to gathering appropriate and cost-justified information and use it to inform themselves on

- the cost of the resources they apply in the services they deliver
- the cost of alternative provision
- the volume, cost, quality and timeliness of output
- the outcome of the provision of services to the targeted sector.

### ***Organisation of the Service***

**2.27** Value for Money often depends on the appropriateness of organisational arrangements put in place for service delivery. The reports under review raised a number of issues associated with organisational arrangements, most notably in cross-cutting situations.

**2.28** The Inland Fisheries report found a lack of clarity of roles, duplication of activities and one instance (responsibility for the overseas promotion of angling) where no responsibility was assigned. Despite several reports on the rationalisation of structures and roles, no fundamental change has emerged since the publication of the Value for Money report.

**2.29** The Collection of Fines examination covered the co-ordination of the fines system from detection through to the Courts. Many of the limitations of the system were attributed to a lack of joined-up management. The lack of interfacing between different information systems also contributed to the low rates of collection reflected in the report.

### ***Evaluation of Effectiveness***

**2.30** One key measure of the effectiveness of the implementation of policy initiatives is the extent to which objectives are achieved. Several reports identified specific cases where results fell short of targets. In other cases, the threat to effectiveness was caused by a lack of clarity in the objectives that are set.

**2.31** Organisations need to go further than the setting of objectives and targets. They need to periodically evaluate achievement. Many of the Value for Money reports identified cases where there was little or no evaluation of results or where the systems in place did not support evaluation activity. The number and diversity of issues also suggest that more attention needs to be given to the underlying systems that affect the achievement of desired outcomes.

**2.32** At the overall level, the expenditure review initiative, launched in 1997, seeks to introduce a regular internal evaluation of all major programmes. The initiative, which was re-launched in 2006 as a Value for Money and Policy Evaluation initiative, addresses five evaluation criteria – rationale, efficiency, effectiveness, impact and continued relevance. The Supplementary Welfare Allowances scheme was evaluated in such a review in 2006. The recently extended programme of reviews should begin to address the evaluation deficit noted in the reports examined.

## Overall Conclusion on Value for Money Issues

**2.33** Based on the reports reviewed and the progress reported, some general conclusions can be made on the extent to which value for money has become a focus for management action. Overall, there is considerable scope to improve performance in the delivery of public services. Figure 2.3 outlines some key conclusions based on my overall review.

**Figure 2.3 Overall conclusion on value for money issues**

- Progress in addressing economy issues was disappointing. Resource minimisation issues were difficult to resolve where they involved organisational issues. Better progress was made in asset management and the release or redeployment of assets. There is a greater focus on resource costs.
- In cases where significant investment was made in new technologies, strong efficiency gains have been made in the cases examined but the need for proper project management is apparent and the setting of targets to be achieved should be built into investment proposals.
- The timeliness of service delivery and the continuation of backlogs have been persistent issues in several of the areas examined, even though between seven and nine years have elapsed since the completion of my reviews. Quality of service is also an area where more improvement in the setting and achievement of quality targets could have been made.
- There is a general absence of systems to deliver improved effectiveness that can be measured and reported upon. Although a considerable investment in information systems has been made, the development of non-financial performance indicators has lagged behind in most areas.

## Modernisation Perspective

**2.34** Any examination of progress made in implementing recommendations contained in my Value for Money reports must be cognizant of the context of public service modernisation (PSM) initiatives of recent years. The drive for efficiency and effectiveness in the Civil Service is closely linked with the public sector modernisation agenda. Reform of the Civil Service is fundamental to the attainment of better value for money. It is, therefore, worthwhile to briefly consider, at a high level, developments in this regard.

**2.35** Since 1994, there has been a significant number of initiatives that seek to modernise arrangements for improved policy making and implementation under the SMI/DBG banner. Some of these initiatives have been subjected to external evaluation. On a smaller scale, aspects of the implementation of new working arrangements are covered in my financial audit and value for money audit programmes.

**2.36** For the purposes of this follow-up audit the views of Accounting Officers on the current developments in Public Service Modernisation were sought. Based on this review, the following general remarks can be made.

**2.37** The original SMI/DBG objectives (as referred to in Chapter 1 of this report) can be characterised as medium term, conceptual objectives. No specific measurable targets were set out against which the relative success of the initiatives could be objectively assessed. While this is understandable, given the start-up nature of the initiatives, it is highly desirable that targets set for future reform initiatives should be capable of assessment.

**2.38** A report, following external evaluation of the SMI in 2002, reached the overall conclusion that the Civil Service was a more effective organisation than a decade ago and that much of the change could be attributed to the SMI/DBG initiatives. It was also reasonable to observe that while the initiatives have been co-ordinated, the achievement of results has been incremental and institution specific. Departments

had been allowed some flexibility in the pace of implementation with the result that progress has been uneven. No critical path for reform interventions is apparent.

**2.39** The reforms have been implemented as separate, incremental initiatives. The absence of a composite view weakens the clarity of their final destination. Incremental progress also supports a varying degree of progress in institutions which is difficult to assess. The use of Change Management Units is sometimes viewed as counter productive as they can weaken the proper assumption of ownership of the new arrangements by managers. On the other hand, there is some evidence that the existence of a central co-ordinating unit within Departments helps to achieve a better linkage of the reform elements.

**2.40** The external evaluation noted that progress had been made on outward facing themes, rather than on areas of technical corporate support. Since then, further implementation of the Management Information Framework, PMDS, better regulation and quality customer service initiatives have moved the areas of corporate services forward. The current mix of reforms are substantially implemented – but aspects of Civil Service reform, like more open recruitment possibilities, are only now coming on stream. The implications of the current position is that an assessment of progress to date should be made to inform the next phase of modernisation.

**2.41** One of the positive aspects of the reforms in recent years has been the use of the partnership process to promote the implementation of modernisation initiatives within organisations and to overcome obstacles to progress arising from structural or process deficiencies. The introduction of the performance verification (PVG) mechanism has provided a practical and transparent device to monitor the actual achievement of progress. The PVG work is particularly useful in situations where the initiation of a reform draws attention to gaps between current practice and better accountability and exposes fault lines in the early stages of change. In these situations, the PVG has proven to be a supportive device to overcome stumbling blocks that may threaten the entire initiative. This is a welcome development but is not a substitute for a proper monitoring and evaluation system at the level of each modernisation initiative.

**2.42** As progress is made in developing a management focus on outputs and results, the new reform agenda is turning towards more complex issues including the linkage of outputs to outcomes, the move from financial to non-financial measures of performance and the pursuit of an improved balance between the management of risk and innovation. These changes are generally considered to be widening the consideration of value for money concepts by policy makers, analysts and public managers with an increased attention to systems for the determination of longer-term impact. The introduction of output statements is the beginning of an innovation in performance reporting in this direction. My Office is considering the appropriate strategic response to these changes which will include a complementary expansion of the audit consideration of value for money. These changes are likely to have significant implications for the focus of my audit outputs in the next strategic period covering the years 2007-2009.

## **Modernisation and Value for Money**

**2.43** Overall, the findings in the Value for Money reports reviewed suggest that Departments and Offices have, in certain instances, begun to address value for money concerns by altering their delivery mechanisms. Modernisation has mainly taken the form of improving administrative capacity or changing delivery systems.

### ***Enhanced Administrative Capacity***

**2.44** The full range of initiatives taken or proposed is set out at Appendix A (Figure A.8). Overall, the search for improved administrative capacity has been built into the performance management and development system (PMDS) by seeking to have a mechanism for the systematic identification of training



needs. This has worked in tandem with an increased investment in training in the Civil Service and better arrangements for its management. Further details of these arrangements are reported in the follow-up to the Value for Money report on Training and Development in the Civil Service (See Chapter 19).

### ***Evolution of Delivery Systems***

**2.45** In certain instances, new mechanisms were put in place to address underlying issues. Some examples from the reports include the following

- For the Local Development Initiatives, there has been an increase in the use of refundable forms of support. Since 2000, County Enterprise Boards (CEBs) have been required to attach a refundability condition to a proportion of their financial supports and in 2005 almost half of all CEB grants were refundable.
- In the case of Inland Fisheries, new legislation is being sponsored by the Department of Communications, Marine and Natural Resources to establish a National Inland Fisheries Authority (NIFA). NIFA is designed to subsume the functions of the existing Central and Regional Fisheries Boards. These statutory bodies will be transformed into Regional Advisory Boards and focus on regional issues.
- In the case of the Department of Social and Family Affairs, there has been a marked reduction in the recourse to external consultancy and a corresponding build up in internal capability and corporate learning.

A further set of examples of both process and structural change initiatives is set out at Appendix A.

## **Overall Conclusion on Public Service Modernisation**

**2.46** Public Service Modernisation supports the quest for improved value for money in public services. It is, perhaps, too early to see the full impact in the reports reviewed but, in future, there is a need to ensure that key elements of PSM lead to better management of public resources. In particular, there is a need to ensure that

- The Management Information Framework provides a basis for performance management
- The new Value for Money Review Programme which replaces the Expenditure Review Initiative fully addresses the evaluation deficit
- There is an appropriate focus on improving human resource performance and enhancing overall capability through PMDS.

Figure 2.4 sets out my overall conclusions on Public Sector Modernisation to date.

### **Figure 2.4 Conclusions on the impact of Public Service Modernisation**

- While progress has been made on modernisation in the areas of strategic planning, HRM and programme evaluation, there is a need to review the extent to which the modernisation programme is impacting on value in the form of improved services or more efficient processes.
- The next phase of modernisation needs to have a stronger and more measurable set of targets for improvement and a more coherent and integrated vision supported by specified modernisation objectives.



## **Part B      Specific Reports**

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## **Chapter 3**

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### **Development of the Integrated Short-Term Schemes Computer System**

**Value for Money Report Number 17**

**March 1997**



### **3 Development of the Integrated Short-Term Schemes Computer System**

**3.1** This report presented the findings of an examination that looked at how the project to develop the Integrated Short-Term Schemes (ISTS) Computer System was planned and managed. ISTS was the first system to be developed by the Department of Social and Family Affairs (DSFA) on an integrated basis and replaced a number of systems which had been operating independently of each other. The development of the system began in July 1992 with a projected completion date in 1997. The ISTS system was originally envisaged as a system to encompass three major scheme groups, unemployment schemes, general benefit schemes<sup>2</sup> and supplementary welfare allowance administered by Health Board (now Health Service Executive) staff.

**3.2** The development of the core system which provided the functionality required for these groups of schemes was fully completed by June 1997<sup>3</sup>. Many enhancements and additions to the system have been provided on an on-going basis since that date. The full development cost of the ISTS project up to end June 1997 was estimated at €35 million.

### **Performance Issues**

**3.3** The report findings reflected concerns regarding the use of consultancy assistance for the project, the costs incurred, the efficiency with which the system was implemented and the extent to which projected benefits were realised.

### ***The Planning, Management and Resourcing of the Project***

#### **Report Finding 1**

*It was anticipated that there would be considerable cost incurred if the system, which was developed using centralised architecture with local terminals connected to a single computer over a network, required to be re-engineered for a client/server architecture at some stage in the future.*

#### **Department Update**

**3.4** DSFA was moving in the direction of the development of client-server systems at the time of the development of ISTS. A Client Maintenance System (CMS), a client-server system providing functionality similar to that provided by the Central Records System, which is a database of information on all social welfare clients, had been installed in DSFA in 1995. It was felt, however, that the type of client-server architecture in vogue at the time would not be a robust platform on which to implement a high volume, high performance and mission critical application such as ISTS. This decision has proven to be correct in the context of ISTS. Although client-server architectures have matured considerably in the intervening period, they have only recently reached a stage where DSFA would consider implementing a system as critical as ISTS on such a platform. The fundamental design of the ISTS system provided a solid basis for the further development of the system and the fact that the system has reliably paid customers each week for more than 10 years, and continues to do so, is evidence of this fact.

**3.5** As part of the roll-out of a new service delivery model for welfare schemes, DSFA is using modern technologies and business models to achieve a radical transformation of service to customers. It is envisaged, as part of a general programme of work, to transfer existing schemes onto a newer

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<sup>2</sup> General Benefit Schemes include Disability Benefit, Occupational Injury Benefit, Maternity Benefit, Adoptive Parent Benefit and Health and Safety Benefit.

<sup>3</sup> ISTS roll-out continued for some time after this and was not completed for Branch Offices until 1998 and for Supplementary Welfare Allowance until June 1999.

platform and that the schemes currently administered and paid through ISTS will eventually be moved onto this platform. Other than these considerations the ISTS platform remains fundamentally sound and there are no application specific issues which necessitate an immediate move away from the current platform. There are no immediate plans to move the existing ISTS system onto a client-server platform.

## **Report Finding 2**

*The requirements for assistance and the costs of consultants were significantly under-estimated. In addition, the approval of the Government Contracts Committee was not obtained for the award of the consultancy contracts and EU procurement directives were not adhered to.*

## **Department Update**

**3.6** The scale of the development effort required to implement a programme such as ISTS was not fully understood at the time the initial plans were drawn up. A review of the project was undertaken in September 1993 as a result of which a number of remedial actions were taken.

**3.7** In the intervening years DSFA has set up a comprehensive system of project governance and a dedicated procurement section to advise business and IT areas embarking on projects on the procedures and regulations in regard to public procurement. Revised arrangements on procurement have been put in place and these are strictly adhered to in all cases.

**3.8** DSFA has built up considerable expertise over the years in the technologies on which ISTS was developed. As a result of this, the expenditure required on consultancy in maintaining and enhancing the ISTS system since its initial deployment has been minimal. Consultancy has only been used in the specific area of performance testing and enhancement, which requires specialist knowledge and expertise in a particular range of software products. The main day-to-day maintenance of the system and development work on major new releases has been carried out almost exclusively by DSFA's internal information systems division staff. The current ISTS Development and Maintenance function comprises approximately 21 full time equivalent staff members.

## **Costs Incurred and Benefits Realised**

## **Report Finding 3**

*One of the main benefits to be derived from ISTS was the introduction of a facility to tax short-term benefit payments at source. It was noted that, at the time of the examination, there was very little change in work practices in the Local Offices visited.*

## **Department Update**

**3.9** The benefits anticipated from the taxation of unemployment benefit at source did not materialise due to a policy change. Release 11 of ISTS, implemented in 2005, included functionality to provide the Revenue Commissioners with details of short-term scheme payments for taxation purposes.

**3.10** The introduction of the ISTS system formed part of a wider programme of change in Local Offices since the early 1990s. Prior to this programme of change Local Offices were mainly involved with processing claims for Unemployment Benefit and Unemployment Assistance<sup>4</sup>.

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<sup>4</sup> Unemployment benefit and unemployment assistance are now known as Jobseeker's Benefit (JB) and Jobseeker's Allowance (JA).



**3.11** The Accounting Officer informed me that, in the intervening period, there have been many changes in work practices at Local Offices.

- Cash payments are no longer made in Local Offices. Instead, the ISTS system allows payments to be made by Electronic Information Transfer<sup>5</sup> and Electronic Funds Transfer into the customer's bank account or by cheque.
- The elimination of cash from Local Offices has facilitated a less frequent signing regime. Heretofore, the majority of customers were required to attend at the Local Office weekly for signing and payment purposes. Since the method of payment has been changed, most customers now sign only once in a four week period. This has considerably reduced or eliminated congestion in the offices.
- The entire cash management function within the local office has virtually been abolished. There is no longer a need to obtain cash from the banks or to purchase postal and money orders. Apart from the security aspect, this process was costly in terms of staff resources and presented many difficulties in terms of rostering staff for early morning duty prior to cash payout.
- The reconciliation of accounts in relation to scheme payments in Local Offices has also been eliminated since the introduction of ISTS.

**3.12** As well as the ongoing administration of the unemployment schemes, a range of additional services are now provided.

- Back to Work and Back to Education Allowances.
- Farm Assist and Pre-Retirement Allowance.
- One Parent Family (OPF) Payment - The majority of new cases are processed locally and a roll-out of the existing stock of OPF claims from Social Welfare Services at Sligo to Local Offices is underway. Approximately 80,000 cases will be devolved locally when roll-out is complete.
- Registration and certification of Illness Benefit (formerly Disability Benefit) and Injury Benefit claims. 42% of these claims are now registered and approximately 60% are certified locally.
- Processing applications for Personal Public Service (PPS) Numbers - 178,000 PPS Numbers were issued at Local Offices in 2005.

A more integrated information service is now provided through Local Offices.

## Report Finding 4

*It was noted in the report that the system had not been implemented in all Branch Offices and as a result, 24% of Unemployment Assistance claims were not processed through the ISTS system.*

## Department Update

**3.13** The computerisation of branch offices and the introduction of ISTS had implications for the remuneration of Branch Managers who were working under contract to DSFA in providing services similar to those provided in Social Welfare Local Offices. The Branch Managers decided to withdraw co-operation from the computerisation programme until they had achieved a satisfactory re-negotiation of their contract. A revised contract was negotiated with the Branch Managers and ISTS has been in operation in all branch offices since 1998. All payments in respect of Unemployment Assistance and Unemployment Benefit (as well as a range of other schemes, including OPF payment) are now paid through the ISTS system.

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<sup>5</sup> Under this payment method customers collect their payments at Post Offices by presenting a Social Services Card on the basis of information supplied through ISTS to An Post's computer system.

## **Management of the Project**

### **Report Finding 5**

*Plans for the individual components of the project, prepared by DSFA between July 1992 and February 1993, were inadequate and unrealistic in their estimation of time, costs and resources required. Co-ordination was also lacking as these plans were drawn up independently. Consequently, a re-organisation and consolidation by consultants was required to provide a comprehensive plan.*

### **Department Update**

**3.14** ISTS was the largest project undertaken by DSFA at that time. It was driven by tight deadlines mainly around the proposed taxation of short-term benefits at source. As the full scale of the project and the range of the scope and requirements became clear, DSFA management acted decisively to review the project plans, to remove some non-essential items from the project scope, to revise the plan to provide for a phased development of the system and to put the project on a solid footing for its future development.

**3.15** In the light of experience gained from the development of ISTS, plans were drawn up on an incremental basis for the phased development and delivery of large-scale projects and a more integrated approach to project planning has become the norm within DSFA. Governance arrangements which have been put in place mean that the overall approach to projects is overseen by the Project Governance Committee, a top level management committee which reviews business cases with regard to proposed projects and periodically reviews progress of projects underway.

## **Views of Accounting Officer**

**3.16** The Accounting Officer of the Department of Social and Family Affairs (DSFA) has advised that at the time the report was written the initial roll-out of phase 1 of ISTS had been completed. A number of other phases of the system were at various stages of development.

**3.17** In the intervening years the system has become one of the DSFA's core computer systems and has been used to process claims and make weekly payments to a value of €54 million to approximately 350,000 customers. The system is used by 2,700 personnel from DSFA and the Health Service Executive. There have been no major incidents during the last ten years where customers have failed to be paid due to the non-availability of the system.

**3.18** A number of new schemes, which were not originally included in the list of schemes to be administered on the ISTS platform, have been added to the system. The system has performed well since its introduction, once initial teething problems were addressed. The need to implement the system on a client-server basis has not arisen.

**3.19** In regard to the impact of the project on the cost of service delivery, the Accounting Officer informed me that staff savings have been achieved in Local Offices while additional functions outlined earlier have been devolved to local level. The existence of a single integrated system to cover all short-term scheme types facilitates the devolution of further functions as required. DSFA has also been able to implement a number of additional payment schemes without the need to develop a dedicated computer system for the purpose. Considerable control savings have also been achieved in the detection and prevention of simultaneous claims in respect of the same customer (claimant or dependant) across the various scheme types, where this is not permitted.

**3.20** In regard to the timeliness of payments to clients DSFA has a well-established ethos of ensuring that decisions on claims are made as quickly as possible and that on-going payments are made weekly as they fall due. While older systems supported this ethos, the ISTS system provides instant up-to-date

access to information in relation to a customer's PRSI record and other Social Welfare payments. This is particularly useful in relation to claims for Supplementary Welfare Allowance (SWA) which are now registered, authorised and maintained on ISTS. Prior to ISTS, DSFA relied on the customer informing it of SWA claims and this, in turn, required written or telephone enquiries to the relevant Community Welfare Officer to ascertain details of SWA payments.

**3.21** ISTS also provides a range of warning reports which keep users advised of changes to customers' circumstances thereby facilitating timely intervention to modify or terminate payments where necessary. The Accounting Officer gave the following instances of the overall impact of ISTS on customer service levels.

- Queuing has virtually been eliminated.
- Clients have greater choice regarding payment methods.
- There is less frequent signing by claimants.
- Casual customers are not required to attend at a Local Offices (Instead they can post or hand in their weekly docket and the payment is issued by cheque).
- Garda involvement in signing certificates for certain unemployed customers has been eliminated.
- Spouses of customers who receive their portion of the customer's payment separately are not required to attend the local office to collect payment.

**3.22** Localisation of One Parent Family Payment scheme, supported by ISTS, gives these customers greater access to the employment and educational supports available to them and easier access to DSFA's information service. The coherence of DSFA's delivery system had been enhanced in a number of respects.

- All customers are now dealt with by DSFA under a single reference, the PPS Number. The integration of the short-term schemes under ISTS, and the associated clean-up work on customer and claim data carried out as a result of ISTS implementation, helped to facilitate this development.
- Through the integration of the ISTS system with DSFA's Central Records Database, DSFA can verify the identity of all parties being paid in respect of an individual claim including qualified adults and child dependents and has a unified history of an individual customer's employment and claim history.
- It is no longer necessary for scheme areas to issue written requests to Local Offices to ascertain details of unemployment claims i.e. duration of claims for claim linking purposes and details of payments made for inter-scheme adjustments, as these details are available on the system. This is of benefit to both the scheme areas and the Local Offices.



## **Chapter 4**

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### **Management of Inland Fisheries**



## 4 Management of Inland Fisheries

**4.1** This report assessed the adequacy of the management of inland fisheries. It reviewed the management of specific fishing products, including coarse fishing, game fishing and sea angling. It also assessed the arrangements for fisheries protection and the management of water quality in rivers and lakes.

### Performance Issues

**4.2** The report findings reflected concerns regarding

- Overall management of inland fisheries
- The management of specific fishing products
- The management of fisheries protection
- The management of water quality.

### ***Overall Management***

#### **Report Finding 1**

*The roles of the Department of Communications, Marine and Natural Resources (the Department), the Central Fisheries Board (CFB) and the Regional Fisheries Boards (RFBs) – needed to be redefined to achieve clarity of purpose. It was noted that recommendations to resolve organisational and management deficiencies made in two previous independent reports had not been implemented at the time of the examination.*

#### **Department Update**

**4.3** Among the initiatives undertaken by the Department were the following

- a study - the Spollen Report - to examine the accounting and control systems of the Central and Regional Fisheries Boards
- a review of the inland fisheries structures and operational arrangements which resulted in amendments to the Fisheries (Amendment) Act 1999
- the setting up of a working group to address matters relating to the Boards' annual audit and accounts.

**4.4** The Spollen Report recommended that

- the Department needed to have better and more regular management information
- the Boards of the Central and Regional Fisheries Boards and the Central Board's Audit Committee needed to have well-interpreted and timely monthly accounts
- internal Audit functions needed to be put in place
- the procedures, by which the organisations operated, needed to be formally adopted and regularly updated by the Boards.

**4.5** The 1999 Act provided for the following

- revised Board structures for the Central and Regional Fisheries Boards to ensure a more appropriate balance of fisheries and other relevant interests and competencies and to underpin accountability, effectiveness and better delivery of services
- clarity in respect of the functions, roles and responsibilities of the Boards and their executives
- modernised procedures in relation to the Boards' Annual Reports, estimates, grants, accounts and audit in line with Public Financial norms and best practice in corporate governance
- definition of the functions of the Central Fisheries Boards and assigning to the Board the functions of oversight, support, advice, co-ordination and specialist support services to the Regional Boards.

**4.6** The Accounting Officer informed me that, in addressing the findings of the Spollen Report, the Boards improved the provision of management information and a new accountancy package was installed. Each of the Boards had addressed the provision of internal audit services. The legislative changes in 1999 did not, however, bring about all the anticipated changes. It became apparent as time progressed that a more fundamental review was required given the complexity and highly politicised nature of the sector.

**4.7** The Accounting Officer assured me that a restructuring agreed by Government in October 2005 will result in a better model for the State's role in the sector, better resource management, more and better involvement of stakeholders, better corporate governance and value for money.

**4.8** The Government intends to establish a National Inland Fisheries Authority (NIFA), which will take over the executive functions of the Central and Regional Fisheries Boards. However, pressure on the legislative calendar may result in the delay of enactment of legislation until late 2007. In setting up NIFA discussions will take place between the Department and the Department of Arts, Sports and Tourism (DAST) with a view to specifying the role of the Inland Fisheries sector in support of the areas of angling, tourism and leisure development. This consultation process will also entail the development of a decision-making and accountability framework to ensure that policies, strategies and processes within the Inland Fisheries sector in these areas are co-ordinated with those of DAST and its agencies.

**4.9** The Government decided that consultants should be engaged to identify, in more detail, the structures, resources, funding and policy approaches needed to implement the further restructuring of the sector. This process will involve full, transparent, comprehensive and patient consultations with all of the stakeholders during which the principles and structures to deliver the new model will be fleshed out. The consultants started work in August 2006.



## Report Finding 2

*No agency appeared to have responsibility for the overseas promotion of angling, with the result that little promotion was carried out. Although substantial funds were available at the time for angling development under the Tourism Operational Programme 1994-1999, both the levels of activity and spending were behind target. It was estimated that the funds allocated would not be expended by the end of the Programme.*

## Department Update

**4.10** The stated aim of the Tourism Angling Measure (TAM) of the Tourism Operational Programme was to ensure that coarse, game and sea angling was upgraded to the best international standards with a view to increasing substantially tourist angling, tourist revenue and the creation of sustainable new jobs, particularly in the more remote and disadvantaged areas where the majority of prime fisheries are located.

**4.11** The Central Fisheries Board was responsible for TAM's day-to-day administration nationally, while the Department had overall responsibility for its implementation. While expenditure in the first three years of the five-year programme was low, a significant acceleration was achieved thereafter. The final outturn of expenditure under the measure was €22.3 million.

**4.12** Both the TAM Technical Committee and Management Committee were restructured in early 1997 to widen expertise on tourism and economic issues. A projects facilitator was appointed in August 1998 to work with the private sector and community groups to develop and submit projects. Following the mid-term review of TAM, additional criteria were incorporated into the decision making process on grant applications. Before being assessed under the existing normal criteria, projects had to

- act as a catalyst in achieving critical mass in developing non-traditional tourist areas in order to achieve a more balanced spread of international tourism throughout Ireland
- demonstrate a clearly defined and measurable contribution to the extension of the existing tourism season
- contribute, from a sustainable development viewpoint, to the enhancement of the surrounding area, avoid overlap with competing facilities and contribute to a balanced area-based strategy for promoting international tourism
- receive aid levels at the absolute minimum rate required to enable the project to proceed. Only in very exceptional circumstances and as part of a strategic drive to develop under-developed tourism areas should aid levels be at maximum rates.

**4.13** The measure resulted in 160 projects being approved for funding covering a wide spectrum in terms of type and magnitude. A number of the projects carried out could be defined as "Flagship", due to their nature, size and complexity. These include a development programme for Loughs Corrib, Mask and Carra (€3.17 million) and River Moy development plan (€3.17 million).

**4.14** In regard to how current investment levels compare with those in the 1994-1999 programme the Accounting Officer informed me that, while in the period 1994-1999 there was a major investment programme under TAM, there has been no similar size investment since.

**4.15** Under the NDP 2000-2006 indicative funding of €30.48 million was proposed for a new Tourism and Recreational Angling Measure (TRAM). Unfortunately, the launch of the measure was delayed until 2002 pending clearance from the EU Commission on the issue of State aids. At that point, a reduced financial allocation for 2002/2003 of €1.78 million was agreed by the Department of Finance. Constraints in relation to the availability of funding in the early years of the NDP and other budgetary priorities

curtailed the allocation to this sub-measure. Accordingly, less than 10% of the planned funding towards investment in tourism and recreational angling was made available under the NDP 2000-2006.

**4.16** Subsequently, the mid-term evaluation of the NDP 2000-2006 by the ESRI in respect of TRAM concluded, “the general economic environment for the tourism sector has deteriorated due to external as well as internal factors”. The ESRI Evaluation also noted that the external environment with regard to the tourist sector had deteriorated to an extent where further investment in the sector is unlikely to have high returns. The ESRI recommended a reduction in funding. On foot of the mid-term review of the NDP, funding for TRAM was diverted to other higher priority tourism projects.

**4.17** There is currently no multi-annual investment programme for the inland fisheries sector. Boards have operated against a background of having a specific limited level of exchequer capital funded budget each year. The cumulative effect of the absence of regular capital investment over a long period has led to a situation where considerable depreciation of existing capital assets has occurred. Additional capital was provided in 2005 and 2006 for allocation in mid-year to the Fisheries Boards based on prioritised capital needs across each of the eight boards. The funding is being used to purchase or replace equipment, buildings, boats and motor vehicles.

### **Report Finding 3**

*Significant duplication was found between the activities of the RFBs and the local authorities in the following areas*

- *carrying out investigations/inspections*
- *issuing advice/warnings*
- *initiating prosecutions*
- *monitoring water quality.*

*A co-ordinated approach involving all the relevant public bodies would be required to eliminate inefficiencies and to overcome the problem of pollution in Irish lakes, rivers and streams.*

### **Department Update**

**4.18** A report by consultants identified the fact that the inland fisheries resource, across all species, was under serious threat from environmental (including pollution), habitat degradation and water quality factors. In their opinion, these threats would best be dealt with on the basis that the Department of Environment, Heritage and Local Government (DEHLG) and its agencies be clearly responsible for a total ecosystems-based approach to environmental, habitat and water quality matters and that the Department and its agencies should have primary responsibility for dealing with the issue of exploitation of the resource and related matters.

**4.19** The Accounting Officer informed me that the establishment of Service Level Agreements between the existing Fisheries Boards and agencies operating under DEHLG is seen as capable of providing efficiencies. Work will proceed through the business planning process and relevant indicators have been included in performance contracts of the Fisheries Boards.

**4.20** An illustration of increased cross departmental/agency co-operation is the Water Framework Directive<sup>6</sup>. It is being co-ordinated by DEHLG who in turn is being advised by a co-ordination group

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<sup>6</sup> The Water Framework Directive which will establish a framework for community action in the field of water policy to protect, conserve and enhance the aquatic environment was transposed into Irish law by the European Communities (Water Policy) Regulations 2003.

made up of representatives of Government Departments and State Agencies which have responsibilities in relation to water quality. The Fisheries Boards are represented on River Basin District Committees. The Fisheries Boards and the Marine Institute are assigned monitoring functions for the purpose of the Directive.

**4.21** It is the statutory duty of these bodies to carry out the monitoring functions assigned to them. In accordance with the Directive and Regulations the monitoring programme must be operational by the end of 2006.

## ***Management of Specific Fishing Products***

### **Report Finding 4**

*The allocation of resources by the Fisheries Boards to the products – coarse fishing, game fishing and sea angling did not correspond to their relative economic and social importance. Targets and a marketing focus were lacking for all three fishing products.*

### **Department Update**

**4.22** The Central and Regional Fisheries Boards devote considerable effort and resources, in collaboration with Tourism Ireland, to the promotion of angling tourism. Following a period of considerable investment on the part of the Fisheries Boards under the Tourism Angling Measure (1994 to 1999), angling visitors declined dramatically. The overall decline in angling tourism is not unique to Ireland but reflects a trend widespread in Europe. Similarly, the trend is reflected in other activity tourism products.

**4.23** Some 152,000 overseas visitors participated in angling in Ireland in 1995, while 192,000 visitors were recorded in 1999. Since then the number of visitors declined dramatically until 2004. According to Fáilte Ireland data, there were 93,000 visits to Ireland in 2004 determined by angling. This compares with 83,000 in 2003 and 56,000 in 2002 (the year following foot and mouth disease). While the allocation of resources by the Fisheries Boards to these products did not correspond to their relative economic and social importance, this may imply a greater influence exerted by the Fisheries Boards on the industry than is actually the case. The perception of potential for expansion in visitor numbers has not materialised.

**4.24** The report of the Tourism Policy Review Group to the Minister for Arts, Sport and Tourism in September 2003 noted a decline in activity holidays that is not confined to angling but also includes cycling and hill walking. Fáilte Ireland is carrying out research among tour operators involved in promoting special activity holidays and special activity holidaymakers. Problems identified include rising costs and access to activities. Fáilte Ireland has also identified angling among the main areas of activity for which detailed marketing plans have been agreed, targeting the markets offering the best short-term return.

**4.25** The Marine Institute completed a Marine Tourism and Leisure Strategy in July 2006 which covers the NDP period 2007-2013. The Marine Institute consulted closely with the tourism industry and with all key Government Departments and agencies on the approach to implementation. It is agreed by all parties that leadership and co-ordination of policy, development and research initiatives across a range of Government Departments and agencies are essential to the successful implementation of this strategy. The strategy, which will include angling tourism, recommends that DAST should be the lead Department with Fáilte Ireland being the agency responsible for driving forward the implementation of the strategy.

**4.26** In June 2006, the Marine Institute also completed a Marine Knowledge, Research and Innovation Strategy 2007-2013. This strategy will include the research requirements which are needed to underpin marine tourism development.

## **Management of Fisheries Protection**

### **Report Finding 5**

*There were over 50 fish kills on average each year in the period 1991-1995. During the same period the RFBs initiated an annual average of 77 prosecutions.*

### **Department Update**

**4.27** The details of fish kills and prosecutions initiated in the period 1998 – 2005 is as follows

**Figure 4.1 Pollution control**

	1998	1999	2000	2001	2002	2003	2004	2005
Fish kills	43	39	57	26	56	72	44	42
Prosecutions initiated	65	65	70	32	61	64	35	20

**4.28** In regard to the Department's assessment of the level of fish kills and prosecutions the Accounting Officer informed me that there were over 47 fish kills, and over 51 prosecutions initiated, on average each year in the period 1998-2005. This showed a slight decrease on the figures when compared with the period 1991-1995. With regard to the number of prosecutions initiated, the Boards state that in many cases evidence reliable enough to pursue a prosecution was an issue. Although the Boards may record a pollution event which may or may not have led to a fish kill, in many cases it is difficult to clearly link it to a single offender in order to effect a prosecution. He pointed out that there are a number of other factors that affect the level of fish kills that are not within the control of Fisheries Boards. These include the impact of intensive farming, over-development and industry. The Environmental Protection Agency (EPA) in its report on Water Quality 2001-2003 noted that over 30% of the fish kills were attributed to agriculture with 12% attributed to industry and a further 11% attributed to sewerage discharges.

**4.29** The primary responsibility for water quality rests with the Department for the Environment, Heritage and Local Government. The processes that are in place and the introduction of new measures to stop water pollution in Irish rivers and lakes are matters for that Department and the local authorities which come under its aegis.

## Management of Water Quality

### Report Finding 6

*The amount of seriously polluted waters had declined in the years preceding the publication of the report but the amounts of moderately polluted and slightly polluted waters had increased.*

### Department Update

**4.30** Under the Fisheries Acts, Fisheries Boards are responsible for protecting fisheries habitats. The EPA is responsible for monitoring and reporting on environmental (water) quality and enforcing compliance with environmental protection legislation in Ireland. A report on water quality “*Water Quality in Ireland 2001-2003*” published by the EPA, noted that while serious pollution incidents were virtually eliminated by the mid 1990s, the proportion of unpolluted channel had also fallen due to a substantial increase in slight and moderate pollution. Two recent surveys show, however, a clear reversal of this downward trend with unpolluted channel increasing by 6% to 2000 and a further 3% to 2003. There is also a 2% reduction in the extent of moderate pollution and a recent halving of serious pollution incidents.

**4.31** A recent report published by the EPA - the Phosphorus Regulations Report 2005 - showed a 63% compliance with the regulations on overall water quality of rivers and lakes. The report indicated that surface water quality improved slightly. Agricultural activities and sewerage discharges were identified as the main source of pollution. This indicates that the Fisheries Boards have a limited scope to influence water quality as the primary responsibility lies with the EPA.

**4.32** The Central and Regional Fisheries Boards are involved in monitoring fish stocks as an indicator of the quality of inland waters within their jurisdiction. Regulations which implemented the Water Framework Directive in Ireland, provide for inland waters to be managed on the basis of River Basin Districts. They also require that environmental objectives and a programme of measures to achieve these objectives be put in place.

**4.33** The implementation of the Directive is being co-ordinated by the Department of the Environment, Heritage and Local Government which in turn is advised by a co-ordination group made up of representatives of Government Departments and State Agencies, which have responsibilities in relation to water quality. The Department of Communications, Marine and Natural Resources, the Marine Institute and the Fisheries Boards are represented on this group.

## Views of Accounting Officer

**4.34** The State’s role in relation to the inland fisheries resource is concerned with the management and development of freshwater fisheries in Ireland. The Fisheries Boards had 410 staff in 2005, of which 266 were permanent (compared with 522 staff in 1997 of which 301 were permanent).

**4.35** The key modernisation and change initiatives taken or proposed since 1997 are

- the acceleration of the Tourism Operational Programme - the central objective of which was to maximise Ireland’s tourism potential by increasing tourism revenue and creating employment
- the development of a decision-making and accountability framework to ensure that policies, strategies and processes are co-ordinated between Departments
- a National Fisheries Management Executive (NFME) was set up in November 2000 to provide a forum to facilitate the Chief Executive Officers of the Fisheries Boards to meet and advance strategic issues. The Fisheries Boards drew up a document entitled “*Protocol on co-operation and*

*co-ordination between the Central and Regional Boards*". The principal functions of the NFME are to

- o provide a forum for a general exchange of views and information on matters of mutual interest
- o consider national policy and strategic issues
- o provide a national co-ordination and decision-making capability.

**4.36** The NFME consists of the CEOs of each of the eight Fisheries Boards under the chairmanship of the CEO of the Central Fisheries Board.

- The Department intends to establish a National Inland Fisheries Authority (NIFA). NIFA will play a key role in the transformation of the sector. The current Central Fisheries Board and Regional Fisheries Boards will be transformed into Regional Advisory Boards. These statutory bodies will focus on regional issues and will be widely consulted on the detailed implementation of the second phase in the restructuring process. Responsibility and resources for scientific research will be transferred from the Central Fisheries Board to the Marine Institute. Discussions will also take place on the co-ordination of the role of the inland fisheries sector with the strategy and policy of the Department of Environment, Heritage and Local Government, the Department of Arts, Sport and Tourism and the Department of Community, Rural and Gaeltacht Affairs. It is envisaged that this entire reform process will take 3-5 years to complete.
- A Marine Tourism and Leisure Strategy was prepared under the guidance of a high level working group with members drawn from key Departments, national and regional tourism agencies and Local Authorities. A new Marine Knowledge, Research and Innovation Strategy for the period 2007-2013 was also prepared in order to drive the development of the marine sector as a dynamic element of Ireland's knowledge economy.
- The Service Level Agreement/Performance Contract which is in place with the Fisheries Boards since 2003.
- A number of initiatives and commitments with performance indicators have been identified and agreed under action plans for Towards 2016.

**4.37** In looking towards the future, progress towards improving effective and value for money management of the inland fisheries services will be achieved on foot of the current fundamental restructuring of the sector which is ongoing. The overall aim remains to have a newly defined relationship between Government and management structures that contributes to the optimum development of the inland fisheries resource in Ireland incorporating management and organisational practices which guarantee cost effectiveness and value for money in the delivery of high quality services to stakeholders.

**4.38** Restructuring will also result in the rationalisation of the plethora of State Bodies involved in the sector and the introduction of more effective approaches to the key roles of the State in relation to policy formulation, regulation, enforcement, sectoral development, governance and management at national level allied to the provision of high-quality, objective and co-ordinated scientific advisory services.

## **Chapter 5**

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### **Prescribing Practices and the Development of the General Practitioner Services**





## **5 Prescribing Practices and Development of the General Practitioner Services**

**5.1** This report focused on the provision of General Practitioner (GP) services over the period 1993 - 1996. In particular, the examination was concerned with

- the steps being taken to promote more cost effective prescribing within the General Medical Services (GMS) scheme and whether there was potential for further savings
- the extent to which the improvements identified in the Department of Health and Children's (DoHC) 1994 Strategy document have been implemented.

**5.2** During a review of the scheme in 1990/1991 DoHC and the Irish Medical Organisation (IMO) agreed that the level of prescribing could be reduced without having an adverse effect on the quality of patient care. Following this review, DoHC and the IMO agreed to introduce an incentive scheme known as the Indicative Drug Target Scheme (IDTS), with effect from 1 January 1993, to encourage more rational and economic prescribing. DoHC also agreed to establish a General Practice Development Fund which would also provide for investments in general practice.

**5.3** The IDTS provides for the calculation of monetary prescribing targets for each GP taking into consideration the make-up of his/her patient panel. Savings derived from achieving the targets are apportioned between the doctors concerned and the Health Boards, to be spent on specific improvements to practices and for the overall development of the service.

### **Performance Issues**

**5.4** The report findings reflected concerns regarding

- Proposals for development of the GP services
- Economy in prescribing practices
- Cost of investment initiatives
- Improvements in General Practice.

### ***Proposals for Development***

#### **Report Finding 1**

*Over the four-year period to 1996, 27% of GPs breached savings limits specified under the IDTS. This resulted in excess costs of €54.6 million. The analysis also revealed that only 5% of the 1,395 GPs who were continuously in the scheme over the four years achieved savings in each year.*

#### **Department Update**

**5.5** Under the terms of the Scheme, participating GMS GP contractors are issued with annual prescribing targets taking into account the composition of individual patient panels. Savings, which are accrued under the Scheme if the total drug cost at year-end is below the set target, are then available for draw down by GPs to fund or part fund approved practice developments, which increase or enhance the service available to patients.

**5.6** Since the end of 2002, a specific methodology has not been agreed. The Scheme was continued broadly in line with that which pertained in 2001/2002 with the agreement of DoHC and pending the

outcome of a planned review. In line with this agreement, the basis for deriving drug targets for 2004 and 2005, and the determination of grants and savings, was maintained along the lines that pertained in 2002. The scheme has been suspended pending the outcome of a review which is to be undertaken by the DoHC and the IMO. The outturn for the year 2000 – 2005 is set out in Figure 5.1

**Figure 5.1 Outturn for the period 2000 – 2005**

Year	Total number of GPs who made a saving	Savings generated €	Percentage of GPs that achieved savings
2000	460	3,551,189	26.52%
2001	386	3,099,965	21.34%
2002	264	3,570,009	14.12%
2003	71	768,793	3.76%
2004	59	777,410	3.09%
2005	53	670,462	2.75%

## ***Economy in Prescribing Practices***

### **Report Finding 2**

*It was noted that progress had been made in substituting lower cost equivalent drugs but there was still scope for the achievement of further savings. The analysis also showed that annual savings from the substitution of generic drugs for more expensive proprietary items could yield savings of over €1.65 million based on replacing proprietary items with equivalent branded generic items while maintaining the same level of prescribing.*

### **Department Update**

**5.7** According to an analysis carried out by the National Centre for Pharmacoeconomics (NCPE), published in June 2005, 19% of items on the GMS and 11% of items on the Drug Payment Scheme (DPS) were dispensed generically in 2003. The NCPE, in estimating the potential savings in Ireland in 2003 if a system of generic substitution were introduced, reported that some 21% of prescription items on the GMS and 23% of items on the DPS Scheme were dispensed as a proprietary preparation when a generic equivalent was available. Taking the top 30 drugs by expenditure (representing 51% of total ingredient cost of drugs dispensed on the GMS Scheme in 2003), the NCPE estimated potential annual savings from substituting the cheapest, average and most expensive generic drugs at €12.7 million, €10.9 million and €9 million respectively on the GMS Scheme. The equivalent savings for the top 30 drugs by expenditure under the DPS Scheme (representing 53% of total ingredient cost of drugs dispensed on that scheme in 2003) were €9.1 million, €7.7 million and €6.4 million respectively.

**5.8** Comparing these results with a similar analysis in 2001, the NCPE estimated that an increase in savings of the order of €7 million on the GMS and €6.7 million on the DPS may have been achieved between 2001 and 2003. The main reason for the increase in savings was attributed to a greater number of high cost and widely prescribed preparations losing patent protection and cheaper generic equivalents becoming available. It is not possible to draw conclusions that this increase in generic prescribing is related to incentives set under the IDTS until the outcome of the proposed review, and the supporting evidence, are available.

**5.9** The possibility of introducing a system of generic substitution was considered as one of the options in the recent renegotiation of the Irish Pharmaceutical Healthcare Association (IPHA) Agreement for the pricing and supply of drugs and medicines to the State. However, in order to avail of substantial cuts achievable from drugs manufacturers, and to avoid the introduction of a resource intensive system of reference pricing which a generic substitution system would have required, the negotiations recently concluded with the industry achieved price reductions of 35% for substitutable off-patent medicines, in two phases, over the lifetime of the new Agreement (2006-2010). The first price cut for existing off-patent products will be in March 2007. There will also be two price reviews for new medicines approved under the new agreement, after two and four years respectively. Overall, the Health Services Executive (HSE) estimates that savings of over €250 million will be achieved over the lifetime of the new Agreement.

### Report Finding 3

*The examination identified the following areas where there was scope for further significant savings from alternative therapies, which while being more economic, would not compromise patient care.*

- *Switching to a less expensive but equally effective first line treatment for depression showed potential annual savings of €812,632.*
- *A minor shift in some expensive therapies for the treatment of stomach ailments would provide significant savings.*
- *In the absence of good scientific evidence as to their effectiveness, the continued use of mucolytics, which cost some €888,817 annually, should be reviewed.*
- *A switch to less powerful forms of antibiotics would have long-term benefits in medical care and reduce costs. For example, a 10% change in prescribing amoxycillin could save over €126,974 per year.*
- *The prescribing of medical foods, which cost over €4.4 million in 1996, should be subject to regular review to prevent over prescribing.*

### Department Update

**5.10** The annual methodology has been adjusted in recent years to take account of certain high cost drugs. The IDTS methodologies for 2000, 2001 and 2002 provided for allowances of the cost of certain high cost drugs, for example psychotic drugs, where these costs would have put individual GPs at a disadvantage in relation to the achievement of targets set under the scheme. In view of the fact that application of the agreement for the years 2003, 2004 and 2005 simply maintained the status quo, further adjustments were not provided for.

**5.11** It is not possible to comment further on the potential for significant savings from the areas identified in the Value for Money report until the outcome of the proposed review, and the supporting evidence, are available. However, the scope from savings through alternative therapies has been assessed in individual cases, on a periodic basis, by the NCPE, on behalf of DoHC, in the context of applications from drug companies to have new drugs and medicines products included on the list of reimbursable products under the drugs schemes. Under the previous IPHA Agreement, DoHC had the right to seek cost benefit studies in order to decide on reimbursement criteria for such products, although a demonstration of cost-effectiveness was not a prerequisite for reimbursement under that Agreement. Under the new IPHA Agreement with the HSE, which commenced on 1 September 2006, reimbursement can now be informed by pharmacoeconomic assessment. This will enable new therapies to be assessed on a more cost effective basis so as to maximise the benefit to patients and the Exchequer, consistent with patient safety and well-being.

## **Cost of Investment Initiatives**

### **Report Finding 4**

*Agreement was reached between DoHC and the IMO in November 1992 on the implementation of an arbitration award. The agreement provided for the establishment of an investment programme in General Practice. A General Practice Development Fund was established by DoHC to carry through the investment under the agreement which was to take place over two years.*

*Up to 31 December 1996, €62 million and €19 million, respectively, had been paid from the General Practice Development Fund and the IDTS towards the development of GP services. The efficiency and effectiveness of the developments had not been evaluated by the former Health Boards. However, since March 1996 new projects were required to have inbuilt evaluation mechanisms, but it was too early to assess their effectiveness.*

### **Department Update**

**5.12** Of those GPs who draw on the fund for practice development purposes, some 1,778 drew down €105.2 million from the time of its inception to December 2005. The national distribution of payments to GPs under the Scheme is set out on a county basis in tabular form at Annex A. The former Health Boards did not carry out an overall evaluation of this programme. However, a number of individual projects/initiatives funded or part funded under the IDTS would have been subject to some form of evaluation.

### **Report Finding 5**

*The former Health Boards should carry out an overall assessment of its programme of investments and a review at national level should be considered by DoHC.*

### **Department Update**

**5.13** An independent review conducted in 1997 sought to determine the effects of the scheme on the quality of patient care in the GMS with particular reference to changes in prescribing practices. The review found that “there were changes in prescribing behaviour as a result of the Indicative Drugs Target Savings Scheme. Some doctors made savings through enhanced prescribing of generic medications and “there were no discernable negative effects on overall quality of prescribing”. On that basis, and based on the general benefits of the associated practice development initiatives, the scheme continued in operation.

**5.14** In 2003, the Deloitte Review of Governance and Accountability in the GMS set out a broad analysis of how the scheme had evolved in a manner which would require a reconsideration of its continuation in its present form. The review noted that the savings achieved on the scheme in recent years have not matched expectations and that the scheme, as currently structured, has probably reached its limit. Aspects of the scheme of concern included the notional nature of its funding structure and the potential liability to the Exchequer if the full grant entitlements attained by GPs were drawn down. The amount that can potentially be drawn down has been provided for in the Balance Sheet of the HSE. The net fund current liability in the HSE Balance Sheet totalled €65.2 million at 31 December 2005. The outstanding liability has arisen in a situation where it is increasingly difficult to assess the benefit to the State and patients of the scheme, and where the savings achieved have not reached expectations in the context of a substantially higher overall cost to the Exchequer of drugs schemes expenditure.

**5.15** In addition, concerns have arisen regarding the sustainability of the scheme’s operation whereby annual prescribing targets have continued to be set for GPs, in a situation where less than a third of GMS-

contracted GPs meet those targets and where, on the other hand, the overall drugs bill for the State continues to increase year on year.

**5.16** Under a 2001 agreement with the IMO, provision was also allowed under the Scheme for a structured advance of monies to assist doctors who were achieving savings to embark upon significant practice developments. This advance consisted of a ten-year loan based on past savings achieved, under certain structured arrangements to cover security of assets and agreed timeframes for repayment. The Deloitte Report expressed some concerns regarding the robustness of these arrangements and the potential significant risk of financial exposure and recommended discontinuation of the Scheme in its present form.

**5.17** Both the Review and a separate joint Department of Finance/DoHC Working Group agreed on the need for a review of the scheme as it is currently structured. In particular, concerns have arisen in recent years at the applicability of the methodology for calculating annual prescribing targets, in a situation where the overall drugs bill for GMS has increased to €31 million in 2005.

**5.18** A General Review completed by Health Boards and the Department of Health and Children representatives for the GMS (Payments) Board in April 2005 articulated a number of conclusions which supported the need for a fundamental review of the scheme which would determine the way forward. These conclusions were as follows.

- Prescriber incentives have a role to play within a comprehensive and integrated management approach to the community drug schemes at national level.
- The existing IDTS should be comprehensively reviewed with all stakeholders and replaced by an enhanced scheme at the earliest possible date.
- Appropriate performance indicators should form a key part of the performance monitoring arrangements on the enhanced IDTS scheme and these indicators should include appropriate quality measures.
- The operation of a new IDTS scheme should be characterised by collaborative working on a partnership basis between the Health Service Managers and Primary Care Contractors, supported by the Primary Care Reimbursement Service<sup>7</sup> (PCRS).
- Following implementation, the operation of the new IDTS Scheme should be subjected to annual review and major review every 5 years.
- Financial provision should be made for the accumulated liabilities to prescribers on the current IDTS Scheme, and the liabilities of prescribers who have received advanced drawdowns.
- There is significant potential to expand the utilisation of generic medicines on the community drugs schemes – appropriate provisions and/or incentives to ensure this should feature in the new IDTS scheme proposed.
- The effectiveness and value for money of new cost-increasing drugs and medicines, particularly those arising from national policy initiatives, should be considered as part of a national Health Technology Assessment function (planned under the Health Information and Quality Authority).
- The funding requirements of approved new drugs and medicines therapies should be recognised and incorporated into a comprehensive planning model for the community drugs schemes.
- The overall planning model for the community drugs schemes should incorporate international comparators to assess Irish experience against international trends.

<sup>7</sup> Formerly the General Medical Services (Payments) Board.

**5.19** In the light of these various conclusions, the HSE and DoHC have agreed terms of reference with the IMO for a review of the IDTS, to be overseen by a joint Department/HSE and IMO team, with appropriate analysis by an agreed expert. This review is underway. The agreed terms of reference are as follows

*“The Department of Health and Children, the HSE and the Irish Medical Organisation are committed to appropriate, rational and cost-effective prescribing. In this context it is agreed to review the existing IDTS Scheme. This review will include an analysis of the effectiveness of the scheme to determine if there is an evidence-based rationale for continuing the scheme in its current format. The review group will make agreed recommendations aimed at achieving appropriate, rational and cost effective prescribing in general practice, in the context of the wider reform of the GMS, community drugs schemes and other schemes, having regard to the requirements for accountability and appropriate governance arrangements”.*

### **Report Finding 6**

*In order to improve practice management and the sharing of information, the Strategy document set a target of 80% for the computerisation of GP practices by 1997 but only some 58% of practices had been computerised by February 1997.*

### **Department Update**

**5.20** Based on up to date performance indicator information, approximately 70% of GP practices are computerised. A separate survey in 2003 on computer usage among GPs, based on a sample of GP members of the Irish College of GPs indicated up to 85% of GPs had computers in their surgeries. Therefore, it can be assumed that the percentage is in the region of the 80% target referred to although information on the degree to which information is shared between GPs is not known.

**5.21** At June 2006, of the 2,015 GPs participating in the GMS Scheme 431 are submitting reimbursement claims on line (21%) to the PCRS. In addition, the PCRS has recently provided GPs with the means to electronically access details of their claims on line. These new initiatives, launched by the HSE on 30 May 2006, aim to streamline the processes involved in making claims and will provide new and more efficient and up-to-date ways to give GPs access to the information that they need to be satisfied that their payments are accurate. The technology also provides online access to systems that will allow GPs to view their list of medical card patients in real time and to facilitate their closer involvement in keeping their patient lists up-to-date.

### **Report Finding 7**

*The examination established that*

- *none of the former Health Boards were receiving data on the incidence of illnesses from GPs because of a lack of resources in their public health departments*
- *a patient registration system had not been introduced, apart from a pilot project in the former North Eastern Health Board. The absence of data from these sources worked against better planning and effective delivery of the health services.*

### **Department Update**

*Data issues*

**5.22** The Accounting Officer informed me that the GMS contract covers a minority of the population and that in order for epidemiological data to be of maximum use to the health system, it is desirable that information encompassing all of the population – not just the GMS cohort – would be available. This is

therefore a complex issue and requires careful consideration. The establishment of the Health Information and Quality Authority (HIQA) is relevant to this matter also. The responsibilities of the HIQA will be built around three related functions (i) developing health information (ii) promoting and implementing quality assurance programmes nationally and (iii) overseeing health technology assessment.

**5.23** The present GP GMS contract does not provide for the submission or supply of epidemiological data on the patients registered with individual GPs. The only such data received by the HSE is that provided in connection with particular categories of claim for payment, such as Special Type Consultation fees. This is an issue which the HSE intends to pursue in the context of the negotiations on the review of the GMS contract being conducted under the auspices of the Labour Relations Commission. The availability of such data would assist with planning and analysis in relation to primary care services.

**5.24** The collection of morbidity data from the GP setting continues to present difficulties. Some GPs have developed their own disease registers, enabled through the development of Heartwatch and similar programmes, but these are not routinely made available to public health departments. Some of the out-of-hours cooperatives conduct some morbidity coding but again these are not made available in a systematic manner to the HSE.

#### *Patient registration system*

**5.25** The Personal Public Service (PPS) number is used by the HSE as an identifier for people who are entitled to publicly provided GP services under the General Medical Services (GMS) Scheme. The identifier appears on patients' medical cards, which they are required to produce when availing of services from their GMS GP.

**5.26** The National Health Information Strategy recommends the introduction of a unique patient identifier having regard to its contribution to enhancing the safety and quality of client/patient care and considers options, including the extension of the use of the PPS number for this purpose. Since the publication of that report in 2004 and arising from further consideration in relation to the matter, the introduction of a unique patient identifier is now being examined in the context of a public sector service wide approach to the development and use of unique identifiers. The health sector is participating in this initiative. The objective is to develop a framework that will underpin the use of unique identifiers and address privacy and security issues.

**5.27** In February 2006, a decision was made by the three National Directors (Information and Communication Technology, Primary Community and Continuing Care and the National Shared Services) to urgently proceed with a project to integrate local systems with the National Client Index (NCI). Subsequently a detailed proposal document on the integration project was approved by the three national directors. Work is continuing apace and a functional specification has been prepared for implementation based on real time integration of local systems to the NCI for the medical card scheme and maintaining of the local client data for all other schemes. This step is the first phase leading ultimately to complete integration of the client and eligibility data into the NCI across all schemes.

## **Improvements in General Practice**

### **Report Finding 8**

*Therapeutic committees had been set up in all former Health Boards with the primary purpose of bringing together GPs and hospital doctors/consultants to define and implement agreed therapeutic regimes for specific ailments. However, there were difficulties in their operation, particularly in the area of communication between hospitals and general practice.*

### **Department Update**

**5.28** Drugs and Therapeutics Committees are established for the most part by individual hospitals. The HSE encourages and promotes the inclusion of Primary Care Practitioners within these committees. There would be considerable variance in their effectiveness in defining and agreeing therapeutic regimes for specific ailments. Some of the larger teaching hospitals have very active Drugs and Therapeutics Committees with multidisciplinary representation bridging the secondary care/primary care interface. Others, particularly those outside the larger cities, are less active and confined to those practitioners who work within the hospital environment. The communication between hospitals and general practice remains challenging in this arena. However, the recent Irish Pharmaceutical Healthcare Association agreement has provided fresh impetus to addressing this issue.

### **Report Finding 9**

*The former Health Boards should ensure that arrangements are in place for the refund of the unexpired value of any publicly funded grant in the event that the grant-aided premises ceases to be used for the grant aided purpose. Only two former Health Boards had done so.*

### **Department Update**

**5.29** In the case of grants awarded under the IDTS for investment in practice premises, the GP is required to sign a deed of mortgage (lien) document in order to secure the State's interest in the event of the premises ceasing to be used for the purpose for which it was grant aided.

## **Views of Accounting Officer**

**5.30** The Accounting Officer of the Department of Health and Children (the Department) has informed me that in recent years it has become clear that the IDTS scheme may not be achieving its principal objectives. Consequently, the continued operation of the scheme in its present form has been under consideration by the Department and the Health Services Executive for some time. A review of the scheme as it is currently structured has been commenced based on terms of reference agreed with the IMO. The operation of the scheme has been suspended pending consideration of the conclusions of the review.

**5.31** The review of the IDTS Scheme will contribute to a wider examination of prescribing incentivisation in the overall context of the overall reform of the GMS and community drugs schemes, and the requirement for accountability and appropriate governance arrangements identified in the context of the Health reform process. This is consistent with the agenda agreed by the Cabinet Committee on Health in April 2005 which aims to examine all aspects of the drug delivery system, from the manufacturer to the patient, in order to achieve greater value for money from the operation of the drugs schemes, consistent with patient safety and continuity of supply.



## **Annex**

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## Annex A National Distribution of Payments to General Practitioners under the Scheme

County	Amount paid from GP Savings
	€
Carlow	1,106,851
Cavan	1,419,826
Clare	3,161,373
Cork	12,417,022
Donegal	11,783,622
Dublin	21,291,346
Fermanagh <sup>8</sup>	11,531
Galway	5,206,928
Kerry	3,773,920
Kildare	894,831
Kilkenny	1,250,938
Laois	526,103
Leitrim	2,150,570
Limerick	4,104,057
Longford	1,221,488
Louth	2,621,489
Mayo	6,994,620
Meath	2,638,537
Monaghan	764,859
Offaly	629,170
Roscommon	2,040,140
Sligo	2,876,651
Tipperary	2,391,763
Waterford	5,237,746
Westmeath	1,801,341
Wexford	4,407,911
Wicklow	2,477,920
<b>Total</b>	<b>105,202,553</b>

<sup>8</sup> Two GPs resident in Co. Fermanagh who had GMS contracts in respect of GMS patients in the Republic, and in respect of whom they were entitled to payments under the Scheme.



## **Chapter 6**

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### **The Emergency Ambulance Service**



## 6 The Emergency Ambulance Service

**6.1** This report sought to establish the extent to which the emergency ambulance services were being provided efficiently and economically.

### Performance Issues

**6.2** The report findings reflected concerns regarding

- Response time for emergency calls
- Use of resources
- Improving efficiency and effectiveness

### *Response Times for Emergency Calls*

#### Report Finding 1

*Response time targets need to be set for all emergency ambulance providers. These targets need to account for the different circumstances faced by different service providers.*

#### Department Update

**6.3** Computerised systems, such as Computer Aided Dispatch (CAD) Systems, Geographical Information Systems and SAP Financial Systems have subsequently been developed. As a result, the ambulance service is now in a better position to monitor, control and identify various activities on a monthly basis and produce information on costs, activity levels, fleet performance, attendance management and utilisation of private contractors. With the advent of a National Ambulance Office (NAO) in 2006, these activities will now be monitored centrally.

**6.4** The Pre-Hospital Emergency Care Council (PHECC) was established as a Statutory Body in 2000 to develop and monitor standards in Pre-Hospital Emergency Care. The PHECC replaced the National Ambulance Advisory Committee which had been set up following a 1993 Review. In order to further improve response times, PHECC commissioned a spatial analysis study of each region with a view to establishing the optimal distribution of ambulance bases.

**6.5** The NAO is working closely with the Council in developing a further Spatial Analysis Study of Emergency Services Demand and Deployment Options. The study, currently being piloted in the former North Western Health Board area, will initially look at how pre-hospital services are currently delivered and highlight possible gaps in the delivery of services in the area.

**6.6** The information obtained from this analysis will guide the future deployment of Advanced Paramedic Services, Standard Emergency Medical Technicians (EMT) Services and First Responder Schemes<sup>9</sup>, to deliver best possible pre-hospital emergency care services to the North West area. Following evaluation of the findings, the NAO intends to extend this work to other regions.

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<sup>9</sup> A number of Fire Services in rural areas have received training from the Ambulance Service and in some cases these services carry defibrillators.

## Report Finding 2

*Emergency ambulance services need to improve the level of management information gathered, particularly information on the operational performance of the services. Service providers should develop comprehensive costing and activity-monitoring systems which allow them to clearly identify the full costs of patient transport services and to relate costs to identified activities. In particular, information is required about the type of journey, distance travelled and time engaged per journey.*

## Department Update

**6.7** The PHECC has produced a National Data Set and a National Patient Care Report (PCR) Form. An electronic prototype for collection of data at point of service delivery is being implemented in the Ambulance Service as an information system to collect, collate and analyse the data. This will provide real-time comprehensive data to facilitate clinical audit, and to guide individual and service development and service prioritisation. The standardised PCR has been introduced in most of the HSE Areas and by the Dublin Fire Brigade. An electronic PCR has been introduced on a trial basis in the Southern, Western, and Midland areas.

**6.8** It is anticipated that national data capability will be achieved by the PHECC by the end of 2007. This will allow the accurate measurement of actual response times to replace the theoretical construct of the spatial analysis methodology. The Council will then have valid data from which to develop response time standards appropriate to the urgency of clinical need, an approach the UK has now decided to adopt following their experience with purely time-based standards.

**6.9** There have been significant developments in relation to Control Centre Technology. All but one area (the former Western Health Board) now operate CAD Systems, resulting in the collation of data that is both timely and accurate. CAD Systems also provide management information to assist strategic decision-making. The HSE has advised that it will address the situation in the West as part of the implementation of the recommendations of the Mason Report 2005<sup>10</sup>.

**6.10** The Department of Finance, is currently managing a Procurement Programme for the provision of Digital Radio services for the non-commercial public sector including the emergency services. Two senior HSE ambulance managers are members of this project team. The provision of digital radio services will greatly enhance the ambulance service's coverage ability and capacity to communicate more effectively and reliably within the system and with other emergency services.

**6.11** In regard to progress made in the development of costing systems, the Accounting Officer assured me that with the advent of the NAO in 2006, all costs related to these activities are now collated and monitored on a monthly basis at a national level. The service currently measures costs under the following headings through monthly cause and effect performance reports across each region.

- Hours lost – annual leave, sick leave, force majeure, union leave etc.
- Cost of core training and other training events, backfill costs.
- Overtime – Operational, leave cover etc.
- Activity levels – Emergency and urgent, patient transport and community transport where appropriate.

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<sup>10</sup> The Mason Report identifies the current status of Command and Control Systems and Infrastructure and makes key recommendations on future service direction. The report proposes four HSE Communication Centres catering for the entire HSE as opposed to stand alone Ambulance Control Centres proposed in previous reports. The report has been adopted by the HSE Ambulance Service as the way forward.



- Fleet performance in terms of miles driven.
- Budget performance.
- Number of shifts dropped.

**6.12** In 2007, the HSE intends to implement a fleet management information system and a personnel rostering and overtime management information system on a national basis. Both of these systems will be designed to provide more consistent management information to support strategic operational and financial decision-making.

### Report Finding 3

*The cost effectiveness of introducing priority based dispatch systems should be explored in the context of setting target emergency call response times and the establishment of systems to monitor the performance of the emergency ambulance services.*

### Department Update

**6.13** Priority dispatch systems link the type of response required to medical need by the use of structured protocols and systematic questioning of the caller. This can lead to a more efficient use of resources. They are designed to initially identify the urgency of the case being reported and then to prioritise cases requiring different levels of response. The following services have developed Priority dispatch systems within their control infrastructure.

- Former Midland Health Board – implemented in 2000.
- Former South Eastern Health Board - implemented in 2001.
- Dublin Fire Brigade - implemented in 2005.

**6.14** The PHECC has commissioned research on the international evidence on priority dispatch systems and their use for prioritising resources according to clinical need. This work will inform the development of dispatch standards to complement the recommendations of the HSE Ambulance Service Communications Review 2005.

## Use of Resources

### Report Finding 4

*Service providers should regularly review the manner in which crew and ambulances are rostered and deployed, to establish if there are ways to improve response rates within available budgets. The contribution to achieving high response rates which alternative first responses can make should be identified.*

### Department Update

**6.15** In 1997, two of the five Regional Control Centres used single staffing control arrangements. Single staffing arrangements no longer exist in any of the Regional Control Centres and an accredited formal training module for control staff is currently at an advanced stage of development by the PHECC.

**6.16** Funding provided in recent years has resulted in two person crewing being introduced in all but one region (Mid-Western Region) and the HSE is in the process of progressing its introduction in this region. The service in this area still employs a small number of nursing staff to deliver pre-hospital emergency care in conjunction with an EMT during hours of on-call.

**6.17** The elimination of on-call as a means of providing emergency ambulance cover is designed to facilitate further improvement in response times. Additional funding was provided to the HSE in 2004 and 2005 towards this initiative. This funding facilitated the continued phasing out of on-call in the HSE Midland, Southern, South Eastern and North Western Areas. On-call arrangements in the ambulance service reduced from a level of 52% of operational hours in 1996 to 20% in 2005.

**6.18** A number of regions now respond to calls in rapid response vehicles. For example, some EMTs respond to emergency calls in the greater Dublin Area on motorbikes. Their deployment/response times are significantly quicker than the ambulances, with the ability to negotiate traffic and access pedestrianised/barriered off areas. Rapid response units are also operational in the Midlands and North Western Regions. The tactical deployment plan, which will be developed from the spatial analysis results, will influence the model of care development, including Rapid Response Vehicle deployment, required in each region. The Ambulance Service adapted the European CEN<sup>11</sup> Standard for its Accident and Emergency fleet, and all ambulances purchased since 2000 are CEN Compliant.

**6.19** The HSE is developing proposals to extend the hours of operation of the National Mobile Intensive Care Unit which provides for the safe transfer of critically ill patients from peripheral hospitals to tertiary centres in Dublin and the National Neonatal Transport Programme, operational since 2001, which transfers critically ill neonates from peripheral hospitals to maternity hospitals in Dublin as per current arrangements and to introduce a national MICAS<sup>12</sup> retrieval service for children.

**6.20** Arrangements are in place with the Air Corps for the provision of emergency inter-hospital patient transport services. A Service Level Agreement has been concluded between the Department of Defence, the Department of Health and Children and the Health Service Executive.

**6.21** When the national ambulance service is re-configured into four regional networks, previous boundary restrictions operated by the former Health Boards will no longer exist.

## **Report Finding 5**

*The feasibility and cost of undertaking non-emergency journeys using other, less expensive forms of transport should be considered.*

## **Department Update**

**6.22** The Accounting Officer informed me that since the publication of the 1997 Value for Money report, efforts have been made to introduce other means of providing non-emergency patient transport services with the aim of freeing up emergency ambulance vehicles and personnel. The HSE Southern and the North East areas no longer use emergency vehicles or personnel for non-emergency patient transport. All areas utilise private hire operators or private ambulance services as part of their non-emergency patient transfer service.

**6.23** The NAO is setting up a group in conjunction with the Primary, Community and Continuing Care Directorate (PCCC) and the National Hospitals Office to review the non-emergency transport needs of patients attending HSE facilities. The group will also be tasked with developing proposals on how best to support patients who have to travel to access specialist services. One of the key objectives for the group is to complete a needs analysis and strategic plan for a national patient transport scheme.

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<sup>11</sup> Comité Européen de Normalisation (CEN) is the European Committee for Standardisation which sets norms in relation to road ambulances, stretchers and other handling equipment, rescue equipment and air, water and difficult terrain ambulances.

<sup>12</sup> Mobile Intensive Care Ambulance Service.

## ***Improving Efficiency and Effectiveness***

### **Report Finding 6**

*An integrated implementation plan should be developed for the recommendations included in the report of the Ambulance Review Group. The expected benefits, in terms of effectiveness, efficiency and economy, to be achieved from each element of the implementation plan should also be identified.*

### **Department Update**

**6.24** The Accounting Officer informed me that up to the end of 2006, of the 74 recommendations set out in the Ambulance Review Group Report, 46 had been implemented and 19 were partially implemented.

### **Report Finding 7**

*It was noted that there was a need to set national standards for the emergency ambulance services to ensure that the service is as effective, efficient and economic as possible.*

### **Department Update**

**6.25** Performance indicators have been developed for the Ambulance Service to ensure consistent quality practices throughout the service. Performance indicator reports are provided to the Department by the NAO on a quarterly basis under the following headings.

- Number and percentage of emergency calls for which a patient report form has been completed by ambulance personnel.
- Number and percentage of agreed response calls for which a patient report form has been completed by ambulance personnel.
- Number and percentage of operational EMTs who have completed approved standard training according to PHECC.
- Number and percentage of emergency ambulance calls responded to within predetermined time bands.
- Number and percentage of front line (dedicated for emergency response) ambulances with a 12 lead ECG monitor/defibrillator monitor.
- Number and percentage of ambulance service personnel who have received training in 12 lead ECG monitor/defibrillator monitor.

**6.26** The performance indicators are analysed by the NAO to determine training and equipping requirements. Particular difficulties in relation to response times are investigated and corrective measures taken as necessary.

### **Report Finding 8**

*A planned introduction of clinical audit of the emergency ambulance service had a prospect of strengthening the ability of the service to monitor the effectiveness of its activities and the setting of a national standard.*

**6.27** The Accounting Officer informed me that the PHECC has made the introduction of clinical audit one of the pre-requisite criteria for approval of applications from the ambulance services to implement Clinical Practice Guidelines (CPGs). Approval to implement CPGs is necessary to allow

EMT/Paramedics and Advanced Paramedics who are on the PHECC Register to administer medications. The HSE and Dublin Fire Brigade ambulance services and some private and voluntary services have successfully demonstrated clinical audit to PHECC in support of their applications.

**6.28** The additional data collection capability of the PCR Form and the electronic version (ePCR) is assisting the implementation of clinical audit within the HSE and Dublin Fire Brigade. It is anticipated by PHECC that it will be in a position to implement a national framework for clinical audit when the PCR and ePCR are introduced throughout the ambulance service by the end of 2007. The National Ambulance Service intends to recruit a medical director in 2007 who will be tasked with developing and implementing clinical governance arrangements particular to pre-hospital and associated ambulance service provision in conjunction with PHECC.

## Views of Accounting Officer

**6.29** The Accounting Officer of the Department of Health and Children (the Department) has informed me that, following the publication of the 1997 Value for Money Report, the Chief Executive Officers of the former health boards initiated an in-depth review of the ambulance service. This resulted in the publication of a Strategic Review of the Ambulance Service in 2001. While there are a number of issues currently being addressed by the NAO the following are among the key recommendations which have been implemented

- the introduction of the Advanced Paramedic Training Programme
- the introduction of two-person crewing (two EMTs), compared to the previous arrangement where ambulances were staffed by only one EMT and a qualified nurse
- the reduction/elimination of on-call arrangements, to improve response times
- the introduction of a Service Level Agreement between the Department, the HSE and the Department of Defence in relation to air ambulance services.

**6.30** Since the report was issued, there have been significant changes within the health area. Responsibility for the provision and management of the ambulance service transferred in 2005 from the former health boards to the HSE. As part of the reform of the health service, a National Ambulance Office (NAO) has been established with responsibility for the provision and development of pre-hospital emergency care, with the immediate priority of establishing a unitary service, rather than the fragmented service delivered under the previous arrangements.

**6.31** There is now a stronger focus on monitoring and evaluating service delivery in line with the policy framework and with reference to the HSE service plans. A suite of performance indicators has been developed, with particular emphasis on measuring response times. A number of measures have already been put in place to improve response times. However, it will clearly take some time for the full effect of the reform programme to be realised.

**6.32** Centralised purchasing in relation to fleet, fuel and equipping began in 2006 and is designed to achieve value for money. The planned purchase of fleet management, personnel rostering and overtime management information systems in 2007 will further support strategic operational and financial decision making within the ambulance service.

## **Chapter 7**

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### **VAT Collection and Control**



## 7 VAT Collection and Control

**7.1** This report gave the results of a review of VAT collection and control procedures. The report was also concerned with highlighting opportunities for Revenue to further refine its systems and improve the quality of information available to measure the effectiveness of VAT collection and control procedures.

### Performance Issues

**7.2** The report findings reflected concerns regarding

- the adequacy of the systems and procedures for ensuring that liable persons were registered
- the extent to which compliance was maximised under the self-assessment system
- the quality of audit planning and the outturn of the programme of audits
- the effectiveness of the enforcement procedure used to clear outstanding VAT debts.

### Registration Practices

#### Report Finding 1

*Information obtained from audit activity and from the Companies Registration Office should be further developed to assist in detecting unregistered traders.*

#### Revenue Update

**7.3** Revenue has introduced a computerised risk analysis system and has also invested in software that enables data matching for identifying and dealing with non-compliance. By comparing external data with taxpayer records it can detect people who are not registered, not filing tax returns or not disclosing income to bring them above the VAT registration threshold.

**7.4** On an ongoing basis Revenue is developing an Integrated Business Intelligence computer system incorporating a Knowledge Model. It provides a series of links that launches other applications to enable more detailed examination.

**7.5** Information from the Companies Office has been captured in the Revenue data warehouse. This information is available to the computerised risk analysis system operated by Revenue. Rules are being developed which will, in due course, form part of the risk rating process within this system.

#### Report Finding 2

*The detection of unregistered liable traders was hindered by a lack of knowledge of the extent of this area within the black economy. Several methods for estimating the population of these unregistered traders had been proposed but no reliable approach had emerged and Revenue had not attempted such an exercise.*

#### Revenue Update

**7.6** A key component of Revenue's restructuring programme was a sharper focus within the compliance and audit programmes on identifying and tackling risk areas and sectors. Special Compliance Districts were established in each Revenue Region to identify and analyse risks, to develop intelligence and profiling methodologies and to use appropriate techniques and programmes to counter fraud and evasion.

**7.7** In 2004 and 2005, Special Compliance Districts initiated a number of key projects aimed at tackling tax evasion on a sector basis. These projects provided important intelligence and insights into areas of tax evasion and these will be used to inform the selection of cases for future audits and investigations. They also provided intelligence on unregistered traders across all tax heads.

**7.8** The Hidden Economy Monitoring Group which includes representatives from Revenue, the Department of Social and Family Affairs, CIF, IBEC and ICTU, continues to meet as appropriate, to monitor developments and review the effectiveness of measures to combat tax evasion and social welfare fraud.

### **Report Finding 3**

*At registration, traders were assigned a low, medium or high risk rating which was intended to be used for planning VAT audits. However, at the time the examination was carried out, this was not yet fully developed. Since 1995, there has been a policy for district tax officials to make new business education visits to traders to provide them with information about the operation of the VAT regulations and their obligations. These visits could also be used to gather information needed for risk rating.*

### **Revenue Update**

**7.9** Revenue is adopting a risk analysis driven approach to identifying and tackling its non-compliant customers following a recommendation by the Steering Group on the Review of the Office of the Revenue Commissioners (2000) that case selection for audit be based on computerised risk assessment procedures and that all relevant information available to Revenue be fully exploited to inform the selection.

**7.10** The objective of the risk analysis programme is to analyse taxpayers across a number of profiles by applying 'rules' to all data available. Taxpayers will then be scored with regard to their risk to Revenue i.e. evasion, non-payment, failure to file returns, etc.

**7.11** Revenue sees the benefits of this approach as enabling them

- to highlight cases with most risk
- to anticipate cases which are becoming a risk
- to target risk cases in a timely fashion
- to free resources to tackle evasion by switching to electronic analysis
- to demonstrate the fair application of processes across the entire taxpayer base, as for the first time, all taxpayers will be screened
- to minimise contact with the compliant taxpayer by identifying risky cases.

**7.12** Following a successful pilot project the risk analysis assessment was introduced nationally during 2006. Training has been provided to all Case Selection Managers and case selection software has been made available to them. Familiarisation training for caseworkers is ongoing and the implementation team have completed a series of visits to Revenue districts throughout the country.

**7.13** To date, the system includes information of returns and payments compliance for a range of taxes (VAT, Employers PAYE/PRSI liability (PREM), Income Tax, Corporation Tax, Relevant Contracts Tax (RCT) and Capital Gains Tax) in addition to third party information from the Department of Agriculture and Food as well as information provided in connection with Stamp Duty and Capital Gains Tax. The accounts information used includes both Revenue Online Service (ROS) filed returns and manually filed income tax and corporation tax returns.



**7.14** Revenue has moved away from the requirement to fulfil targets in relation to new business visits and has issued comprehensive staff instructions on VAT Registration which includes the following “*New Business Education Visits should only be undertaken if specifically requested by the customer and where Revenue are satisfied that such a visit will have significant added value for Revenue*”. The instructions also outline the procedures to be adopted in non-compliant VAT cases. The focus of resources is on new cases where there is an element of risk.

## Self Assessment and Collection

### Report Finding 4

*The examination found that there had been a gradual improvement in collection rates since 1993. By the end of 1996, on average, 69% of returns and 93% of VAT revenue was collected within two months of the due month.*

### Revenue Update

**7.15** In 2005, on average, 78% of returns and 97% of VAT revenue was collected within two months of the due date, compared with 69% and 93% respectively at the end of 1996. Figure 7.1 sets out the current position in relation to compliance rates. The figures, in general, are due month compliance and illustrate the improvement since the original examination was carried out.

**Figure 7.1 Volume of business (VAT)**

Category	Case size	1997	2005	
VAT Live registrations		148,000	256,000	
Employers Live registrations		132,000	179,000	
			Returns	Payment
VAT compliance due month	Overall	40%	57%	84%
	Big cases	77%		90%
	Medium cases	51%		82%
Vat Compliance Due month +1	Med/small cases	67%		85%
	Small cases	60%		67%

Note The overall gross collection in 2004 was €48.5 billion, of which the VAT component was €13.6 billion. The VAT debt at 31 March 2005 was €289 million. VAT debt as a percentage of the gross collected was 2.1%.

Source: VAT Appropriation Account and Revenue Mainframe Database

## Value Added Tax Audits

### Report Finding 5

*The level of random audits performed was very low. No single tax head VAT audits were selected at random and only 52 out of 3,960 comprehensive audits performed in 1996 were selected at random.*

### Revenue Update

**7.16** Revenue rolled out a new Tax Compliance Testing Programme in November 2004 to replace their traditional random audit programme. The previous programme was changed in 2004 to a more genuine randomised case selection as opposed to stratifying cases before selection. The new Tax Compliance Testing Programme was used as a pure random case selection tool in 2005 to test compliance on a number of fronts. It tests payment compliance, filing compliance and reporting compliance across all taxes and duties. 332 audits arising from the 2005 random programme have been completed. The yield was about €1.1 million including interest and penalties. VAT represented 35% of the tax yield. The results of previous years random audit activity is shown in Figure 7.2.

**Figure 7.2 Outturn of random audits for the period 1999 - 2003**

Year	Number of random audits	Yield
		€m
1999	192	0.1
2000	437	0.6
2001	740	3.4
2002	720	2.9
2003	274	3.4

### Report Finding 6

*The report also noted that Revenue's accounting system was not designed to record the full cost of performing audits. It was noted that VAT audit activity was good value for money and that the allocation of more resources to audit would further increase the yield. It was also noted that Revenue should improve the procedures to monitor more accurately the cost effectiveness of VAT audits.*

### Revenue Update

**7.17** A reasonable estimate of the average cost of an audit can be readily made by relating the total cost (including overheads) of the audit programme to the total number of audits undertaken. Using this methodology the estimated average cost of an audit is about €3,000. As this is very much an average figure it can vary greatly between the different types of audits carried out. For example, in a very large and complex comprehensive audit a whole team of auditors could be involved to cover different aspects of the audit, whereas a more straightforward audit can be undertaken by a single auditor and completed in a much shorter space of time. Figure 7.3 gives the outturn on VAT audits completed.

**Figure 7.3 Outturn of completed VAT audits<sup>a</sup>**

VAT audits	Audits completed	Yield
		€m
1999	5,101	40.50
2000	4,409	35.00
2001	4,223	61.19
2002	4,300	61.09
2003	3,951	76.37
2004	2,776	49.99

Note

a Not including comprehensive audits which include VAT in many cases.

**7.18** Revenue are not in a position to give separate yield figures for 2005, as districts do not record them separately anymore, however, VAT may be a feature in any of the categories for 2005<sup>13</sup>. 14,214 audits were conducted in 2005 yielding €25 million. In addition, 91,000 assurance tests yielded €50 million.

## Enforcement

### Report Finding 7

*When a person makes default in paying any sum levied in respect of income tax, the Collector General may issue a certificate to the county registrar or sheriff for enforcement of collection. Approximately 25% of the value of Certificates issued in respect of tax arrears in the period 1993 – 1996 was collected directly or indirectly as a result of sheriff enforcement. Sheriff enforcement had a higher relative success rate than the use of Section 22 estimates or the issuance of reminders and demands.*

### Revenue Update

**7.19** The approach to collection in non-compliant cases is to quickly raise and issue Section 22 Estimates, prioritising cases according to risk. This action leads to the submission of returns and payments/claims in the majority of cases. Where a taxpayer does not respond to the Section 22 Estimate, or submits a VAT 3 return without payment, Revenue quickly moves the case to the appropriate enforcement agency, depending on the case circumstances.

**7.20** Revenue has consciously reduced the amount of time it takes before a non-compliant case is referred to enforcement. As part of this process separate estimates and demands are not issued – the demand is incorporated into the text of the estimate. All of these steps have combined to deliver increases in compliance.

<sup>13</sup> The categories for 2005 are comprehensive, single/multi taxhead, single issue/transaction.

## Report Finding 8

*From 1993 to 1996 cases amounting to €76.2 million in tax arrears were referred to solicitors for enforcement. During this period a total of €22.8 million was collected.*

## Revenue Update

**7.21** Caseworkers utilise the most appropriate enforcement option based on their experience and knowledge of the case. The effectiveness of solicitors can be gauged from the collection as a percentage of referral value.

**Figure 7.4 Outturn from solicitor referrals**

Year	Number of referrals	Value of referrals	Average value	Total collected	Collection as percentage of referral value
		€m	€	€m	
1998	3,588	77	21,446	18.67	24%
1999	2,554	75	29,464	19.43	26%
2000	4,714	120	25,373	32.76	27%
2001	6,106	138	22,533	51.12	37%
2002	7,992	194	24,230	64.08	33%
2003	8,079	187	23,151	67.54	36%
2004	6,723	160	23,809	63.95	40%
2005	6,485	161	24,891	59.59	37%

Source: Revenue Mainframe Database and Collector General statistics taken from solicitor reports

## Views of Accounting Officer

**7.22** The Accounting Officer of the Office of the Revenue Commissioners has informed me that it has been a time of significant change within Revenue since the report was issued, both from an information technology and an organisational change point of view.

**7.23** A computerised system to process Capital Gains Tax returns and issue assessments was implemented in the Integrated Taxation Services (ITS) system. This replaced a previous manual system and caters for both self-assessment and PAYE customers who file returns either through the ROS or on paper. ITS now incorporates all the major business taxes and the organisation has been substantially restructured. The focus is now on taking an integrated cross-taxhead approach to managing all the tax affairs of customers.

**7.24** To facilitate this development, responsibility for management of a case has moved to where the business is carried on within a regional framework. While the Collector-General's Division has primary responsibility for debt management, the local district offices and the Collector General's Office work together in close co-operation to achieve the optimum result for Revenue. There has also been

fundamental changes to case management within the Collector General's Division, which has led to a more focused approach to the referral of cases for enforcement. The major changes are set out below

- Integrated Taxation Services - this project delivered the first of the business taxes into the integrated environment in 2000 with the final business tax, RCT, delivered in 2003. The project is continuing and delivered the PAYE system in October 2005, with AEP, Customs Accounting as well as the Assessing System for direct taxes systems planned for 2006 and later.
- Active Intervention Management (AIM)<sup>14</sup> – facilitates case management in a variety of areas. This has introduced a level of consistency across all Revenue case working applications and the ability to produce performance reports on case working activity, which were absent when the original examination was carried out.
- ROS and the Revenue Web Site – alternative channels for transmission of data directly to Revenue were introduced. ROS processes tax returns and payments for business taxes and personal Income Tax on-line while the Revenue Web Site was developed to process “simple” data applications and “simple” tax relief applications that did not require authentication at source.
- Risk Analysis System - the computerised rules-based Risk Analysis System includes identification of risk, evaluation of the degree of risk with appropriate scoring, and a suggested course of action where relevant.
- Restructuring of Revenue - the structural changes introduced between 2002 and 2003 involved a fundamental shift in focus from a traditional functional structure to a ‘business unit’ one focused on ‘whole case’ management of individual customers. This approach allows for a more comprehensive risk based approach to operational priorities and flexibility to deploy resources according to such priorities.
- Debt Management Case Working - there are 16 Debt Management Teams dealing with current compliance and debt cases and two Debt Reduction teams dealing with older arrears cases with significant debt. In the current Statement of Strategy Revenue are committed to ensuring that all debt on record will be less than 5 years old or subject to active enforcement by end 2007.
- Computer developments - PREM, the Assessing and Collection Tax System (ASC) and VAT taxes along with RCT and some other minor taxes have now been integrated into both Active AIM and the ITS. New computer systems have also been introduced which allow caseworkers around the country to refer cases electronically to sheriffs and solicitors.

**7.25** In response to my enquiry as to the extent to which the revised arrangements in place for VAT collection and control have impacted on the extent of compliance and the level of tax collection the Accounting Officer informed me that the Revenue Commissioners are committed to tackling tax evasion in a robust and professional manner, using the powers provided in the various Finance Acts, and in particular those provided in the Finance Act 1999.

**7.26** In the tax system the responsibility falls on the taxpayer to self-assess the amount of tax/duty owing and then remit that amount in a timely manner to Revenue. Self-assessment systems carry with them the risks that the correct amount of tax/duty owing will not be remitted in full, or at all, or that it will not be remitted by the due date.

**7.27** Since restructuring in 2003, Revenue adopts a whole case management approach to managing these risks. The approach involves moving away from looking at individual instances of non-compliance,

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<sup>14</sup> AIM caters for debt management case working, audit case management, prosecution case management, Income Tax and Corporation Tax compliance case management as well as the case management tool for special investigations.

for example, income tax return not filed on time, to taking account of all the risks that apply to a taxpayer across all taxes and duties.

**7.28** In accordance with the new approach, cases are selected for intervention based on the presence of various risk indicators and other information available. The type of intervention to be undertaken will be the one considered to be the most appropriate to change the behaviour of the taxpayer. As 2007 will be the first full year of availing of the computerised risk analysis system, Revenue are not yet in a position to report on its contribution to tackling evasion. Revenue are satisfied, however, that it will be a considerable advance on their traditional manual screening programmes. The system will be continually enhanced by feedback from the auditors.

**7.29** Risk analysis is one element of Revenue's programmes to target non-compliance. It is supported by and validated against other interventions including random audits, special compliance activity, local intelligence and sectoral programmes. Revenue is currently finalising the remaining 18 cases of the 2005 random audit programme. Revenue are confident that the combination of these programmes with the enhanced technologies now available will continue to have a positive impact on compliance across all taxes and duties.

**7.30** In the period since the first value for money audit was completed, there has been a very significant increase in the level of compliance by taxpayers with the requirement to submit VAT returns and payments in a timely manner. This improvement is largely as a result of Revenue's consistent approach in recent years in tackling non-compliance. Revenue's debt management strategy has focused on constantly improving compliance with the timely payment of current taxes while ensuring that older debt is caseworked through collection and enforcement programmes. This strategy has also made a real impact on debt reduction. Specifically, VAT debt as a percentage of gross VAT collection has reduced to 1.5% in 2005 from 5.2% in 1997.

## **Chapter 8**

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### **The Administration of Supplementary Welfare Allowances**





## 8 The Administration of Supplementary Welfare Allowances

**8.1** This report presented findings of an examination that evaluated the efficiency of the administration of the Supplementary Welfare Allowance (SWA) scheme and the potential for improving the service provided. It also looked at how changes in the nature and extent of poverty were impacting on the scope of the scheme and it reviewed strategic management issues.

### Performance Issues

**8.2** The report findings reflected concerns regarding

- administration cost variances across the former health board areas and between health boards and the Department of Social and Family Affairs (DSFA) administration of its schemes
- duplication of means testing by health boards and the DSFA
- information deficiencies impacting on the planning, delivery and control of the scheme
- external evaluation of effectiveness.

### Administration Cost Variances

#### Report Finding 1

*A substantial variation in unit costs was noted from analysis of claims paid under each component of SWA across the former health boards. For example, the cost of administering a claim in the former North Western Health Board was €24 compared to €55 in the former South Eastern Health Board. This suggests that there was a systematic difference in the manner in which components of the scheme were administered. The unit cost analysis was limited due to non-availability of data regarding the incidence of unsuccessful claims.*

*The overall percentage administration cost for DSFA schemes was 5% compared to 7.6% for entitlement-based components of the SWA.*

#### Department Update

**8.3** SWA is delivered on a local basis by individual Community Welfare Officers (CWOs) throughout the country, whereas mainstream social welfare schemes are delivered through centralised offices. CWOs carry out all SWA claim-processing functions, such as claim acceptance, registration, means testing, awarding, payment, reviews, home visits and data entry. Tasks such as claim registration, claim maintenance and data entry, have not been separated from other tasks, whereas this segmentation of duties is a feature of how DSFA administered schemes are managed. Within the Health Services Executive (HSE) administration costs can vary, for example, from 4.9% in the former Eastern Region of the HSE to almost 10.2% in the former Southern region.

**8.4** The Accounting Officer informed me that there are a number of factors that account for higher administrative costs associated with the SWA scheme. DSFA's administration costs include both insurance and assistance schemes, and assistance claims tend to be more time consuming. There is a recurring need to review and establish a person's means in the case of SWA. CWO's operate from 1,050 locations throughout the country resulting in a high loss in travel time and rent costs contributing to a higher administrative cost.

**8.5** Cost differences between HSE areas can arise due to geographical location and claim load. CWO's often have to act immediately to meet short-term needs and the discretionary nature of the scheme leads to a high level of non-routine work. Once-off Exceptional Needs Payments (ENPs) require the same amount of work as a longer-term claim. The former structure of the health service, with separate health boards, would also have been a factor in the variance in unit costs by reason of different practices applying in different areas. The service has undergone a period of change with the establishment of the HSE. Over the past year emphasis has been placed on securing an agreed formal accounting liaison process within the HSE so as to provide greater visibility of the financial spend associated with the scheme.

**8.6** The issue of efficiency and effectiveness in the delivery of the scheme was addressed in the context of a recent expenditure review of the scheme and a number of recommendations were made in this context.

**8.7** With regard to data in relation to unsuccessful claims, practice differs across HSE areas. CWOs are aware that all claims should be registered and this is included in all HSE instructions and manuals. At DSFA's request, all CWOs were again reminded in July 2006 of the importance of registering all claims on ISTS. Compliance with this is a matter for the local Superintendent CWO (SCWO). It has been pointed out on many occasions that the non-recording of unsuccessful claims has a negative impact on profiling the true level of business dealt with by the Community Welfare Service. The co-ordinators group of SCWOs (which meets DSFA's SWA section monthly) is promoting enforcement of this in all areas.

**8.8** The transfer of responsibility for the administration of SWA from the HSE to DSFA was the subject of a recent Government decision and arrangements to implement this are now being put in place. This will offer the potential for greater efficiency through streamlining the administration of SWA with other social welfare services.

**8.9** However, for the present, the operational efficiency in the delivery of the SWA scheme is a matter for the HSE management at local level. In the longer term, the transfer of responsibility for the administration of SWA offers enhanced potential for addressing the administration costs of the scheme.

## ***Duplication of Means Testing***

### **Report Finding 2**

*There was duplication of means testing between the former health boards and DSFA in relation to interim payments and back to school/footwear allowances. It was estimated that a potential saving worth up to €2.6 million was available if the means tests were rationalised.*

### **Department Update**

**8.10** SWA means testing is currently being considered in the context of an expenditure review of the scheme. Standardisation of the SWA means test with other social welfare schemes would have financial implications and would be for decision in a budgetary context. A project has been initiated in DSFA to identify and document existing practice in relation to how means are assessed at present within DSFA and to suggest changes and improvements. The group is due to report in the near future.

**8.11** In regard to the extent to which information sharing in relation to client means and circumstances has been developed between HSE and DSFA so as to improve claim-processing times, the Accounting Officer informed me that the ISTS system provides up to date access to information in relation to a customer's PRSI record and other social welfare payments as well as all SWA claims. This has eliminated written and telephone queries which were the only means of obtaining relevant information prior to ISTS.

ISTS also produces warning reports which allow timely intervention by CWO's to modify or terminate claims where necessary.

## **Information Deficiencies**

### **Report Finding 3**

*The management information generated by the Integrated Short Term Schemes Computer System (ISTS) was found to be insufficient. It was noted that DSFA had limited capability for monitoring the changing profile of the population of recipients as a basis for anticipating future needs. It was noted in the report that a database of recipients was being developed.*

### **Department Update**

**8.12** Periodic upgrades (11 so far) of ISTS have resulted in improvements in the information provided by the system in relation to customers and payments. This allows better warning, information and statistical reports to be generated. The latest release provides for the generation of reports to the Revenue Commissioners of payments made on taxable DSFA schemes. Trends in numbers in receipt of Rent Supplement payments can also be analysed on a weekly basis from the information reported from ISTS. An analysis can be carried out on Exceptional and Urgent Needs payments as the reason for the payment is now recorded on ISTS. Further developments will be made in the context of the DSFA's overall planning for future IT system development.

**8.13** A request has been made to seek two specific enhancements which include the production of a warning report to identify situations where duplicate SWA claims may be live but at different CWO locations and an improvement in the composition of weekly extracts of the SWA database to eliminate gaps that currently exist. Following the implementation of the Service Delivery Modernisation Contributory History Object in November 2005 a history of client addresses is now available from that date.

**8.14** While some advances have been made in relation to the recording of the current complement of recipients, more work is required to develop systems and methodologies to anticipate further needs. While the Short Term Information System is now available to provide reports from ISTS, this only gives information in relation to those currently availing of SWA payments. From time to time information on ISTS is interrogated to provide a snapshot of a scheme at a point in time. However, there are still limitations as regards ISTS providing ongoing data to enable a complete analysis to be undertaken of those in need. Further development in these systems is also dependent on DSFA's overall programme of IT development.

**8.15** With regard to the demographic data relating to age, gender, family-size, nationality and means, a balance must be struck between providing this service and the recording and reporting of statistical information. Control and review is part of the delivery of the service. The completion of a control risk analysis will assist in improving control and efficiency.

## Report Finding 4

*The effectiveness of the scheme depended on the extent of information available to the public and the training of CWOs. It was noted in the report that there was room for further improvements.*

### Department Update

**8.16** While the primary role of the Community Welfare Service (CWS) is the administration of the SWA scheme, the CWS also works with other key statutory services and agencies and voluntary service providers, to enable a wide continuum of quality services to be provided. The provision of effective and efficient information services forms a key element of DSFA's delivery strategy. This is underscored by DSFA's customer service action plan 2004-2007. More effective integration and rationalisation of the overall arrangements for delivering information is being pursued by DSFA.

**8.17** DSFA provides information to the public on SWA in a number of ways. These include SWA Booklet SW54, DSFA's Information Guide SW4 and DSFA's website. Citizen Information Centres (CICs) and other voluntary bodies are another important source of information. The CWOs themselves are a vital source of information for their customers. Information is also available on the HSE website. Legislation recently introduced provides that Comhairle, an agency of DSFA which is to be known as the Citizen's Information Board, will deliver improved and expanded information to all citizens on their rights and entitlements.

**8.18** Claimants to primary DSFA schemes are advised of the right of recourse to SWA while awaiting a decision on their claim.

**8.19** In relation to the effectiveness of the information channels, the take-up of the SWA scheme was one of the issues addressed in the recent Expenditure Review in 2006. The review group concluded that substantial efforts are made to inform potential beneficiaries in relation to the scheme.

**8.20** While the HSE has its own procedures in place for training of CWOs and SCWOs, in 2004 DSFA put in place eight Regional Co-ordinators to assist and support the district SCWOs in their role of ensuring the development and delivery of a quality service and to liaise as appropriate with DSFA. One of their principal responsibilities was to develop and implement a training strategy for staff. In this regard, DSFA has committed to funding a 'Train the Trainers Programme.' This was the subject of an official tendering process, the contract for which has recently been awarded and the programme will be put in place over the coming agreements.

## External Evaluation

### Report Finding 5

*Some external reviews of SWA had been conducted but a system of regular programme evaluation had not been put in place.*

### Department Update

**8.21** The Accounting Officer informed me that elements of the scheme have been separately examined since 1996.

- A Working Group on the Review of the Back to School Clothing and Footwear Scheme reported in August 2003.
- My report on Rent Supplements was published in April 2006.

- Examination of the Cost of Healthy Eating and Specialised Diets for a Single Individual in Ireland was carried out by the Irish Nutrition and Dietetic Institute (INDI) on behalf of DSFA in relation to Diet Supplements.
- A Review of the Community Welfare Services was carried out by the Southern Area of the HSE in August 2005.
- A Programme Evaluation Review of SWA under the Governments Expenditure Review Programme is currently underway with Phase 1 already published and Phase 2 being prepared for publication.

**8.22** In regard to arrangements for future evaluation, the Accounting Officer informed me that a fundamental review of the administration of the scheme will form part of the programme to transfer the responsibility for the delivery of SWA to DSFA. In tandem with this, the recommendations arising from the expenditure review of the scheme will be used in formulating a more efficient and effective mechanism for the delivery of income support and other associated supports.

## Views of Accounting Officer

**8.23** The Accounting Officer of the Department of Social and Family Affairs (DSFA) has informed me that, following the publication of the 1998 Report, the following modernisation initiatives have been undertaken, or are proposed.

- Enhanced Administrative and Monitoring Reports.
- Improved information services under the Customer Action Plan, 2004-2007.

**8.24** A range of measures have been put in place or initiated to improve the administration of the scheme which should have a positive impact in relation to each of the aspects referred to. Issues raised in the 1998 Report as well as my subsequent Value for Money examinations on Control Activity (2003) and Rent Supplement (2006) have been taken into account in the ongoing administration and control of the scheme and will be borne in mind in the context of future developments and changes in the delivery of the scheme. Improved management information will be an important element and will enable a fuller assessment of the impact of any measures which are put in place.

**8.25** The proposed transfer of administration of SWA from the HSE to DSFA affords the opportunity to reduce administrative costs arising from the aligning of scheme administration to DSFA's existing processes. Improved reporting and enhanced information provision has occurred, and continued improvement in this area should lead to more effective planning, delivery and control of the scheme. Evaluation capacity has been strengthened by the Expenditure Review initiative, and continued systematic review is encouraged.



## **Chapter 9**

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### **The Provision and Management of Industrial Property**





## 9 The Provision and Management of Industrial Property

**9.1** This report was concerned with the activities of three Agencies - IDA Ireland, Shannon Development and Údarás na Gaeltachta. It examined the extent to which these Agencies managed their respective property holdings economically and efficiently. It also looked at whether industrial property was acquired, developed and disposed of in an economic and efficient manner.

### Performance Issues

**9.2** The report findings reflected concerns regarding

- Average holding costs incurred
- Occupancy levels
- Rental income
- Location of land holdings
- Financial rate of return on property
- Facilitating private sector provision of industrial property
- Management and financial data.

### *Average Holding Cost Incurred*

#### Report Finding 1

*The average holding cost incurred by the Agencies (€4.95 to €6.60 per m<sup>2</sup>) was found to be higher than the cost in the private sector (€2.86 to €4.13 per m<sup>2</sup>). This was partly explained by the willingness of the Agencies to bear costs which would normally be passed onto a private sector tenant.*

#### Agency Updates

##### IDA

**9.3** The figure below compares holding costs per square metre of building and per hectare of land when comparing 2005 with 1996.

**Figure 9.1 Holding costs per m<sup>2</sup> of building and per hectare of land**

	1996	1999 <sup>a</sup>	2005
	€	€	€
Holding costs per m <sup>2</sup> of building	5.28	8.89	37.80
Holding costs per hectare of land	2,646	4,455	1,862

Note

a Adjusted for inflation per Society of Chartered Surveyors (SCS) Construction Cost Index

**9.4** On the basis of building area, it can be seen that the holding cost per m<sup>2</sup> has increased dramatically from €8.89 in adjusted 1996 prices to €37.80 in 2005. This is due to the fact that the building floor area owned by IDA has dropped because of the sale of 685 buildings comprising 509,000 m<sup>2</sup> of floor area.

**9.5** By comparison, the industrial property holding costs for private landlords is in the region of €3.70 - €4.50 per square metre. The actual cost in any instance will depend on a number of factors including location, age profile, rent level and the service level specified. It is the view of the agents who advise the IDA that private estates in general do not have as high a service level as is required by IDA. This is due to the fundamental need to attract foreign companies to establish in Ireland and, therefore, the IDA flagship parks are maintained to a very high standard so as to provide property solutions to inward investors and indigenous companies to best international standards.

**9.6** In the view of the IDA, the key reason that the holding costs per square metre are so high is the basis on which the costs are attributed rather than the actual costs incurred. Total un-recovered IDA costs are spread over the residual buildings retained in IDA ownership. This has the effect of including costs that might otherwise be more correctly apportioned to other purposes, for example, areas of the parks that are available for promotion.

**9.7** IDA contends that if any measure of holding cost should be applied to the portfolio it should be on the basis of a holding cost per hectare of land due to the fact that the Agency is now primarily involved in acquiring and developing land rather than providing buildings. On this latter basis, the holding cost has dropped from €4,455 per hectare in 1996 (adjusted for inflation) to €1,862 per hectare in 2005.

### Shannon Development

**9.8** Shannon Development maintains that it is difficult to make comparison with private sector costs, as there is no comparable private sector property portfolio in terms of the age, spread and distribution of space. The age profile and remote location of the company's portfolio is such that much of it requires a high level of maintenance and repair and also much is non-recoverable due to levels of vacant space.

**9.9** However, Shannon Development has endeavoured to reduce its level of holding costs by implementation of a number of strategies since 1998, as follows.

- In 2000, Shannon Development reviewed its methodology in regard to maintenance contracts. Arising from this review, it was decided to reduce the number of overall contracts to five in total and also to tender for three-year contracts. This was done with the intention of maximising efficiency and the benefit from economies of scale.
- In 2001, Shannon Development implemented a new strategy of recovery of costs by charging tenants service charges. This practice generated €1.43 million in cost recovery in 2004.
- Property maintenance budgets have been more stringently managed in recent years.

**Figure 9.2 Holding costs per m<sup>2</sup> for the period 1998 – 2004**

Year	2005	2004	2003	2002	2001	2000	1999	1998
	€	€	€	€	€	€	€	€
Cost per m <sup>2</sup>	8.43	7.76	6.79	4.77	7.00	8.78	8.45	7.56

**9.10** Holding costs for 2005 are artificially high as Shannon Development disposed of over 17,500 square metres of primarily vacant space in Thurles in December 2005. While this reduced the area held at 31 December 2005, the company incurred the cost of holding these assets for most of 2005.

## Údarás na Gaeltachta

**9.11** According to the 2005 accounts of An tÚdarás the holding cost was €4.59 million. The total holding at the end of 2005 was 246,788 m<sup>2</sup>, which equates to a maintenance and management cost of €18.60 per m<sup>2</sup>, of which €13.01 per m<sup>2</sup> was direct maintenance on estates and properties. Price increases in the construction sector have exceeded the CPI index over the last ten years by a considerable margin. In the public sector the payroll costs have also seen significant increases since 1996 due to national wage agreements and the benchmarking process.

**Figure 9.3 Annual maintenance and management costs from 1998 - 2005**

Year	2005	2004	2003	2002	2001	2000	1999	1998
	€	€	€	€	€	€	€	€
Cost per m <sup>2</sup>	18.60	14.99	13.67	11.12	9.14	8.66	7.25	5.63

## Minimum Occupancy Rate Targets

### Report Finding 2

*It was noted that none of the Agencies set minimum occupancy rate targets.*

### Agency Updates

#### IDA

**9.12** IDA does not set minimum occupancy levels for buildings. However, the Agency does set targets for the number of buildings that should be available for promotion in particular locations in order to have suitable property solutions available for clients. It is essential that a number of buildings are available for promotion at any given time. However, no new buildings are constructed until such time as the number of available buildings falls below the target.

**9.13** Any other IDA owned or leased buildings that may not be of the requisite standard are scheduled for disposal to third parties. The timing of such disposals is geared to try and maximise the sale price achieved for IDA buildings or to minimise the exit costs associated with leased buildings. To this end, market trends in all locations are monitored on an ongoing basis.

### Shannon Development

**9.14** Shannon Development has a target occupancy rate of 85%. In the period 1999 to 2001, the company was achieving a rate of approximately 84%. In recent years this has reduced resulting from the impact of many significant closures such as GMX in Thurles, Flextronics in Limerick and closures and downsizing in the Shannon Free Zone (SFZ). Arising from the increase in vacant space, Shannon Development has embarked on two courses of action.

- Disposal of significant sections of unproductive buildings such as existed in Annacotty, in Limerick, Gilloge and the Stradavoher Industrial Estate in Thurles.

- Creation of a dedicated Property Marketing function in early 2005 focusing on all vacant space throughout the region but with special attention on the stock of vacant space existing in the SFZ (c.65,000 m<sup>2</sup>.) which was deregulated<sup>15</sup> in October 2004.

**9.15** The impact of the disposals means that current occupancy levels are approximately 67%. The 33% vacant space includes the following

- 21% in the SFZ (65,000 m<sup>2</sup>)
- 3% arising from the Flextronics building in Limerick (9,300 m<sup>2</sup>).

### **Údarás na Gaeltachta**

**9.16** Occupancy rate targets have not been set in the past and, given the nature of the mandate of An tÚdarás, it considers that setting occupancy rate targets would not contribute to the achievement of the overall mandate. The provision of premises at market rental rates to attract entrepreneurs into the Gaeltacht is only part of an overall Government strategy to promote economic development in Gaeltacht areas. The actual occupancy rate derives from the ability to attract those entrepreneurs. Setting target occupancy rates in that context is not considered relevant, as it would presume that the occupancy rate was the prime objective in itself. An tÚdarás strategy is to bring a selected number of unoccupied premises up to a standard which will facilitate a quick response should an entrepreneur be willing to start a business in that area. Except in very specific designated areas or to progress the implementation of a longer-term strategic initiative, no advance buildings will be constructed. Job creation is the critical issue. The occupancy rate at the end of 2005 was 83%. If the job creation targets for the next planning period are met and job losses continue to decline, the occupancy rate should improve and could be between 92% and 95%.

## **Rental Income**

### **Report Finding 3**

*Guideline rent levels were originally drawn up by IDA Ireland and evolved over the years based on the Agencies knowledge of the property market and independent professional advice. At the time the report was published, the IDA considered the guideline rents to be broadly in line with market rents. Although the Agencies aimed to achieve market rents the average rent achieved by Agencies did not reach the guideline in 1996. As the guideline rent was exceeded in many cases this suggested that some properties were let at rates below the market level.*

*In establishing the economic return achieved on property it is important to eliminate all implicit subsidies to tenants in the form of uneconomic rents. These subsidies should be considered when evaluating the performance of the Agencies in their core activities of industrial development and economic growth.*

### **Agency Updates**

#### **IDA**

**9.17** Rental levels for IDA-owned properties are based on the market rent achievable taking into account the location, state of the building and the conditions set out in the IDA standard lease. Recommendations from an independent property consultant appointed for that purpose are used to assist in setting the rental level for any particular property.

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<sup>15</sup> With effect from 2004 the requirement for companies to be granted an Operating Licence by the Department of Enterprise, Trade and Employment to locate their business in the Shannon Free Zone was rescinded.

**9.18** IDA no longer provides property subsidies to clients in the form of subsidised rents or rent reduction grants. Rents are, in all cases, based on market rates. To provide screening of this policy all submissions to the IDA Board are reviewed by the IDA Planning Department to ensure that they comply with the State Aid Regulations.

### **Shannon Development**

**9.19** Approved Shannon Development procedures provide for a requirement to set rents at levels equal to or greater than minimum Board Approved Rates. These rates represent market value and any proposal to deviate below these thresholds must be accompanied by an external independent opinion that the proposed rent still represents market value. The Shannon Development portfolio varies greatly in type, condition and age but the current average rent for occupied space is €71 per m<sup>2</sup>. Shannon Development does not provide subsidies to tenants in the form of uneconomic rent or sale prices as all rents and sale prices are set at market value.

### **Údarás na Gaeltachta**

**9.20** Údarás na Gaeltachta has a statutory mandate to promote enterprise development in some of the most peripheral and remote regions of the country. Its objective is to let properties at market rents and, to this end, it engaged consultant auctioneers and valuers to establish the market rent for the various Gaeltacht areas taking all aspects of the areas profile into consideration. Market rent is a function of availability and what a potential lessee is willing to pay. Having established these values, which vary from area to area, An tÚdarás endeavours to let properties at a level equal to or greater than the level set by the consultants but always bearing in mind the over-riding objective of its mandate and compliance with regional aid guidelines. Currently it has a matrix of thirty-two variables based on location, type and age of property. The average rent in 2005 was €30.77 per m<sup>2</sup>, including rent subsidy. The granting of rent subsidies, (€781,000 in 2005) is being phased out, and should decline over the coming years, in line with aid guidelines and Government policy.

## ***Economy and Efficiency of Land Holdings***

### **Report Finding 4**

*It was noted that almost one third of land held by some Agencies was not required because it was in the wrong place or was unlikely to be used in the foreseeable future.*

### **Agency Update**

#### **IDA**

**9.21** IDA regularly reviews land holdings to establish whether or not they are suitable for promotion to Foreign Direct Investment (FDI) clients. Where they are not, local authorities are consulted to establish whether or not the lands would be of use to them. Where they are not of interest to local authorities then the lands are offered for sale to third parties on a competitive basis. Sales of this type are usually subject to the consent of the Minister for Enterprise, Trade and Employment. In all cases, lands are sold at current market prices and care is taken when bringing the lands to the market to try to maximise the price achieved.

**9.22** In recent years, IDA embarked on a major initiative to develop a number of large sites that would be suitable for utility intensive industry. This initiative has been undertaken with the support of the Department of Enterprise, Trade and Employment (DETE) and is considered to be additional to the normal site development programme.

**9.23** Utility intensive industry requires very significant sites (greater than 20 hectares) and utility inputs<sup>16</sup>. There is also a very significant investment by the client in the facilities that will be constructed on these sites, for example, usually well in excess of €100 million and as much as €1,200 million.

### **Shannon Development**

**9.24** Shannon Development currently has a land holding of approximately 769 hectares comprising the following

- 338 hectares (44%) in Ballylongford and Askeaton
- 274 hectares (36%) in key strategic locations such as SFZ, Raheen and other business and technology parks
- 157 hectares (20%) which require development strategies to maximise their potential. This includes lands in Lisbunna in Nenagh, Archerstown in Thurles, Kilmallock, Roscrea and Towlerton, Annacotty and Rosbrien in Limerick together with many small land holdings throughout the region. Decisions on whether to develop or dispose of these lands were put on hold pending a determination of the company's future mandate. Many of the locations in this category are in disadvantaged or peripheral areas.

**9.25** The landbank in Ballylongford was transferred to Shannon Development in 1989 and the landbank in Askeaton was purchased in 1978. The site at Ballylongford was considered strategically important because it has access to deep, sheltered, navigable water in the Shannon Estuary plus the fact that it is a large landbank capable of accommodating large scale, maritime related projects. The site at Askeaton is strategically relevant because of its potential to accommodate two or possibly three projects of scale from contemporary sectors such as Pharmaceuticals/BioPharma, or wafer fabrication. The site is within commuting distance of Limerick and is the largest greenfield landbank in state ownership in Limerick City and County. This approach has paid tangible dividends in recent times with Shannon LNG Ltd. signing a purchase option on up to 116 hectares at Ballylongford.

**9.26** The landbank continues to be monitored and managed on an ongoing basis to ensure that the portfolio addresses the demands and opportunities that will arise both in the short and long-term. Shannon Development did not purchase any additional land holdings during 2004 and 2005 and 14.9 hectares was disposed of in this period, with a further 22 hectares approved for disposal. The average selling price of the land disposed of in this period was €468,500 per hectare, while the average cost of the land disposed of in this period was €95,768 per hectare.

### **Údarás na Gaeltachta**

**9.27** An tÚdarás was not identified in the 1998 report as having any excess land holdings. It has a holding of 112 hectares of development land of which 82.5 hectares are industrial/commercial estates, 8.5 hectares with planning permission and 21 hectares of greenfield - without planning permission. In addition, it holds a substantial acreage of bogland, forestry and grazing not suitable for development. Most of the bogland is designated as a Special Area of Conservation.

**9.28** The areas of bogland in question were acquired in the 1970's and 1980's in response to demands at that time. Land in Galway was acquired as part of a proposed turf based energy project based on the Bord na Mona model and experimental work was carried out in that regard over a period of years in association with a local community co-op. Land in Mayo was acquired as part of a peat/clinker briquette-manufacturing project which operated for a number of years.

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<sup>16</sup> The utility inputs required are greater than 500,000 gallons of water per day, 8 mva of electricity and 5,000 scm of gas supply

**9.29** The vast bulk of the land was acquired prior to 1990, in accordance with Government policy at that time. Sale of land is only considered where the end use is of general economic benefit to the community, for example, where a local authority has a specific need or an entrepreneur is willing to provide commercial premises either for own use or letting. It is not Údarás policy to acquire additional land except in cases where it is deemed necessary on grounds of job creation or has an identifiable future strategic development use or for community development where no other options are available. However, in 2004, 2.02 hectares were purchased at Mín na Coileadh, Ard a Ratha, Co. Donegal for €90,000. This land was acquired for the building of an enterprise centre for the locality.

## Financial Rate of Return

### Report Finding 5

*The financial rate of return achieved by the Agencies in 1996 was between 3% and 4.7% which was considerably lower than the public sector discount rate (7% to 8%). It was lower than the private sector equivalent as it took into account the Agencies' requirement to provide services in less economically viable areas. Apart from the implicit subsidisation involved in charging rents which did not recover the cost of property provision, the rate of return reflected a lack of economy and efficiency through holding too much land for too long, holding property for which there was no market and a willingness to bear high property costs.*

### Agency Update

#### IDA

**9.30** The Value for Money report calculated the rate of return on assets employed by taking net rental revenue as a percentage of the original cost of the assets. This gives a low rate of return as shown in Figure 9.4 below of 3.7% in 1996 and minus 0.8% in 2005.

**Figure 9.4 Rate of return (Net rental revenue as percentage of original cost of asset)**

	1996	2005
	€m	€m
Rental revenue (IDA owned units)	13.70	2.95
Less property holding cost	(4.60)	(5.26)
<b>Net rental revenue</b>	<b>9.10</b>	<b>(2.31)</b>
Cost of property assets (start of year)	247	284
Rate of return on investment	3.7%	(0.8%)

**9.31** However, IDA contends, that since the Agency ceased new building in 1996, this is no longer the most relevant measurement. An alternative view of the return on the agency's investment is one calculated using the annual net rental revenue plus the profit or loss on disposals divided by the total cost of the property assets employed. This method would suggest a return of 6.6% in 1996, which would have been closer to the public sector discount rate at the time of 7% or 8% and by 2005 the return calculated on this basis would have increased to 15.4%.

**9.32** However, the IDA stressed that it is not primarily engaged in property transactions to generate a rate of return on the assets but rather the attraction of FDI projects.

## Shannon Development

**9.33** An Internal Rate of Return calculation is now an integral part of the approved decision making process for any significant capital investment in buildings.

**9.34** In 2002, the DETE commissioned a Financing Review of Shannon Development and its subsidiaries. At that time, they calculated that the average yield of the rental portfolio was 6.95%. Figure 9.5 sets out the rate of return on property holdings based on the methodology used in the original Value for Money report.

**Figure 9.5 Rate of return on property holding for the period 1998 – 2004**

2004	2003	2002	2001	2000	1999	1998
5.94%	7.17%	7.13%	8.25%	8.32%	7.85%	6.87%

The reduction in recent years is directly linked to the decreasing levels of rental income.

## Údarás na Gaeltachta

**9.35** The return on investment in property is dictated by the rentability of the property. An tÚdarás is the only provider of lettable premises, so in many areas direct comparisons with private developers were not available. The results for 2005 showed total rents at €5.69 million and cost of property management at €4.59 million, giving an excess of €1.1 million. This gives a return of 0.9%, on a net book value of €124.3 million at the end of 2004.

## Facilitating Private Sector Provision of Industrial Property

### Report Finding 6

*The demand for industrial buildings can be satisfied either by encouraging the private sector to invest in property or by the acquisition, construction or refurbishment of buildings by the Agencies themselves. The Agencies are market makers in their respective areas and should keep the impact of their policies on the promotion of private sector involvement under review. Since 1996, IDA Ireland had been actively disposing of its buildings and had a long history of assisting the private sector to invest in the provision of industrial buildings. It was more difficult for the other Agencies to encourage private sector involvement due to the peripheral nature of the areas served.*

## Agency Updates

### IDA

**9.36** IDA does not seek to compete with the private sector in the market but rather provides property solutions in areas where the private sector is reluctant to do so in order to encourage, in particular, FDI. As can be seen in Figure 9.6 below there have been significant disposals of IDA owned buildings since 1996.



**Figure 9.6 Disposal of owned buildings**

<b>Buildings held at end of</b>	<b>Units</b>	<b>Sq Metres</b>
1996	807	582,000
2005	122	73,000

**9.37** Since 1998, any new buildings required by IDA have been provided by private sector developers who have constructed 90 buildings to date, with 17 being available for promotion at end of 2005.

### **Shannon Development**

**9.38** Since 1998, Shannon Development has sought and participated in a significant number of Private Sector Joint Venture arrangements. The main outputs from this approach are set out in Figure 9.7.

**Figure 9.7 Outputs of private sector joint venture arrangements**

<b>Partner</b>	<b>Development</b>	<b>Private Sector Investment</b>
		<b>€m</b>
Westpark, Shannon	93,000 m <sup>2</sup> in Westpark, Shannon comprising 65,000 m <sup>2</sup> of office space and 28,000 m <sup>2</sup> of support facilities such as retail and leisure.	200
Beauwalk Properties	23,225 m <sup>2</sup> development of Shannon Town Centre	130
Brookvale	Development of 18,575 m <sup>2</sup> of office and industrial space in East Park, Shannon.	32
Noai Properties	Development of 930 m <sup>2</sup> office space in Ennis.	1.5
Noai Properties	Development of 3,345 m <sup>2</sup> of office space in National Technology Park.	6
Birr Investment Group	Regeneration of Old Mill in Birr into the 2,325 m <sup>2</sup> Birr Technology Centre.	4
FMC Limited	Refurbishment of 2,045 m <sup>2</sup> of warehouse space in Newcastle West.	2

**9.39** Nearly all the successful partnerships created have been in core locations where the private sector has determined that they can generate sufficient return on investment. Shannon Development has actively tried, but failed, to attract a joint venture partner into Kerry Technology Park, Tralee notwithstanding that Shannon Development's two buildings (c. 3,700 m<sup>2</sup>) are almost fully occupied.

## Údarás na Gaeltachta

**9.40** In the case of An tÚdarás there is not, as yet, a private rental market, so there will continue to be a need for it to be the main provider of lettable premises at market rates for some time. The rental rates are based on what an entrepreneur would expect to pay for property in these peripheral areas, in accordance with the market rent level set for that area and the type of building.

## Management and Financial Data

### Report Finding 7

*Management information, which would facilitate analysis of performance, was limited. Financial data about costs and revenues was not integrated with property data and very little information concerning the occupation or the physical condition of assets was recorded. It was noted in the report that the Agencies had acknowledged these shortcomings and were upgrading their systems to improve the situation.*

*Agencies did not keep adequate information to use the conventional approach for measuring the return on investment in industrial property.*

### Agency Updates

#### IDA

**9.41** Information systems with regard to the property function have been significantly improved since the original Value for Money report was completed. Monthly management and budget reports are being generated to include information on occupancy status, condition of buildings, and compare expenditure against contracts. Regular reports are being submitted to the Property Committee of the Board on all transactions including monitoring of sales, acquisitions, leases, contracts and consultancies.

**9.42** Increased integration of management information systems to monitor costs against revenues raised from assets is continuing. A new Windows-based Property Management System is currently being brought on stream.

**9.43** In 2004, the Steering Group of a DETE Expenditure Review published a report stating that it was satisfied that information on the availability of property solutions was kept up to date and that procedures were in place to verify that updates are carried out on a regular basis.

### Shannon Development

**9.44** Since 1998, Shannon Development has acquired a multi-disciplinary finance package. In addition, the company has the following four key property databases.

- Lease Management System – This records all leases entered into and underpins the raising of rental and service charge invoices.
- Industrial Space Register – This summarises the Shannon Development property portfolio on an asset-by-asset basis, by location and indicates whether the asset is occupied or vacant. Additional fields have been entered into this database to incorporate notes on usage, condition and enquiries. A project is currently ongoing to populate these new fields.
- Rental Income Forecasting System – A forecasting system which combines relevant information from the Financial and Lease Management System.

- Service Charge Database – This database records all buildings on Shannon Development owned lands and determines the details of the all the square footage of the buildings together with the names of the tenants or owner-occupiers.

## Údarás na Gaeltachta

**9.45** The Property Management System used by An tÚdarás is a comprehensive computer based system which incorporates all the requirements to meet the needs of An tÚdarás in the management of its property portfolio. The system provides for an integrated solution for all facilities management, property management and operations and maintenance processes and data. In addition, the computerised accounting system incorporates an asset register which identifies the nature and cost of assets comprising the total asset holdings of An tÚdarás. It contains data in respect of all property, identifying the asset type, location, area and details of tenants and leases. The data can be used to easily identify unlet premises by location, type and condition. Premises can be designated as “engaged” where a prospective client has a suitable project for a particular building. The system also provides for associating maintenance costs with each premises but this function has not yet been implemented. It is under review as it requires a degree of consolidation with the computerised accounting system.

## Views of Chief Executive Officers

**9.46** The CEOs of IDA Ireland, Shannon Development and An tÚdarás have informed me that since the publication of the report in 1998 the following developments have taken place.

### IDA Ireland

- The increasing emphasis on reinvestments in the manufacturing sector (as opposed to greenfield investments) in Western Europe and the growing importance of the service sector as the dominant source of investment projects has brought into play new thinking on the crucial role of land and property in the inward investment market.
- For both reinvestments and greenfield investments, it is often the case that companies (especially major corporations) will, due primarily to time-to-market pressures, accelerate their decision-making process. The elimination of potential locations has also now taken on an increased significance in the early stages of the process so that countries/regions/cities with an important weakness (often including land/premises) in their investor “offer” tend to be omitted before they get a real opportunity to make a strong bid for a proposed project or to receive a visit.

**9.47** Consequently, the IDA Property Programme essentially comprises three distinct elements, which differ in their rollout

- land acquisition and disposal
- development and servicing of land
- building solutions.

**9.48** IDA Ireland identifies suitable land for development, acquires the land, prepares a master plan for development, services the land, oversees building design and construction and sells serviced sites, usually on a leasehold basis.

**9.49** In order to provide developed sites for industry it is necessary to bring services to the lands. In this regard consultants are appointed to develop a master plan, make applications to Local Authorities for planning permission and oversee the work of contractors and developers. The actual services are constructed by civil works and landscaping contractors based on the IDA master plan and when planning permission is received for the development.

**9.50** Buildings are designed by consultants appointed by IDA or by a client and are constructed by private developers (following a competitive process) or clients in accordance with the planning permission granted by the Local Authority. IDA has not been engaged in the construction of new buildings since 1996.

**9.51** The way in which the IDA property function is configured and operates complements and supports the industrial promotion demands of the Agency. This is underpinned by

- the mix of property solutions available to prospective clients across all regions
- a programme of disposing of property that is no longer required for promotion is progressing with due regard to the need to maintain a set number of properties available for promotion at any given time and to achieve full market values where holdings are sold
- the Property Programme and the procedures in place for the management of the programme have been the subject of an Expenditure Review in 2004 which found that the programme was being managed effectively and efficiently and that the procedures were robust.

### **Shannon Development**

**9.52** The findings in the Value for Money report enabled Shannon Development to focus on key areas to assist the company in managing its portfolio in a more efficient and effective manner.

**9.53** During 2004, Shannon Development prepared a comprehensive set of procedures to cover all areas of property activity and decision-making. These procedures were prepared in consultation with Deloitte who confirmed that the proposed procedures complied with best practice and Public Procurement Guidelines. The procedures have been fully implemented since July 2004 and compliance is strictly monitored by an internal Process Monitor who must sign off on compliance on all processes at designated key control points.

**9.54** Ensuring that the property functions are configured to meet current industrial promotion demands is a dynamic process and requires constant evolution and improvement. To this end, the property function in Shannon Development improved in its efficiency and effectiveness over the past number of years primarily as a result of

- the findings in the original Value for Money report
- the creation of a comprehensive Property Procedures Manual in 2004 which was independently signed off as being fully compliant with Public Procurement Guidelines and reflecting best practice.

**9.55** Shannon Development has recently commissioned independent property consultants to review all current work practices, systems and resources in the property department. The output from the review will be an identification of gaps that exist between current practice and best practice and the report will provide fully costed specific solutions to eliminate the gaps.

**9.56** In regard to Value for Money, the Chief Executive Officer stated that Shannon Development continues to modernise its property management functions in response to external environmental changes. In addition to the creation of a comprehensive Property Procedures Manual in 2004, Shannon Development has put in place internally driven initiatives that have improved efficiencies such as

- proactive development of joint ventures with the private sector
- reduction in property holding costs by the implementation of a cost recovery strategy by way of raising service charges throughout the region.

**9.57** The Accounting Officer also emphasised that Shannon Development continues to depend on rental income from its property portfolio to underpin its self-funding strategy.

### **Údarás na Gaeltachta**

**9.58** Since the report was prepared in 1998, a number of fundamental changes have occurred in the sphere of enterprise development and the provision of property. The emphasis has shifted substantially from the manufacturing sector to all aspects of the services and new technology sectors for job creation. That has necessitated a change from large industrial buildings production space to smaller technology centered units.

**9.59** An tÚdarás has embarked on a policy of selling properties where possible, and moved to a market level rental programme and the gradual phasing out of rent subsidies in line with Department policy and in compliance with Regional/National Aid Guidelines.

**9.60** Older buildings have had to be and will continue to be for some time reconfigured into smaller units and upgraded to facilitate telecommunications and computer based technology. A new computer system was installed to more effectively and efficiently manage the property portfolio.



## **Chapter 10**

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### **The Use of Sheriffs and Solicitors in the Collection of Taxes**





## **10 The Use of Sheriffs and Solicitors in the Collection of Taxes**

**10.1** This report was concerned with management of the process used by the Office of the Revenue Commissioners (Revenue) for referring outstanding taxes to the enforcement agents - sheriffs and solicitors.

### **Performance Issues**

**10.2** The report findings reflected concerns regarding

- Management of the referral process
- Classification of outstanding tax cases
- Treatment of persistent non-compliance
- Information deficiencies.

### ***Management of the Referral Process***

#### **Report Finding 1**

*Some 26% of the overall debt at the end of 1997 was the subject of a 'Stop' marker on the Revenue system. The markers interrupt and delay the referrals process. It was recommended in the report that there should be regular review of the continuing validity of 'Stop' markers.*

*A large number of cases identified as suitable for referral to sheriffs were withdrawn as a result of screening procedures. There was incomplete information on the reasons why cases were withdrawn, which could have hindered effective follow-up. The system for tracking certificates issued to sheriffs was unsatisfactory, as the status of individual certificates could not be ascertained. This was being addressed as part of revised monitoring arrangements. The six monthly review of sheriff certificates in September 1997 was not carried out. The review in March 1998 resulted in 5,849 cases being reactivated, some of which related to certificates originally issued in late 1995.*

#### **Revenue Update**

**10.3** The level of tax debt under 'Stop' markers has reduced from 26% in 1997 to 12% at end 2005. The bulk of this tax is under effective control since it is the subject of active instalment arrangement or is under appeal. Debt Management teams review all debt cases including 'Stop' cases on an on-going basis. There is also a review of appeal 'Stops' by individual regions.

**10.4** All sheriff and solicitor enforcement is now issued using Revenue's Active Intervention Management (AIM) system and this has eliminated the use of process-driven enforcement. Cases are now identified by means of targeted queries run on the AIM system. These cases are assigned to individual caseworkers who make decisions on the best means of collection based on information stored on the AIM system and the Integrated Taxation Services (ITS) Systems and also gathered in personal contact with the defaulting taxpayer. This allows informed decisions on the most appropriate enforcement agent to use.

**10.5** This system enables a consolidated referral of all outstanding taxes across all taxheads to the appropriate agency. The elimination of the process-driven enforcement system led to a reduction in the number of referrals issued for a number of years. The quality of the referrals improved and this led to a

reduction in the number of cases withdrawn from the sheriffs following enforcement. As the number of staff involved in compliance caseworking increased the level of referrals to the sheriffs also increased, as can be seen in Figure 10.1.

**Figure 10.1 Sheriff enforcement outturn**

Year	Number of referrals	Value of referrals	Average value	Payments from sheriff <sup>a</sup>	Collection as percentage of referral value
		€m	€	€m	
1998	52,277	286	5,468	68.56	24%
1999	17,316	209	11,900	49.52	24%
2000	16,199	239	14,753	68.95	29%
2001	23,558	369	15,700	100.82	27%
2002	29,722	428	14,400	117.19	27%
2003	34,677	404	11,600	119.8	30%
2004	38,682	400	10,337	125.2	31%
2005	42,239	481	11,400	139.9	29%

Note

a This figure does not include payments made directly to the Collector General.

Source: Revenue Mainframe Database and Collector General statistics taken from sheriff reports.

**10.6** The above figure shows that the move from process-driven enforcement in 1999 also resulted in a substantial increase in the average value of referral certificates issued. The effectiveness of the sheriffs in terms of amounts collected directly by them as a percentage of referral value has also increased.

## **Classification of Outstanding Cases**

### **Report Finding 2**

*Outstanding tax cases were classified by case size. However, a review of the classification of outstanding tax cases by case size revealed that 34% of VAT cases and 46% of PAYE/PRSI cases had not been allocated a case size. The result was that the cases designated as 'No case size' were not included in the scanning procedure for referral to a sheriff or a solicitor. There was a possibility that the 'No case sizes' included some defaulting taxpayers. It was noted that there was a risk that some defaulting taxpayers might avoid timely detection.*

### **Revenue Update**

**10.7** The percentage of cases in the 'No Case Size' (NCS) category has reduced since 1997 from 34% in VAT to 14% at end 2005, and for PAYE/PRSI from 46% in 1997 to 7% at end 2005. This reduction, in a significantly expanded tax register, is due to a number of factors including changes to the way in which NCS cases are classified. Taking account of the recommendations in the Value for Money report, case size is assigned by a return and/or payment, rather than payment alone. There is a programme to target cases who fail to submit a return following registration and a sweepback programme to follow through on older cases who are assigned this case size.

**10.8** Since 2003, newly registered cases that do not submit returns receive at least two reminder letters within the first six months of registration. If they persist they are referred to regional staff for follow-up action to ensure that they submit returns and payments or de-register, if not trading. A large number of cases registered prior to 2003 retained the NCS status. As part of an integrated programme to tackle older NCS cases, letters were issued reminding them of their obligation to submit returns or de-register if not trading. Cases that failed to respond were referred to the regions for follow-up action. There is a small residue of historic cases being dealt with by the regions and there is an ongoing programme to deal with new cases as they arise.

### ***Treatment of Persistent Non-Compliance***

#### **Report Finding 3**

*Almost 50% of referred taxpayers accounting for 77% of the value of certificates referred to sheriffs in 1996 and 1997 had been referred on more than one occasion. Taxpayers accounting for 31% of the value of certificates had been referred on five or more occasions. It was noted in the report that the incidence of persistent non-compliance suggested that there was room for strengthening the deterrent effect of sheriff action.*

#### **Revenue Update**

**10.9** Figure 10.2 sets out the position concerning referrals in the 24 months to 31 December 2005.

**Figure 10.2 Referral activity in 2004 and 2005**

Number of times referred	Number of taxpayers	Percentage of total referred	Value of certificates €m	Percentage of total value referred
1	22,632	57.98%	265.8	30.16%
2	6,954	17.81%	151.2	17.16%
3	3,568	9.14%	115.0	13.05%
4	2,148	5.50%	89.6	10.17%
5	1,366	3.50%	79.5	9.02%
6 – 10	2,123	5.44%	152.9	17.35%
11 – 15	225	0.58%	24.7	2.80%
Over 15	18	0.05%	2.6	0.29%
<b>Total</b>	<b>39,038</b>	<b>100%</b>	<b>881.3</b>	<b>100%</b>

Source: Revenue Mainframe Database

**10.10** Over 50%, by value, of cases referred to sheriffs in 2004 and 2005 were referred on more than two occasions and approximately 30%, by value, of cases were referred on five or more occasions in that period. If referral to the sheriff had a successful outcome previously, then it is considered legitimate to use that option again when a case falls back into non-compliance.

**10.11** The Collector General's integrated caseworking approach to debt management is primarily geared towards reducing late payment and non-compliance. Cases that are referred for sheriff and other

enforcement options are, by definition, non-compliant. A range of sanctions, including charging and pursuing interest on late payment and referral to enforcement is available to caseworkers when confronting non-compliant taxpayers. Caseworkers are encouraged to quickly select the sanction that is most likely to result in successful outcomes. The Collector General has also significantly reduced the amount of time that elapses before initiating enforcement action by combining two previously separate collection stages<sup>17</sup>.

**10.12** It is acknowledged that there are a number of taxpayers (relatively small in overall terms) that are consistently late in meeting tax filing and payment obligations. Notwithstanding the successful implementation of the initiatives outlined above, it is a fact that there remains a body of taxpayers that will only pay their tax liabilities after Revenue takes enforcement action against them. The ongoing challenge for Revenue is to continue to develop and implement strategies that ensure that the level of such non-compliant cases continue to be reduced.

## **Information Deficiencies**

### **Report Finding 4**

*Although the Active Intervention Management system (AIM) was first introduced in 1995, a considerable amount of outstanding taxes remained subject to the older process driven systems at the end of 1997. The reporting facilities of the AIM system were still under development and it was not possible to compare results of case working with the results of enforcement or to review the relationship between the timing of referral to enforcement agents and the subsequent outcome of enforcement actions on a case-by-case basis.*

### **Revenue Update**

**10.13** The full implementation and development of the AIM system has eliminated the use of process enforcement referrals which were issued on a single taxhead basis. This was inefficient and resulted in a large number of withdrawals of enforcement referrals. AIM has introduced a level of consistency across all caseworking applications and the ability to produce performance reports on caseworking.

**10.14** A programme of work was carried out to review all outstanding tax that remained subject to the older process enforcement system. Where appropriate, new referrals to enforcement were issued through the AIM system.

**10.15** Agreement has been reached with the sheriffs in relation to the format of their Evaluation Reports. Work is continuing on the necessary technological development and it is anticipated that the new reports will be introduced later this year. Sheriff performance is monitored periodically and, once the technical aspects of the new system are finalised, it is intended to monitor sheriff performance on a quarterly basis – in line with the existing quarterly performance measurement systems in place for solicitors.

**10.16** It is planned to enhance both sheriff and solicitor evaluations using data from the online enforcement referral system in conjunction with other sources of information, which will lead to more comprehensive reports becoming available.

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<sup>17</sup> Incorporating combined estimate and demand notice stages.

## Report Finding 5

*Information available to manage and evaluate the results of solicitor enforcement was limited. It was noted that there was no tracking system for solicitor cases but new systems were under development. Some €77.4 million, in respect of cases referred between 1993 and 1997, remained outstanding at March 1998. A large proportion of these cases had not been acted on for some time partly due to a failure to process cases beyond the judgment.*

## Revenue Update

**10.17** A system of performance evaluation of the six firms of external solicitors used by Revenue was introduced in 2002. The main measurement is a rating of each firm on a quarterly basis on the value of collections as a percentage of referral value. Each firm is provided with an analysis of its own performance and how it equates to the other five over the previous quarter and on a cumulative basis year to date. Solicitors are also measured in relation to

- amount of interest collected as a percentage of interest referred
- amount collected at each stage i.e. demand, proceedings and enforcement stages
- amount of costs recovered as a percentage of total outlay.

**10.18** Solicitor Enforcement has been fully integrated into AIM and this allows for the effective tracking of solicitor cases. A computer system introduced in 2005 allows referral and amendment of solicitor cases online. It also enables solicitors to send online to Revenue, details of the progress of each case through the various stages of Court proceedings. It is possible to monitor the progress of a case on an ongoing basis on the AIM system.

**10.19** These systems, along with reports submitted by the solicitors allow Revenue to produce figures in relation to solicitor effectiveness and it is hoped to further enhance the reports available over the coming months by using the information available from the computerised referral system. Figure 10.3 sets out details of the level of referrals and effectiveness of the solicitors from 1998 to 2005.

**Figure 10.3 Outturn of solicitor enforcement**

Year	Number of referrals	Value of referrals	Average value	Total collected	Collection as percentage of referral value
		€m	€	€m	
1998	3,588	76.95	21,446	18.67	24%
1999	2,554	75.25	29,464	19.43	26%
2000	4,714	119.61	25,373	32.76	27%
2001	6,106	137.59	22,533	51.12	37%
2002	7,992	193.64	24,230	64.08	33%
2003	8,079	187.04	23,151	67.54	36%
2004	6,723	160.07	23,809	63.95	40%
2005	6,485	161.42	24,891	59.59	37%

Source: Revenue Mainframe Database and Collector General statistics.

## Views of Accounting Officer

**10.20** The Accounting Officer of the Office of the Revenue Commissioners has informed me that the structural changes introduced between 2002 and 2003 involved a fundamental shift in focus from a traditional functional structure to a ‘business unit’ one focused on whole case management of individual customers. The new approach allows for a more comprehensive risk based approach to operational priorities and flexibility to deploy resources according to such priorities.

**10.21** The Commissioners’ Integrated Taxation Services (ITS) System now incorporate all the major business taxes and the organisation has been substantially restructured. The focus is now on taking an integrated cross-taxhead approach to managing all the tax affairs of customers. To facilitate this development, cases are managed in a regional framework. While the Collector-General’s (CG) Division has primary responsibility for debt management, regional staff and the CG work in close co-operation to achieve the optimum result. There have also been fundamental changes to debt management caseworking within the CG, which has led to a more focused approach to the referral of cases for enforcement.

**10.22** All sheriff and solicitor enforcement is now issued using the AIM system and this has eliminated the use of process enforcement which operated when the 1998 Value for Money report was issued.

**10.23** In order to free up resources to concentrate on risk-focused audit, debt management and compliance, it was necessary to open up alternative channels for transmission of electronic data directly to Revenue. These channels include

- Revenue Online Services (ROS)
- Revenue Web Site

**10.24** An Eskort system, which is in the process of being rolled out to all regions will greatly advance the selection process from a largely manual process to a computerised process that makes full use of electronic data in the data warehouse. The risk analysis associated with the system includes identification of risk, evaluation of the degree of risk with appropriate scoring, and a suggested course of action where relevant.

**10.25** In the CG Division, there are 16 debt management teams dealing with current compliance and debt cases. These teams use the AIM system to identify cases that have current compliance and/or debt problems. Risk assessment forms a main part of the selection process and those cases that pose the greatest risk are prioritised for case working intervention. Once selected, the cases are referred for collection to the appropriate enforcement agency, if necessary. There are also two debt reduction teams in the CG Division which deal with older arrears cases with significant debt. There are over 250 staff assigned to caseworking which represents a large increase in the number of staff involved in this type of work. There are also a number of teams in each of Revenue’s four regions working on debt reduction programmes, supporting an integrated debt management programme.

**10.26** In response to my enquiry in regard to how the risk management system will impact on debt management caseworking, he informed me that it is too soon to give a detailed response on this matter, but that the fundamental principle is that an integrated approach will be taken by caseworkers in the regions and those in the CG Division. A project team has been set up to examine this issue and bring forward proposals for consideration by Revenue’s Management Advisory Committee.

**10.27** Overall, caseworkers are directed to quickly select the most appropriate enforcement option based on the particular circumstances of the case. Each enforcement action is authorised by a manager, taking full account of the considerable impact that enforcement action can have on the business of the defaulting taxpayer.

**10.28** In regard to the extent to which the modernisation and change initiatives have impacted on the efficiency of enforcement procedures, he informed me that there is no doubt that the initiatives implemented in Revenue have resulted in a much more efficient enforcement operation. The development of an integrated approach to debt management caseworking, combined with maximising the benefits of utilising up-to-date technology, has delivered huge efficiency gains. This was most clearly demonstrated by the continuing increase in yield from enforcement referrals, allied to the sharp reduction in the number of cases withdrawn from enforcement agents, reinforcing the fact that enforcement selection procedures have improved very significantly.

**10.29** In the early 1990s, the enforcement operation was under severe pressure due to reliance on inefficient out-of-date manual processes. That situation has been radically overhauled and there is now a debt management operation in place – to which enforcement agents make a significant contribution – which is recognised as among the best across Revenue organisations worldwide. A challenging target was set in Revenue’s Statement of Strategy 2005 – 2007 to reduce the level of Revenue debt to less than 2.5% of gross collection. This target has already been achieved.

**10.30** The very substantial increases in compliance rates relating to the submission of business taxes and returns in a timely manner together with the significant reduction in the levels of Revenue debt in recent years, both point to the success of Revenue’s debt management programmes. Revenue is determined to build on its achievements and will continue to work diligently to ensure that there are no safe havens for non-compliant taxpayers.





## **Chapter 11**

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### **Defence Property**



## 11 Defence Property

**11.1** The report focused on establishing the nature, extent and operational costs associated with the holding of Defence property and the arrangements for the management of the property portfolio.

**11.2** Property is a significant resource of the Defence Force, which at the time of the Value for Money examination comprised 8,500 hectares of land and range property, including 34 permanently occupied barracks and other properties.

### Performance Issues

**11.3** The report findings reflected concerns regarding

- Property assets and costs
- Management of the property portfolio.

#### ***Property Assets and Costs***

##### **Report Finding 1**

*The rent charged for married quarters had not been increased since 1998. The problems of overholding and the level of rents were to be reviewed by the Department of Defence (the Department).*

##### **Department Update**

**11.4** The rates of rent charged for married quarters, both for officers and for other ranks, have been reviewed and increased. Following negotiation with the Representative Association for Commissioned Officers (RACO) and the Permanent Defence Force Other Ranks Representative Association (PDFORRA) agreement was reached, under the Conciliation and Arbitration Scheme, for increased rates of rent charged for married quarters with effect from 1 September 2004. The Agreements further provide that the rates of rent charged will be reviewed on an annual basis.

**11.5** The problem of overholding arises where ex-members of the Permanent Defence Force fail to vacate quarters after their discharge. The rates of charges which apply in respect of the overholding of quarters have also been increased with effect from 1 September 2004 – essentially the same rates as are charged to serving members of the Permanent Defence Force plus a 10% surcharge.

**11.6** In 2002, the Department wrote to 54 occupants who at that time were overholding quarters and sought vacation of the properties. To date, 10 of those quarters have been vacated, four quarters have been purchased by the occupants and a further 11 quarters have been offered for sale to the occupants. The Department is continuing to examine all options in relation to the re-housing of those overholders who would, in the normal way, be eligible for local authority housing.

**11.7** It is the policy of the Department to discontinue married quarters in a managed and orderly manner. Vacated married quarters within barracks are assessed for suitability for other purposes.

## Report Finding 2

*There was a low level of occupancy of both single and married quarters with many unoccupied units rated as sub-standard.*

### Department Update

**11.8** The examination in 1998 revealed that

- 25% of married quarters were vacant and practically all unoccupied married quarters were in poor condition
- 64% of the available living-in accommodation units were vacant, with 50% of unoccupied units rated as sub-standard and being used for storage or training activities.

**11.9** The Accounting Officer informed me that the term ‘*sub-standard*’ does not necessarily indicate that the accommodation in question is of a poor quality or unfit for habitation.

**11.10** Since 1988, it has been the policy of the Department to sell off married quarters located outside barracks and, to date, 302 such quarters have been sold realising revenue in the region of €6.8 million. The disposal of a further 26 married quarters for other ranks located outside barracks is currently under examination.

**11.11** The provision of housing for married soldiers who are unable to provide it from their own resources is primarily a matter for the local authorities and married military personnel have an equal claim on such housing as other qualifying members of the community. Out of a total of 197 existing married quarters, 77% are currently occupied. A survey of accommodation undertaken in December 2005 indicated a 59% occupancy level<sup>18</sup> for single living-in accommodation.

**11.12** Since 1999, major accommodation upgrades have been completed with approximately €40 million spent on the programme to date. The programme is ongoing and further projects are planned over the next five years<sup>19</sup>.

**11.13** The Department is currently reviewing overall accommodation requirements, and the 1992 accommodation grading criteria, with the intention of having a clear accommodation strategy and a revised grading system in place for 2007. A joint Civil-Military review group has held several meetings to date and is at present undertaking a series of inspections at various military locations throughout the country to assess the current standards of accommodation available to the Defence Force. Simultaneously, the review group has initiated a consultation process with Commanding Officers at formation level throughout the country. The process will provide up-to-date information on the type, numbers and standard of accommodation required at all locations throughout the country.

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<sup>18</sup> During this period there was a troop rotation to UNMIL which would account for a higher than usual proportion of unoccupied accommodation.

<sup>19</sup> The programme is now part of the Department's overall Capital Building Programme under the Multi-Annual Capital Envelopes funding agreement with the Department of Finance.

### Report Finding 3

*The high cost of security associated with the property (€5.6 million in 1997), was attributed to the excessive number of facilities occupied and under-utilisation of modern security technology or not contracting out work where it would have been economically justified.*

#### Department Update

**11.14** Since the report was completed there have only been marginal increases in the cost of providing security for Defence property, rising from €5.6 million in 1997 to €6.6 million in 2005 in a period when allowances payable to personnel increased from between 15% to 50%. The following factors contributed to minimising security costs

- enhanced security measures such as CCTV systems and the introduction of centralised armouries
- minimising the numbers engaged in security duties in line with security demands
- the use of private security for barracks that have been vacated.

**11.15** The numbers employed in security duties of this nature is kept under review at all times. The contracting out of the security function to the private sector is not an option in the case of occupied barracks given the unique nature of the security of military installations. The Department remains cognisant of the costs associated with the security of military installations and every effort is made to minimise the numbers engaged in security duties, commensurate with operational requirements.

### Report Finding 4

*Detailed records of the nature and utilisation of properties were not maintained and an adequate asset register with information on the condition and the value of property was also not available. Consequently, there was no overall estimate of the value of the property held. Properties were valued only when they were identified for disposal.*

#### Department Update

**11.16** The Department now maintains a register of all its property holdings, has completed an in-house examination of the value of its property portfolio and is examining the establishment of a comprehensive Property Information Database.

**11.17** The Department estimates that the value of its property portfolio in 2005 was in the region of €1 billion. The estimate is based on sales results and local market values, in so far as they could be determined, and took into account historical and heritage aspects together with the experience gained from recent disposals of military property.

**11.18** However, it takes the view that to endeavour to maintain up-to-date valuations of the Department's property portfolio, through engaging the services of professional valuers, would not be cost justified. The Department obtains up-to-date open market valuations when individual properties are being put on the market taking account of the prevailing conditions, local demand and current zoning.

## **Management of the Property Portfolio**

### **Report Finding 5**

*A review of the organisation and control of property administration and maintenance noted that there was significant underspending of the capital budget in 1997. As a result, a more timely execution of work was recommended.*

### **Department Update**

**11.19** There has been no significant under-expenditure of the capital budget since 1999. This has been achieved by the implementation of detailed planning and budgetary control procedures. Historically, the building and maintenance budget had been low. In the seven years prior to 1999 the total expended was €90 million but in the period 1999 – 2005 expenditure on capital and maintenance programmes was €270 million. Planned maintenance programmes are in place for most building service areas. The ability to respond to maintenance issues has been improved by the availability of increased maintenance budgets, with increased funding devolved to unit level.

**11.20** The costs incurred on property maintenance have been affected by a change in a number of factors

- increased budgets have made it possible to fund outside contracts
- the use of outside contractors across a range of disciplines has increased
- services have become more specialised and sophisticated requiring specialised staff in a number of areas.

**11.21** On the other hand, six barracks have been disposed of and civilian staff redeployed to other barracks and there has been an overall reduction in the number of civilians employed in barrack maintenance from 630 in 1998 to 430 at the end of 2005. The overall reduction in the number of properties facilitates a more focussed approach to the ongoing building and maintenance programme.

### **Report Finding 6**

*There was insufficient information available to allow for the monitoring of the economy and efficiency achieved from property maintenance and, in particular, from work activities and output from civilian staff. It was also noted that the standard of record keeping needed to be improved to facilitate the performance of periodic programme evaluations in the property management areas.*

### **Department Update**

**11.22** All civilian employees involved in the provision of building maintenance services are now required to complete work sheets on a daily basis. The sheets give details of the time spent by each employee on particular tasks.

**11.23** A military board has reviewed the role of civilian employees in the maintenance of Defence Force installations and the report was received by the Department in January 2006. The findings have been presented to the Civilian Employee Partnership Committee. The report has raised a number of sensitive issues which are being considered in conjunction with the stakeholders.

## Views of Accounting Officer

**11.24** The Accounting Officer of the Department of Defence has informed me that since 1999 major accommodation upgrades of single living-in accommodation have been completed in 13 military installations and further projects are planned over the next five years. The overall accommodation requirements were being reviewed in 2006 with the intention of creating an up-dated accommodation strategy.

**11.25** The Government decided that pay savings arising from the reorganisation of the Defence Force, set out in the White Paper of 2000, along with proceeds from the sale of surplus properties would be reallocated for investment in modern equipment and infrastructure for the Defence Force. As a result, the Barrack Reinvestment Programme was initiated in 1999 to complement expenditure on the normal range of building and engineering works, for the purpose of providing modern living, operational, training and accommodation facilities for the Defence Force.

**11.26** Current disposal of property includes land at Arbour Hill, Dublin, Renmore Barracks, Galway and Ballyconnell, Co Cavan. Further lands are being released for inclusion in the Sustaining Progress Affordable Housing Initiative, including lands at Gormanston, Co Meath, Magee Barracks, Co Kildare, Collins Barracks, Cork and St. Bricins Military Hospital, Dublin.

**11.27** A number of key projects undertaken by the Defence Force, since 1998, have enhanced security of military installations. The level of security on defence property is commensurate with the security threat and the vulnerability of the property concerned.





## **Chapter 12**

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### **Performance Measurement in Teagasc**



## 12 Performance Measurement in Teagasc

**12.1** Teagasc is the statutory Agriculture and Food Development Authority. It was established in 1988 to meet the needs of the agri-food industry in research, advisory services and education. The Value for Money report focused on the extent to which Teagasc had procedures to evaluate the effectiveness of its programmes and its overall effectiveness as an organisation.

### Environmental Change

**12.2** Since the publication of the report the agri-food sector has undergone major changes at national and international level. In particular, the following developments are of significance and have a bearing on Teagasc in terms of its strategic aims.

- Reform of the Common Agricultural Policy together with enlargement of the EU and increased liberalisation of world trade have resulted in stronger competitive pressures on the agriculture and food sectors.
- Consumer concerns regarding the safety, traceability and health-promoting properties of food are growing.
- Public concerns regarding the quality and protection of the environment and the welfare of animals have become increasingly important influences on public policy.
- Increased recognition of the importance of agriculture and farmers in the preservation of the rural landscape, maintaining diversity of biological species, wild life conservation and carbon sequestration<sup>20</sup>.
- Increasing recognition in national policy of the key role of science and technology in maintaining competitiveness in all sectors of the economy, including agriculture and food.
- Establishment of an evaluation unit in 2003.

### Organisational Developments

**12.3** Teagasc has undergone a change process since the publication of the report, the key features of which are as follows.

- Reorganised management structure with the Director now supported by a Management Committee, comprising of the heads of the various service areas.
- The reorganisation of the Advisory Service into a national structure. 28 county units have been reduced to 18 management units to facilitate the creation of critical mass for the delivery of services, to promote specialisation and improve office facilities.
- A new research strategy has been introduced to develop centres of excellence.
- The number of operational locations has reduced from 119 to 108. Six colleges have closed, with eight remaining (some of which are private colleges).
- The nature of Teagasc's client base has changed. In 2000, it aimed to provide advisory services to 15,000 out of an estimated 20,000 commercial farm enterprises, and to 50,000 out of an estimated

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<sup>20</sup> The storage of carbon that would otherwise affect global climate change, in large-scale carbon sinks such as forests. The carbon can be siphoned off at the point of emission and then placed in underground reservoirs (geological sequestration), injected in deep oceans (ocean sequestration), or converted to rock-like solid materials.

110,000 smaller, less intensive or part-time farmers. Teagasc now states it provides advisory services to about 65,000 farm families, with more than half receiving an intensive service.

- Relocation of Headquarters to Oakpark, Carlow in September 2004.

The programme structure has been streamlined. Figure 12.1 shows this transition.

**Figure 12.1 Teagasc programme structure**

1999		2006	
5 Programmes/24 sub-programmes <sup>21</sup>		4 Programmes	
▪	Agriculture research (7 sub-programmes)	▪	Agricultural research (animal science, crop science, environment and land use, rural research)
▪	Food research (7 sub-programmes)		
▪	Rural economy research (4 sub-programmes)	▪	Food research
▪	Advisory service (4 sub-programmes)	▪	Training and development
▪	Training and education (2 sub-programmes)	▪	Advisory

## Performance Issues

**12.4** The report findings reflected concerns regarding

- Programme and sub-programme objectives
- Approach to programme evaluation
- Use of impact targets.

In value for money terms the shortcomings identified covered issues impacting on effectiveness evaluation.

### ***Programme and Sub-programme Objectives***

#### **Report Finding 1**

*Teagasc's three service areas<sup>22</sup> were divided into five programmes and 24 sub-programmes. The stated objectives for most of the sub-programmes were relatively clearly defined and susceptible to measurement, so the extent to which the desired impacts at that level were achieved could generally be evaluated. Programme objectives set were generally less clear and closer to organisational level goal statements.*

#### **Teagasc Update**

**12.5** Improved alignment of divisional business plans to Teagasc's Statements of Strategy has improved the definition of programme objectives. In 2004, a Business Planning and Risk Management Officer was appointed. In the preparation of its Statement of Strategy 2005-2007, Teagasc adopted a programme focus in the setting out of the high level strategies in order to provide better direction for the programme area business plans.

<sup>21</sup> The five Programmes and 24 sub-programmes available in 1999 were subsumed into the four programmes available in 2006.

<sup>22</sup> The three service areas of Teagasc are Training, Advisory and Research.

The high level goals of the organisation currently are

Goal 1	Competitiveness and Innovation in Agriculture	To underpin the development of a competitive, innovative and consumer focused agriculture sector.
Goal 2	Competitiveness, Innovation, Safety and Quality in Food	To support the development of a market oriented, competitive and innovative food sector, particularly in the growing 'foods for health sector', which meets the highest standards of quality and safety.
Goal 3	Sustainable Systems of Agriculture	To develop systems of agriculture and food production, that are sustainable in terms of the environment, animal welfare, occupational safety and the work environment.
Goal 4	Rural Viability	To promote the development of a vibrant rural economy through building the human resource capacity of farm families and through the development of a sound scientific knowledge base to agri-food policy development.
Goal 5	Operational Capabilities and Modernisation	To develop the organisation's human and physical resources and operational capabilities to ensure the delivery of quality services to customers while implementing Government policy on public service modernisation.

These goals are underpinned by strategic actions with associated performance indicators.

The Statement of Strategy, in turn, informs the development of the directorate-level business plans.

**12.6** The use of a Business Planning Development Officer has helped to provide enhanced clarity in the following respects.

- A common format for business planning has been implemented.
- Templates have been developed for different types of business units throughout the organisation. (seven in total)
- Training in business planning has been provided to all managers.
- Individual feedback is provided to all managers completing business plans.
- A business plan review process has been initiated
  - o formal reports are prepared on progress towards meeting business plan performance indicators after six months and at the end of year
  - o performance indicators are reviewed on an ongoing basis at meetings of managers
  - o management information systems are currently being updated to align reporting with performance indicators.

## **Approach to Programme Evaluation**

### **Report Finding 2**

*While many of the elements required for a system to determine effectiveness were in place and much good work had been done, Teagasc did not have a comprehensive approach to evaluation of programme impacts.*

*A good starting point for setting up a system to evaluate impact would be for Teagasc to produce a plan for the comprehensive evaluation of corporate goals achievement. The plan might harness the work of external evaluators of Teagasc such as the Department of Agriculture and Food and EU monitoring committees. The internal structures for facilitating these independent evaluations could provide a framework on which to organise the evaluation system. The level of resources required for evaluation should be defined but the development of evaluation systems should not become a rigid management procedure or an expensive data gathering exercise. The aim should be to promote a culture of impact evaluation as part of the existing strategic processes.*

### **Teagasc Update**

**12.7** Teagasc has intensified its programme of evaluation studies and completed 32 studies between 1999 and the end of 2005. An independent evaluation unit was established in 2003, which is overseen by a Steering Committee, which includes an external evaluation expert. This unit operates to a three-year plan and aims to conduct evaluations of all major programmes on a cyclical basis and also to commission external evaluations.

## **Use of Impact Targets**

### **Report Finding 3**

*The agricultural production research programme had defined objectives but specific impact targets were not set in all cases. It was noted that where specific impact targets were set, the absence of a suitable benchmark and of a timeframe for achievement of these targets limited the extent of evaluation that could be performed. It was noted that no formal arrangements had been made to evaluate the impact of the rural economy research programme or the quality of the research outputs. Teagasc did not set impact targets for food production research and did not use techniques like cost-benefit analysis to evaluate the potential or expected contribution of the research to commercial economic returns. It was noted in the report that better impact targets were available than those in use at the time for the training programme.*

### **Teagasc Update**

**12.8** The development of the business planning process and the introduction of planning protocols has improved the specification of impact targets. All training courses operated by Teagasc are either FETAC or HETAC approved and are subject to internal and external evaluation.

**12.9** However, it was recognised within Teagasc that the impact indicators included in 2006 business plans have been inconsistent and inadequate. This was flagged in the assessment of the business plans by the Business Planning Development Officer and has become the major focus for improvements in the 2007 business plans. A number of specific measures have been put in place.

- Training is being provided for all managers preparing business plans.
- The goals and strategies of the business plans will be examined by line managers while business plans are in draft form to ensure that appropriate activity and impact indicators are included.

- Managers are being encouraged to consider carefully the inclusion of impact targets that will subsequently become part of the evaluation of their programmes.
- New procedures are being established whereby all new programmes of activities being considered by Teagasc will be preceded by an ex-ante evaluation during which impact indicators will be identified for subsequent measurement.

**12.10** Teagasc is endeavouring to implement a business planning process which will drive the implementation of programmes at management unit level. In the case of the Advisory Service this involves the preparation of programme area business plans (covering dairy, drystock, tillage, environment, rural development and farm management and technology) and 18 Advisory Management Unit (AMU) business plans. Each of the AMU business plans have a number of sub-programmes corresponding with the programme area business plans which set the work programme for individual advisers. Because of the micro nature of these sub-programmes, it is not envisaged that impact indicators requiring local evaluation would be included to a significant extent in AMU business plans. Performance indicators for AMUs will focus on activities.

**12.11** In relation to education and training programmes, the focus remains on throughput numbers. A significant challenge is the introduction of impact indicators. Formal evaluation projects will be undertaken to meet this need.

#### **Report Finding 4**

*It was recommended in the report that Teagasc should promote a culture of impact evaluation as part of the existing strategic processes.*

#### **Teagasc Update**

**12.12** The alignment of Teagasc's Annual Report with its Statement of Strategy has put in place a reporting structure on corporate goals. Divisional business plans include details of how programmes in the business unit area are to be evaluated. One of the aims of the recently established evaluation unit is to promote an evaluation culture throughout the organisation.

- An Evaluation Steering Group made up of representatives from senior management is now in place to guide the activities of the Evaluation Unit. This ensures that staff at the highest level of management in the organisation are familiar with the wide range of evaluation work being carried out across the whole organisation. They are also familiar with the range of evaluation techniques used by Evaluation Unit staff and external contractors who are occasionally commissioned to complete evaluation work.
- A report from the Evaluation Unit Steering Group is regularly on the agenda of the monthly senior management committee meetings and all evaluation reports have to be signed off at this level.
- Teagasc has recently appointed an economist to a research post in its Rural Economy Research Centre to work on the area of evaluation as a support to the Evaluation Unit.
- Collaborative work between the Evaluation Unit and operational staff is being promoted to improve the evaluation culture. A recent example of this was the jointly authored report on the Johnstown Castle Research Programme.
- Teagasc has ensured that a cyclical programme of evaluation work will be completed across the organisation. Over time, all programme areas will have to complete evaluation work, as a record of work completed is monitored and reported by the Evaluation Unit.
- All programme managers work closely with Evaluation Officers in the planning and management of evaluation studies relevant to their areas of work through Evaluation Project Steering Groups (these are set up for the duration of each individual evaluation study).

- Teagasc recently appointed a second Evaluation Officer to increase its output of evaluation work and ensure continuity into the future. Part of the strategy for the promotion of an evaluation culture in Teagasc is the movement of staff into and out of the Evaluation Unit over a three to four year period. In this way, a significant number of staff broaden their view of the organisation and have the opportunity to view programme delivery from a different perspective. They then return to operational posts with new skills that raise the overall understanding and culture of evaluation across the organisation.
- The Evaluation Unit work programme is set out on a rolling three-year basis, so all staff are familiar with future plans and demands for evaluation work.

The Evaluation Unit has a dedicated section on the Teagasc website which contains information, reports and future work plans which are accessible to all staff.

### Report Finding 5

*There were a number of limitations to evaluation practices. The strategic documentation did not provide for a corporate approach to evaluating organisational impact. Specific measures or indicators to measure organisational impact had not been identified for corporate goals. The approach to evaluation of effectiveness where desired impacts were difficult to measure (such as the rural economy research) had not been worked out. There was a risk that evaluation exercises were selective rather than comprehensive.*

### Teagasc Update

**12.13** All evaluation studies are undertaken with reference to specific organisational goals and objectives for the development of the agri-food sector as set out in the Statement of Strategy. The evaluation unit is responsible for ensuring that evaluation work is not selective and that a wide range of Teagasc activities are evaluated on a cyclical basis.

## Views of Director

**12.14** In response to my query on the extent to which the services provided meet the current needs of the population served, the Director informed me that, as a client-based organisation, Teagasc places a major emphasis on meeting the needs of its customers at all stages in the planning, delivery and reporting of its major programmes and services. This focus has received added emphasis in light of the new systems, procedures and structures put in place in recent years to strengthen the performance evaluation function. The implementation of the Quality Customer Service initiative has further enhanced the organisation's customer focus.

**12.15** A Customer Service Officer is responsible for organising surveys of customer satisfaction and it is planned that such surveys will be undertaken on a regular basis across all major programme areas. All evaluations of programmes carried out now routinely include customer surveys as part of the measurement of the relevance and impact of programmes. Recommendations arising from such surveys are incorporated in action plans. Overall, Teagasc ensures input by customers in the design, delivery and evaluation of programmes and services meet the needs of customers.

**12.16** The strategic and business planning processes of Teagasc involve significant input by customers, particularly through Joint Commodity Teams that have been established for all of the major commodities. These teams comprise a mix of Teagasc staff and external customers and meet on a regular basis. Customers can input into the formulation of strategic and business plans, annual programmes and the ongoing delivery of services.



**12.17** Students on Teagasc training courses are surveyed regularly and their responses are analysed and action is taken to address issues raised. All courses have been reviewed to meet students' changing needs in terms of knowledge, skills and competence. Students can now complete their training in one of eight colleges, at a local training centre or online through a new eCollege facility. This flexibility allows some students to pursue an off-farm job or an apprenticeship while completing a training programme.

**12.18** Evaluation studies conducted by Teagasc are subject to review by management and the Authority. An action plan must be prepared and implemented which impact on subsequent service delivery and outputs. For example, the series of peer reviews of research programmes carried out in 2001/2002 resulted in significant changes in the content and output of the research programme, with far greater emphasis being placed on laboratory-based research and scientific publications. The 2000 review of training programmes (*Review of the Future Numbers and Status of Agricultural Training Colleges*) resulted in the closure of a number of colleges, concentrating in fewer locations and new approaches to programme content and delivery.

**12.19** Studies carried out by the Evaluation Unit since its establishment in 2003 have also impacted on programme delivery and outputs. The first study conducted in 2004 (*Business Planning in Teagasc in 2004*) led to the appointment of a Business Planning Officer who is responsible for leading the business planning process and ensuring improvements in the quality of the process. *The Evaluation of Review of the Retooling Programme at Teagasc (2005)* stressed the need to continue the investment in Biotechnology and to conduct ex-ante evaluations of all major new programmes. This resulted in proposals now being implemented for a major new research programme in Teagasc and preparation of policy for implementation of ex-ante evaluation.

**12.20** In regard to the principal challenges and opportunities from a value for money perspective, Teagasc will seek to strengthen evaluation and adopt best practice to ensure it can better prioritise programmes and activities and spend resources to gain maximum utility.

**12.21** Another challenge will be incorporating a more integrated form of performance evaluation which will be more central to the organisation and help to assess the economic benefits of programmes and of the organisation as a whole. It will assist in the improvement of service design and delivery and in the improvement of organisational governance.

**12.22** In particular, the development of impact indicators for training and education programmes will be a significant challenge. The organisation will address the critical challenge of resource allocation in a more informed way and be better able to utilise resources in response to clearly defined priorities.

**12.23** As a result of the considerable recent investment in IT infrastructure and systems in Teagasc, the organisation can develop stronger management information frameworks thereby opening opportunities for the development of better quality indicators and more systematic monitoring and evaluation. This will assist in addressing the challenges posed by efforts to measure outcomes of more complex services.



## **Chapter 13**

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### **Local Development Initiatives**



## 13 Local Development Initiatives

**13.1** This report was concerned with the operation during the period 1994 – 1999 of Local Development Initiatives provided through County Enterprise Boards (CEBs), Area Based Partnership Companies (Partnerships) and LEADER Groups. The examination looked at specific issues relating to administrative and operational efficiency, arrangements for co-ordination, and approaches to evaluation of the impact of the CEBs, Partnerships and LEADER groups.

### ***Performance Issues***

**13.2** The Report findings reflected concerns regarding

- Information sharing
- Co-ordination of activities
- Operational efficiency
- The impact of Local Development Initiatives.

### ***Information Sharing***

#### **Report Finding 1**

*Without an automatic sharing of data the scope for effective analysis would be limited.*

#### **Department Updates**

*Department of Enterprise, Trade and Employment.*

**13.3** In May 2002, a Performance Monitoring System (PMS), which is the primary basis for statistical data generation in respect of CEB performance, became operative. The PMS is accessible to all CEBs via the web and enables them to directly input, in real time, their own individual outturn data. Access for CEBs is limited to their own individual portfolios while the Department can access the data for all CEBs from which it can monitor the aggregate reports on cumulative CEB performance.

*Department of Community, Rural and Gaeltacht Affairs*

**13.4** Recent internal audit reports note that there had been an increase in the sharing of data across local development bodies. In particular, there has been an increase in the level of co-operation between LEADER groups and CEBs. Significant progress has been made in the development of information systems including performance measures and indicators to monitor efficiency and effectiveness. In the case of the Local Development Social Inclusion Programme<sup>23</sup> (LDSIP) programme a new computerised information system has been put in place and in the LEADER programmes an IT system has been developed in accordance with EU requirements and this system has now been rolled out to all LEADER groups. The LEADER IT system is a reporting system that facilitates the Department in the tracking and monitoring of LEADER groups' progress and performance in the context of the requirements of the

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<sup>23</sup> The Local Development Social Inclusion Programme is administered by Pobal on behalf of the Department. This Programme is included as sub-measures in the social inclusion measures in both the South and East and the Border Midlands and Western Regional Operational Programmes (OP's).

programme. It provides the Department with a list of projects funded under the programme, including the cost of these projects and expenditure to date.

## **Co-Ordination Activities**

### **Report Finding 2**

*There was a concern that ‘subsidy shopping’ could occur whereby clients can maximise the public funding they received by applying for grants from different bodies to support different elements of their projects and that this inevitably leads to duplication in administration.*

### **Department Updates**

#### *Department of Enterprise, Trade and Employment*

**13.5** The programme expenditures, management and physical outputs of CEBs are results driven and are now subject to a strict regulatory regime of oversight, monitoring and reporting. The Department is engaging with the Department of Community, Rural and Gaeltacht Affairs to ensure that the current arrangements are considered sufficiently robust to ensure that issues of overlap, duplication and ‘subsidy shopping’ are avoided.

#### *Department of Community, Rural and Gaeltacht Affairs*

**13.6** The Department has enhanced and put arrangements in place with the Department of Enterprise, Trade and Employment to prevent ‘subsidy shopping’ and ‘double public funding’ occurring. The LEADER programme rules only allow for one source of public funding for each project and these rules are strictly enforced and are subject to inspection by the Department’s Agricultural Inspectorate, Internal Audit Unit and EU Auditors.

**13.7** The cohesion process, an initiative endorsed by Government in 2003, aims to streamline the way in which local, rural and community development programmes are delivered on behalf of the Department. The intention is that from 2007, there will be one body, delivering both local and rural development programmes in any given area and a reduction in the overall number of service delivery bodies. It is anticipated that these new arrangements will lead to enhanced co-ordination of activities, particularly, in provincial areas, where currently in many cases, LEADER groups and Partnerships cover the same areas.

## Operational Efficiency

### Report Finding 3

*Studies indicated that the level of deadweight<sup>24</sup> may be in the range of 40% to 50%. Displacement<sup>25</sup> could be in the range 20% to 40%. From early 1998, CEBs and Partnerships have been empowered to assist enterprise projects by means of refundable aid and equity. The report recommended that the use of these forms of aid should be expanded quickly in preference to non-repayable grants as they help to reduce deadweight and displacement and, in addition, would be a more economical use of public funds.*

### Department Updates

#### *Department of Enterprise, Trade and Employment*

**13.8** Given the difficulties in measuring deadweight, caution is required in comparing the results of studies based on different measurement methodologies. Nevertheless, an independent review attempted to quantify the extent of deadweight in respect of CEB grants. Based on a survey conducted in 2003, it estimated that the comparable figure was around 30%. A report by the NDP/CSF Evaluation Unit on In Company Training published in July 2005 also attempted to quantify deadweight in relation to the training provided by the CEBs (as well as Enterprise Ireland and FÁS). This survey estimated that the pure deadweight cost was 24% while a further 43% of respondents reported partial deadweight (indicating that they would have engaged in less training without CEB support). This report also assessed future attitudes of CEB clients to training following their involvement in CEB training programmes - 64% reported that they were more likely to engage in training while a further 31% were likely to engage in the same level of training.

**13.9** Following the Value for Money report, the use of repayable forms of finance, endorsed by the independent review, was introduced for the CEBs. In 2005, nearly half of all grants approved by the CEBs were in a refundable form. It is intended that this proportion be increased over time.

**13.10** Concerns about displacement are at the core of the restrictions placed on the sectors that CEBs can support. The Boards are required to focus primarily on enterprises in the manufacturing and internationally traded services sector, though they are allowed limited scope to support projects in the locally traded services sector where the promoter has been unemployed or is a woman returning to the work force (based on the assumption that the risk of displacement is largely outweighed by the social benefits arising). There is an explicit prohibition on financial support for projects in the construction, professional services and retail sectors, where displacement is particularly likely.

**13.11** In assessing applications for financial support, the CEBs are explicitly required to consider whether concerns about displacement arise. Based on their knowledge of local markets, the CEBs would be confident that displacement concerns are being addressed to a satisfactory degree. The absence of complaints from competitors about subsidised competition would appear to support this contention on the part of the CEBs.

#### *Department of Community, Rural and Gaeltacht Affairs*

**13.12** The focus and objectives of the LDSIP programme and the objectives adopted for it has meant that the issues identified in the 1999 Value for Money report in relation to issues of deadweight and displacement and enterprise development have been largely addressed. While there was a major focus on

<sup>24</sup> The extent to which enterprises supported under the programmes would be established without grants.

<sup>25</sup> The extent to which supported enterprises divert sales and employment opportunities from other Irish enterprises.

enterprise support within the previous programme under the Operational Programme for Local Urban and Rural Development (OPLURD), under the LDSIP the emphasis is now on start-your-own-business supports and self-employment supports. Supports often take the form of pre-enterprise supports like facilitating low-income small holders to assess potential routes to generate off-farm income. Supports are typically non-financial. Services include intensive advice and support at a pre-start-up phase and access to funding and ongoing mentoring during the first crucial years of operation. In addition, groups are supported to develop community businesses at pre-development and start-up phases.

**13.13** In the case of the LEADER +/ABRDI<sup>26</sup>, its Programme Complement and Operating Rules, approved by the EU and Regional Assemblies, prohibit the funding of projects, where deadweight and displacement might occur. These rules are enforced rigorously and as previously stated the Department has a dedicated Agricultural Inspectorate in place to oversee and verify that projects in receipt of funding have proceeded in accordance with the operating rules.

**13.14** It should be pointed out that the findings of an independent evaluation carried out by Brendan Kearney and Associates of the LEADER II programme in terms of deadweight and displacement were as follows ‘*Our general conclusion in relation to deadweight and displacement is that they have probably occurred in limited circumstances, but that every reasonable effort is made to minimise them*’.

## **Assessing the Impact of Local Development Initiatives**

### **Report Finding 4**

*The flexible approach to the implementation of local development policy with services provided by three different agencies resulted in considerable duplication of the enterprise services provided. To a lesser extent there was duplication of activities concerned with countering serious economic and social disadvantage because Partnerships target specific client groups - the long-term unemployed and the socially excluded. In nine cases, Partnerships and LEADER groups share a common management board.*

### **Department Updates**

#### *Department of Enterprise, Trade and Employment*

**13.15** The central objective for the CEB network is an economic one. Boards have primary responsibility for facilitating the establishment, development and growth of micro-enterprise (those employing less than ten people) through provision of financial assistance, training, management development, mentoring, business advice and guidance. The CEBs also have responsibility for the promotion of entrepreneurship at local level. The Boards are the first point of contact for micro and small business advice and guidance at local level.

**13.16** LEADER groups are focussed on the social objective of improving the quality of life in rural areas. The focus of their activities is on programmes that make the best use of natural and cultural resources and encourage the emergence and testing of new approaches to integrated and sustainable rural development. Initiatives supported cover the spectrum from rural/agri tourism and animation/capacity building, through the exploitation of agriculture, forestry and fisheries products to the enhancement of the natural/cultural environment and environmentally friendly initiatives.

**13.17** The role of Partnerships is primarily one of social inclusion.

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<sup>26</sup> The Area Based Rural Development Initiative (ABRDI) provides funding for area-based local groups to carry out approved business plans. The sub-measure essentially aims to mainstream LEADER II activities as the new Community Initiative (LEADER+) and is focused on a limited range of areas.



**13.18** Notwithstanding the differing key objectives for these bodies, all of them engage to some extent in enterprise promotion, albeit from different perspectives and with different objectives in mind. This gives rise to the potential for overlap and duplication expressed in the Value for Money report.

**13.19** In practice, the profiles of business clienteles and activities of the Partnerships and the CEBs means that there is virtually no risk (or experience) of duplication between these bodies, a view accepted by the independent review in 2003. The CEB/LEADER relationship, on the other hand, while focused on separate and distinct business missions and clienteles, is characterised by certain similarities of approach that can, on occasion, give rise to a lack of clarity about appropriate boundaries.

**13.20** To address these concerns, the respective parent Departments have made arrangements for each local CEB and LEADER group to enter local agreements on the delivery of micro-enterprise programmes. These agreements establish reasonably clear lines of demarcation between the respective bodies as well as establishing requirements for cross-representation at Board and Evaluation Committee level and regular co-ordination meetings between officials. The operation of these agreements is supplemented with meetings at Departmental level to address any issues of concern arising. The independent review confirmed that these arrangements were generally successful in addressing any issues of overlap and duplication arising. A survey of CEB clients conducted as part of that review established that only 3% of CEB clients had also received assistance from LEADER.

#### *Department of Community, Rural and Gaeltacht Affairs*

**13.21** The need to ensure and limit the duplication of enterprise services being provided through the CEBs, LEADER groups and the Partnerships was borne in mind when developing the operating rules, eligibility guidelines and when setting the objectives and targets for the programmes in 2000.

**13.22** In the case of enterprise projects, the Department now provides funding under the LEADER programmes for rural enterprise projects rather than providing funding for enterprise in rural areas. It is important to make a clear distinction between the different types of “enterprise” funding. There are very clear eligibility rules for the funding of these projects in rural areas and these were agreed with the Department of Enterprise, Trade and Employment at the commencement of the current LEADER programmes and the Department employs an Agricultural Inspectorate, who inspects and verifies projects funded under the LEADER programmes to ensure that they are in accordance with the rules governing the programme.

**13.23** The Department now meets formally with officials from the Department of Enterprise, Trade and Employment to discuss enterprise issues in the context of the work that LEADER groups and CEBs perform. There is CEB representation on all LEADER boards.

## Report Finding 5

*A review of the number of manufacturing start-ups from 1987 to 1996 showed that the rapid economic growth from 1993 and the onset of Local Development Initiatives did not result in an increased rate of manufacturing start-ups and that studies of the impact of Local Development bodies on the changes in long-term unemployment and enterprise formation had yielded inconclusive results. The report stated that there was a clear need for more data collection and the development of social policy models to provide a better insight into the impact of Local Development activities.*

## Department Updates

### *Department of Enterprise, Trade and Employment*

**13.24** The performance of CEB interventions is measured and monitored on a regular basis by reference to a set of performance indicators covering output, results and impacts. In addition to routine monitoring of performance there have been a number of evaluations carried out over the years, the most comprehensive being an independent review carried out in 2003. The CEB programmes were also reviewed as part of the Mid-Term Evaluations of the Regional Operation Programmes in 2004. While these evaluations focussed mainly on financial and physical performance, recommendations arising from these evaluations in regard to refinements to performance indicators have been adopted.

### *Department of Community, Rural and Gaeltacht Affairs*

**13.25** Following the Mid-Term Evaluation of the LDSIP, agreement was reached on a new impact indicator, to be reported on at the end of the programme. The impact indicator builds on the output and results indicators and formed the basis of a research study, containing quantitative and qualitative dimensions, which commenced in April 2005. The overall aim of the indicator is to assess the impact on the Services for the Unemployed sub-measure.

## Views of Accounting Officers

### *Department of Community, Rural and Gaeltacht Affairs.*

**13.26** The Department of Community, Rural and Gaeltacht Affairs was established by Government in June 2002 to address issues of regional and social balance in a more effective way as well as securing economic development and producing a more co-ordinated engagement by the State with communities around the country as they pursue their own development.

**13.27** In January 2004, measures were agreed by Government designed to

- improve delivery of services on the ground
- enhance arrangements under which community and local development initiatives are delivered
- improve cohesion and focus across various measures and enable communities to more readily access and make maximum use of the funding available.

**13.28** The Government also agreed a review of local and community development structures. As part of this review the Department engaged with relevant Departments, agencies, local and community development bodies, including the Partnerships and LEADER groups in the context of achieving greater administration efficiencies and value for money in relation to local, community, Gaeltacht and rural development schemes being delivered in the Department.

**13.29** An independent review commissioned by the Department in 2004 found substantial evidence of cohesion and co-operation at ground level, with strong partnerships emerging between local and rural development agencies and relevant statutory agencies. Projects supported in this phase were aimed at improving co-ordination of activities by local development agencies, more effective targeting of disadvantage through multi-agency initiatives and the extension of geographic coverage.

**13.30** Until now, there have been parts of the country not covered by Partnerships, whereas the LEADER Programme covered all of rural Ireland. In consequence, programmes such as the LDSIP have only been available in parts of the country with Partnership coverage. The alignment of LEADER and Partnership groups in rural areas and the expansion of Partnerships in urban areas will ensure that citizens in all parts of the State have access to the Programme from 2007 onwards.

**13.31** While variations across county boundaries will be considered on their merits, as far as is practicable, the new bodies will also align their boundaries with city and county boundaries.

**13.32** From 2007 onwards, there will be an overall reduction in the number of local development agencies with only one local development body in any given area. The outcome will remove instances of geographic overlap and the associated duplication of effort and activity by agencies operating in the same area.

#### *Department of Enterprise, Trade and Employment*

**13.33** The CEBs have been evolving their policy focus and client support interventions gradually over the years to reflect changing needs in the business and economic environments. Increasingly, CEB focus is now on enterprise promotion, generation and growth rather than simply on job creation, as was largely the focus in earlier years. The cultivation of entrepreneurially active local communities around the country is now central to the overall CEB mission with activities directed at expanding business management capability, encouraging increasing levels of female participation in business and providing education for enterprise through college curriculum design and student enterprise schemes.

**13.34** Another significant development has been the increased use of refundable forms of support. Since 2000, Boards have been required to attach a refundability condition to a proportion of their financial supports. In 2005, nearly half of all CEB grants were refundable. As these supports are repaid, the funding generated can be recycled by the CEBs into new projects.

**13.35** The administrative environment in which the CEBs are operating is now considerably more complex, exacting and regulated than applied to the OPLURD programme. They are subject to prescribed governance and accountability codes and standards laid down for public bodies. Expenditure commitments and cash flows are proactively monitored. Further significant changes in this environment will arise when a new Central Support Unit for the CEBs is established within Enterprise Ireland.

**13.36** In addition, it now seems clear that the LEADER companies will be receiving a significant boost to their funding under the next round of EU funding covering the period 2007-2013. This could well place a strain on the existing co-ordination arrangements between the CEBs and LEADER at local level. The Department is engaging with the Department of Community, Rural and Gaeltacht Affairs to ensure that the current arrangements are sufficiently robust to ensure that issues of overlap, duplication and 'subsidy shopping' are avoided.

**13.37** The programmes delivered by the CEBs and the manner in which they are delivered have evolved significantly in recent years in response to a number of drivers including the report produced by the Comptroller and Auditor General on Local Development Initiatives in 1999, the 2004 Fitzpatrick Report on the CEBs and the evolving needs and demands of their clients. The Accounting Officer stated that he is satisfied that the suite of programmes being delivered by the CEBs is making a significant contribution

to the economic development needs of local communities throughout the country. The agreement reached between the Department and the Department of Community, Rural and Gaeltacht Affairs establishing the respective remits of the CEBs and the LEADER companies has been critical to ensuring that the programmes being delivered locally are complementary and do not give rise to overlap and duplication. It is critical to the ongoing effective operation of these programmes that this agreement should be updated and respected through the next EU funding round covering the period to 2013.

**13.38** The greater focus on capability building measures, such as the management development training and mentoring programmes run by the CEBs, as well as the increased use of refundable forms of financial support for projects have resulted in the CEBs making more effective use of the financial resources available to them. In particular, the use of refundable aid has resulted in the creation of a significant source of revolving funds to supplement the Exchequer funds being provided. However, this shift in focus has placed significant additional demands on CEB staff and it is a measure of the improved efficiency of the network that these changes have been implemented with a broadly constant level of staffing resources.

**13.39** The Accounting Officer stated that the CEBs are now an important part of the enterprise development strategy being promoted by the Department and the contribution they make to economic development is significant and represents value for money.

## **Chapter 14**

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### **The Driver Testing Service**



## 14 The Driver Testing Service

**14.1** The Value for Money examination of the Driver Testing Service was undertaken to assess how economically and efficiently the service was managed, focusing on the period 1995 to 1999.

**14.2** In the period covered by the examination, the Driver Testing Service was part of the Department of the Environment, Heritage and Local Government. In 2002, the service became part of the Department of Transport. From September 2006, the newly established Road Safety Authority<sup>27</sup> (RSA) took over responsibility for the operation of the service.

### Performance Issues

**14.3** The report findings reflected concerns about

- Ensuring uniform driving test standards
- Waiting times for driving tests
- Managing the supply of driving tests
- The cost of driver testing.

### *Ensuring Uniform Driving Test Standards*

#### Report Finding 1

*Actual pass rates revealed a wide variation and it was suggested that there were either a difference in the standard of driving between the regions or there was a difference in the standard of driving test applied.*

#### Department Update

**14.4** The average pass rate decreased from 57% in 1998 to 52% in 2006. There were changes in the pass rate at individual centres and significant variations from the average pass rate between the two years. The details are set out in Annex A. The Accounting Officer explained that EU Directive 91/439 and the Road Traffic Regulations set out the necessary standard that a test applicant is expected to meet. Some divergence in pass rates can be explained by the standard of tuition in different locations, demographic factors or the severity of traffic/road conditions encountered at the time of testing. Given the nature of the road network, identical conditions cannot be replicated countrywide. However, test routes are designed to ensure that each applicant encounters certain traffic/road conditions regardless of the location of the test.

**14.5** In order to address this issue, a Working Group on the Application of Common Standards for Conducting Driving Tests was re-established. This working group consisted of representatives of driver testing management and driver testers and commenced work in July 2001. It produced its report in July 2002 and the following were among the items agreed and implemented.

- The introduction of a new combined marking/report sheet.
- Revised driving test standard procedures.
- Revised driving test marking guidelines.

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<sup>27</sup> The Road Safety Authority is a State-sponsored body responsible for administering the Driver Testing Service since September 2006.

- Procedures for assisting driver testers who may have difficulties in operating the new marking system.
- Procedures for dealing with differences in standards identified through statistical analysis.

**14.6** Over the years, increasing waiting lists constrained the delivery of refresher training programmes for testers. However, in the light of improving waiting times, a phased two-week refresher-training course for all driver testers commenced in February 2002. During that year all driver testers undertook this course, which included the practical application of fault assessment using the new marking sheet guidelines and a substantial customer care module.

**14.7** In addition, in November 2002, a National Training Conference for driver testers was held. Included at the conference were presentations on future changes to the driving test on foot of EU Directives, reviews of the training courses and contributions from the Driver and Vehicle Testing Agency of Northern Ireland.

**14.8** Supervisory testers also have a role in maintaining standards and, in 2002, vacancies were filled and three new supervisory posts were created. A separate position of Training Officer was created. This was done to ensure the availability of supervisors to monitor the work of testers and to ensure the correct standard is being maintained.

**14.9** Notwithstanding the additional training for testers and more intensive training arranged for those testers who diverge from the normal pattern, there continues to be a variation in pass rates. In 2006, the Department reviewed and revised the technical training programme for driver testers. Further exploration is now underway to identify suitable statistical tools to assess uniformity of test standards where a number of variables apply e.g. different test centres or different licence test categories.

**14.10** In relation to variations in standards of instruction, proposals developed by the Department for the regulation of driving instruction to a set standard will involve a test of the competence of individual instructors and will ensure the availability of a high standard of instruction to learner drivers. A public consultation paper setting out what is proposed has been issued and comments received are being considered by the RSA. A register of driving instructors is in the process of being established. Responsibility for overseeing the implementation of the standard will rest with the RSA. It is also intended that compulsory initial practical training for motorcyclists will be introduced by the RSA and the necessary legislative provision for this was introduced in the Road Traffic Act, 2006.

## ***Waiting Times for Driving Tests***

### **Report Finding 2**

*A waiting list of 87,000 cases existed in 1998 and it was noted that the number of driving tests carried out did not increase in line with the increase in applications. A key performance target was the completion of tests by 95% of candidates within 15 weeks of application. The report found that the average waiting time was over 30 weeks.*

### **Department Update**

**14.11** The Department's Customer Service Action Plan made a commitment to a national average waiting time of 10 weeks, to be achieved during 2000. However, the achievement of this was delayed due to increases in applications during 1998 and 1999. Between 1998 and 2002, considerable additional resources were put into the driving test service and the target waiting time of 10 weeks was achieved in March 2002.



**14.12** In October 2006, some 133,000 applicants were awaiting a driving test. A further 15,000 applications had been sent to an outside contractor and are in the course of being processed. The current backlog of applications for driving tests arose in the last few months of 2002 and the beginning of 2003 at a time when the driver testing section was processing an average of 8,000 applications per week. A substantial increase in numbers applying followed the introduction of penalty points and media speculation about the introduction of further reforms of the driver licensing system impacting on holders of provisional licences. The Driver Testing Service is still grappling with the aftermath of this increase.

**14.13** The numbers applying for a test in 2002 was a record number of 192,000 but this was exceeded in 2003 when 234,000 applications were received - an increase of 22%. At the end of 2003, 119,000 persons were awaiting a driving test, increasing the waiting times countrywide to an average waiting time of 43.3 weeks at year-end. Applications levelled off to around 177,000 in 2004 and 2005 but increased again in 2006 when 216,880 applications were received. This increase is associated with increased publicity on road safety issues and speculation on the likelihood of changes in the driver-licensing regime.

**14.14** The Department's ability to respond to the sudden surge in demand in late 2002/early 2003 was severely limited. In 2002, the Government had decided to restrict public sector employment at existing levels, pledging it would be reduced by 5,000 by the year 2005. This restricted the Department from recruiting additional testers to cope with the increased demand in the light of pressures in other areas.

**14.15** Alternative measures were introduced to help reduce numbers waiting for tests. These included the introduction of a bonus scheme to encourage driver testers to carry out additional tests on an overtime basis in the period from April to November 2003. However, the scheme proved unattractive to testers, only three of whom worked the scheme.

In early 2005, a plan was formalised, in agreement with the Department of Finance, to deliver an additional 80,000 driving tests over an 18-month period. This plan was intended, in effect, to reduce the backlog to 40,000 – 50,000 which equates to an average waiting time of approximately 10 weeks. The three elements of the plan were

- the filling of eight existing driver tester vacancies
- the introduction of a new bonus scheme to deliver 40,000 tests
- the outsourcing of a block of 40,000 tests to a contractor.

**14.16** Following protracted industrial relations negotiations under the terms of Sustaining Progress, agreement was eventually reached in the Labour Relations Commission (LRC) in November 2005. On foot of this agreement, 11 testers have been recruited on two-year contracts and seven testers were recruited through redeployment from the Department of Agriculture and Food for a one-year period. This will deliver an additional annual capacity of 27,000 tests over a full year.

**14.17** The driver testers' union IMPACT subsequently referred the outsourcing element of the package to arbitration under Sustaining Progress. While the Arbitration Board found in IMPACT's favour, they pointed out in their adjudication that the backlog of driving tests represents a potential threat to road safety and urged a resumption of discussions at which all options should be considered, with a view to ensuring that a solution is implemented without delay. Following mediation meetings chaired by the CEO of the LRC which concluded on the 31 May 2006, proposals issued to both parties on the basis that they be recommended for acceptance. These proposals were accepted. The contract to outsource was signed on the 4 July 2006 and the contractor commenced delivering driving tests on the 23 October 2006. The contract is to deliver a maximum of 45,000 tests over an 18-month period. The LRC-mediated agreement provides for a review in early 2007 and specifically provides that nothing in the agreement precludes either party from entering into agreed new operational arrangements following the establishment of the RSA. All options will be kept under review to ensure satisfactory progress over the coming nine months.

**14.18** The average waiting time for 2005 was 34 weeks. Annex B compares the waiting times for 1998 and 2006. However, by February 2007, this had fallen to an average of 27 weeks and the redeployment of former Department of Agriculture staff and recruitment of additional testers had brought waiting times down even further in a number of centres e.g. Monaghan 16 weeks, Cavan 13 weeks, Tuam 14 weeks, Roscommon 14 weeks, Skibbereen 19 weeks and Tralee 22 weeks. As the tests being undertaken by the outside contractor got underway from late October, further reductions in waiting times are expected. The Minister for Transport has obtained additional funding of €10 million for the RSA in 2007 to enable the Authority to make further significant reductions in the numbers awaiting a test during 2007 with a view to reducing the waiting time to 10 weeks in the course of the year.

## ***Managing the Supply of Driving Tests***

### **Report Finding 3**

*The absence of a system to analyse and forecast the demand for driving tests hampered the Department's ability to plan the resources required to administer tests.*

### **Department Update**

**14.19** In 2000, the National Roads Authority (NRA) prepared a model to estimate the future demand for tests. However, this model was of limited use, as it only provided overall projections rather than figures relating to individual test centre locations. The overall figures produced by the NRA have been broadly in line with actual numbers of applications received apart from the surge in late 2002/early 2003.

**14.20** A more rigorous statistical analysis of the pattern and numbers of applications from different parts of the country may yield data that might help assess future application trends in different regions. However, as noted above, increases in applications can result from extraneous events such as media speculation on changes in driver licensing requirements rather than underlying demographic trends. In addition, the length of the waiting list can, in itself, result in people applying for a test before they are ready to undertake it (thus artificially inflating the waiting list). Therefore, such an analysis is unlikely to add significant value until the waiting lists have reduced. Nonetheless, the RSA is undertaking an analysis of likely future demand for driving tests.

### **Report Finding 4**

*A productivity target of 1,847 standard tests per tester had been set. It was expected in 1999 that this would not be reached and actual productivity would be well short. It was noted that one in ten tests were being conducted using overtime.*

### **Department Update**

**14.21** Normally eight standard 50-minute car tests are carried out per tester each day, with the service having capacity to carry out 200,000 tests annually. Tests in trucks and buses take twice as long as car tests while motorcycle tests take an hour. This figure includes a substantial number of tests conducted on overtime. It is essential to use overtime working in order to deal with current demand in the light of restrictions on additional staffing. In 2005, some 19,600 tests were conducted using overtime.

**14.22** In 1999, the number of standard 45-minute car tests carried out each day per tester was nine. This reduced to eight tests a day with effect from March 2002 as a result of an agreement reached in July 2000 with IMPACT to facilitate the introduction of new test requirements under the 1999 Regulations as well as additional requirements under a revised EU Directive. Increased traffic congestion at a large number of centres also meant it was not always possible to maintain a nine test day without major inconvenience to test candidates.

**14.23** The reduction to an eight-test day limited the maximum number of theoretical tests per tester to around 1,800 per annum i.e. eight tests per day over 228 days. Allowing for loss of tests due to sick leave, training, traffic congestion and weather conditions it was considered that each tester should be in a position to deliver 1,550 tests per year in normal time, or approximately 6.8 per day.

**14.24** The average number of standard tests conducted per day was 5.4 in 2005. The number coming off the waiting list, which includes those who did not turn up or did not comply with requirements, was 6.5 per tester per day. These figures were lower than in 2003 and 2004 which had an average of 7.1 coming off the waiting list per tester per day. The reduction in 2005 resulted from driver testers being required to undertake training in the testing of drivers of higher category vehicles during that year. The figure below outlines the number of applications received and the number of tests conducted in the period 2000 – 2006.

**Figure 14.1 Number of applications received and tests conducted 2000 – 2006**

	2000	2001	2002	2003	2004	2005	2006
Applications	166,908	181,370	192,016	233,889	177,667	177,216	216,880
Tests conducted	162,696	172,376	148,983	156,415	153,983	137,500	158,741

### Report Finding 5

*The Department proposed to employ extra testers on a temporary contract basis in order to increase the number of tests being carried out.*

### Department Update

**14.25** During 1999, six permanent driver testers were appointed and 29 contract testers were appointed. Six contract testers were appointed in 2000 and 13 recruited in 2001. Retired driver testers were also brought back into service during this period. The figure below sets out the number of testers in service at the end of each year since 2000.

**Figure 14.2 Number of testers in the period 2000 – 2006**

	2000	2001	2002	2003	2004	2005	2006
Number of testers	107	119	114	119	119	117	132

**14.26** Because of pressures in other areas it was not possible for the Department to allocate additional resources to driver testing given the Government decision to restrict Public Sector numbers. In 2006, however, 11 testers have been recruited on two-year contracts and, following agreement at the LRC, seven testers were recruited following redeployment from the Department of Agriculture and Food for a one year period. Retired testers have also been retained. The outsourcing of a block of up to 45,000 tests to a contractor will also add significant capacity for driver testing.

## Report Finding 6

*There was scope for tightening up the management of test appointments particularly in the area of cancellations of test.*

### Department Update

**14.27** Tests are cancelled only as a last resort. To this end, there is a 'spare tester' system in operation. This means that in the event of unforeseen absence by testers a replacement tester can be sent to cover his/her work. The limitation of this system is that only two testers are on spare rota at any one time. If the absence is of a short-term nature, the tester's work is covered by his/her supervisor if possible. If more than two testers are absent then tests must be cancelled. Adding additional testers to the spare rota would not be productive or efficient, as this would mean more testers would not be conducting tests if there were no absences. In addition, for a tester to operate on the spare list he/she must be capable of testing in all categories.

## *The Cost of Driver Testing*

## Report Finding 7

*There was scope for cost savings through better management of travel and subsistence and a revision of headquartering arrangements. It was also noted that changes in the rotation of testers between centres could yield savings.*

### Department Update

**14.28** Driving tests are conducted at 51 test centres located throughout the country, 27 of which are headquarter centres. The number of headquarter centres has not altered significantly over many years. IMPACT has strenuously resisted the designation of existing centres as headquarter centres or any changes in rotational arrangements, which would have the effect of reducing travel and subsistence payments. This lack of flexibility restricts the ability of management to deploy testers where and when they are needed. This, in turn, has contributed to long and uneven waiting lists countrywide. A responsive driver testing system would have testers permanently located at centres where there was sufficient demand on an ongoing basis and would have sufficient flexibility to deal with particular peaks and troughs in the level of applications at any particular centre. Negotiations are ongoing with IMPACT to change rotational arrangements in order to minimise the extent of travel and subsistence required to deliver the service and to increase the number of headquarter test centres.

## Report Finding 8

*At the time of the report 78% of the cost of the service was recouped by way of fees despite the fact that there was a policy to recover 100%.*

### Department Update

**14.29** The objective of the Driving Testing Service is that the service would be self-financing. The driving test fees have not been increased since 1992. The Department took the view that fees should only be increased in tandem with the elimination of inefficiencies in the service and significant improvements in the quality of the service delivered. The figure below sets out the amount received each year since 2000. It is estimated that the Driver Testing Service cost €12 million in 2005 as against receipts of €7.09 million. This represents recoupment of just 59% of costs.

**Figure 14.3 The amount of test fees received in the period 2000 – 2005**

	2000	2001	2002	2003	2004	2005
	€m	€m	€m	€m	€m	€m
Fees received	6.66	7.20	7.63	9.20	7.06	7.09

## Views of Accounting Officer

**14.30** Following the publication of the Value for Money report, the Department of the Environment, Heritage and Local Government engaged consultants to identify how best to organise the Driver Testing Service for the future. The consultants report was published in March 2001. Their main recommendation was that the best organisational structure to deliver the driving test service would be a public service agency, operating to a service standard set by the Minister and financed by test fees. The consultants also identified a need for significant investment in facilities and that driver test fees should be increased to help finance the cost. The consultants also recommended a rationalisation of the network of test centres.

**14.31** The Government endorsed the recommendations of the consultants, subject to reservations on the reduction in the number of test centres, by way of Government decision in July 2001. The Driver Testing and Standards Authority Bill, 2004 was designed to give a legislative basis for the changes.

**14.32** The Department of Transport took over responsibility for the Driver Testing Service in July 2002. The Department's focus is three-fold

- to progress the establishment of a modern public service agency to deliver driver testing in a cost effective and efficient way
- to identify and implement measures to eliminate the backlog of driving tests that arose in late 2002/ early 2003
- to develop a range of proposals for reform of the driver licensing regime so as to enhance the contribution that the service can make to improving road safety.

**14.33** In July 2005, the Government decided to assign additional functions to the new body and to rename it the RSA. The Road Safety Authority Act 2006 was enacted in May 2006 and the RSA came into effect in September 2006. The RSA now has day-to-day operational responsibility for the Driver Testing Service.

**14.34** Apart from the fundamental change brought about by the establishment of the RSA, there have been a number of specific improvements in the Driver Testing Service since 1999.

- The launching of the Driver Testing Service online facility in July 2001 which was the first public service website to facilitate payment online.
- In February 2005, the format of the motorbike test was changed to facilitate the introduction of radio communication between tester and candidate. The new test format is a better test of motorbike ability and has made it easier for testers to assess candidate's ability. However, as a result of the introduction of the new test format motorbike tests have moved to a 60-minute test slot time as opposed to the normal 50-minute slot time.
- In 2004, the Department also conducted a pilot scheme to assess issues relating to new technical checks being introduced and the possibility of the introduction of verbal feedback by testers to candidates. The verbal feedback scheme has not yet gone live due to time constraints as the combination of technical checks and oral feedback would lengthen the test time considerably and ultimately this would lead to a further test being dropped per day. The Department did not consider

this further reduction in productivity to be desirable having regard to the continuing high waiting times.

- A driver theory test was introduced in 2001. This has assisted in driver formation and has ensured that provisional licence holders have an adequate knowledge of the rules of the road before being allowed to drive on the road. The operation of the theory test has been contracted to a private company as a Public Private Partnership project. The delivery of the service has been well received by candidates with customer satisfaction surveys showing 90% satisfaction.
- In order to meet obligations under EU Directives, the Department, in consultation with the Office of Public Works embarked on a plan to locate 16 specially designed test centres throughout the country. These would provide an off-road compound for specific manoeuvres to be performed on HGV tests. To date, only three of these compounds exist – however, the RSA is to make securing the off-road compounds a priority.
- Two new driving test centres opened in Dublin during 1999. In 2004, a new permanent test centre, including off-road compound, was opened in Limerick bringing the number of centres in Limerick to two. In 2005, the driving test centre in Cork was extensively extended and refurbished. It is the RSA's intention to ensure that, as far as possible, driving test centres meet the needs of customers and staff.
- A specifically tailored Customer Care training course for driver testing administrative staff was conducted in 2003.

**14.35** In regard to the extent to which the revised arrangements have impacted on the performance of the Driver Testing Service the Accounting Officer informed me that the Driver Testing Service achieved its customer service targets in 2002 following the recruitment of additional testers and the opening of new test centres in the Dublin area. The service had also substantially revised its training and operating procedures with a view to delivering an improved standard of test and customer service. Unfortunately, an unprecedented level of demand in late 2002/early 2003, resulting from the introduction of penalty points and anticipated restrictions on learner drivers, exceeded the capacity of the service to deliver tests within the target waiting time. While this demand abated in 2004 and 2005, the additional 65,000 tests in the system from 2003 persisted due to resource constraints and industrial relations difficulties encountered when attempting to introduce a package of measures to deal with the backlog.

**14.36** In regard to the quality of customer service she informed me that the main initiative taken in this area was the online application system introduced in 2001. In addition, customer service training has been delivered to both administrative and testing staff. A new test report sheet is also more informative and applicants are able to see the areas where their driving skills need to be improved. The RSA proposes to upgrade the IT systems for the delivery of the service so as to, inter alia, reduce the number of tests lost through late cancellations by applicants.

**14.37** The operation of the outsourcing contract is expected to yield considerable benefits in relation to the development of a new booking and scheduling system for the Driver Testing Service as it will offer provisional booking systems and innovations such as text messaging as a means of ensuring candidates are in a position to attend their test. The service delivery arrangements employed by the private contractor will be carefully scrutinised to see what lessons can be learned and adapted to improve the delivery of the service overall.

**14.38** Regrettably, the long waiting times, which had been eliminated in 2002, returned for the reasons set out above. However, it is anticipated that the measures that have been taken, including the outsourcing arrangement, will see a significant reduction in waiting times by the middle of 2007.

**14.39** In regard to the cost of service delivery including the impact of overtime costs and bonus payments she informed me that, in 2005, the estimated cost of delivering the service was €12 million.

Overtime payments in respect of approximately 19,600 tests in 2005 cost €576,000 while bonus scheme payments, including overtime amounted to some €732,000 up to the end of July 2006. It is anticipated that up to 40,000 tests will be delivered under the bonus scheme.

**14.40** The Accounting Officer noted that a number of key constraints to value for money exist.

- Productivity is constrained by the additional testing requirements introduced on foot of the EU Directive on driver licensing and by increasing traffic congestion which limits the number of tests that can be delivered per day in some test centres. Some work practices, particularly existing headquartering and rotational arrangements also impact on productivity. Negotiations are underway to change these arrangements.
- The current backlog limits initiatives that can be taken to improve customer service. It also limits the potential to increase fees as the Department has taken the view that these should only be increased when significant improvements are seen in the quality of the service delivered.

**14.41** As noted earlier in this review, the LRC mediated agreement on outsourcing specifically provides that nothing in the agreement precludes either party from entering into agreed new operational arrangements following the establishment of the RSA. All options will be kept under review to ensure satisfactory progress and having regard to the provisions of Towards 2016<sup>28</sup> which specifically provide for a range of service delivery options, including outsourcing for exceptional situations involving temporary pressures or peaks, or in order to avoid excessive delays in the delivery of services.

**14.42** Having regard to all of the above factors, and the progress on reducing the backlog to date, the Accounting Officer stated that she is confident that the RSA will succeed in reducing the driver testing waiting times bringing them down to acceptable customer service levels and in improving the overall efficiency, effectiveness and value for money of the Driver Testing Service.

<sup>28</sup> Towards 2016 is the latest pay and modernisation agreement between the Government and Social Partners.





## **Annex**

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## Annex A Pass Rates for 1998 and 2006

Driving Test Centre	Percentage Pass Rate		Change in Pass Rate	Variation from Average	
	1998	2006		1998	2006
Athlone	54%	59%	5%	-3%	7%
Ballina	67%	63%	-4%	10%	11%
Birr	58%	63%	5%	1%	11%
Buncrana	67%	65%	-2%	10%	13%
Carlow	55%	42%	-13%	-2%	-10%
Carrick-On-Shannon	61%	56%	-5%	4%	4%
Castlebar	63%	60%	-3%	6%	8%
Cavan	57%	51%	-6%	0%	-1%
Churchtown	N/A	47%	N/A	N/A	-5%
Clifden	52%	57%	5%	-5%	5%
Clonmel	54%	44%	-10%	-3%	-8%
Cork	64%	52%	-12%	7%	0%
Donegal	55%	60%	5%	-2%	8%
Dundalk	56%	55%	-1%	-1%	3%
Dungarvan	53%	52%	-1%	-4%	0%
Ennis	57%	64%	7%	0%	12%
Finglas	53%	46%	-7%	-4%	-6%
Galway	57%	61%	4%	0%	9%
Gorey	47%	48%	1%	-10%	-4%
Kilkenny	59%	44%	-15%	2%	-8%
Killarney	59%	58%	-1%	2%	6%
Kilrush	65%	58%	-7%	8%	6%
Letterkenny	61%	57%	-4%	4%	5%

Driving Test Centre	Percentage Pass Rate		Change in Pass Rate	Variation from Average	
	1998	2006		1998	2006
Limerick	62%	61%	-1%	5%	9%
Longford	61%	54%	-7%	4%	2%
Loughrea	65%	56%	-9%	8%	4%
Mallow	60%	55%	-5%	3%	3%
Monaghan	63%	48%	-15%	6%	-4%
Mullingar	63%	57%	-6%	6%	5%
Naas	54%	50%	-4%	-3%	1%
Navan	56%	53%	-3%	-1%	1%
Nenagh	52%	52%	0%	-5%	0%
Newcastle West	64%	60%	-4%	7%	8%
Portlaoise	54%	46%	-8%	-3%	-6%
Raheny	N/A	51%	N/A	N/A	-1%
Rathgar	50%	45%	-5%	-7%	-7%
Roscommon	60%	61%	1%	3%	9%
Shannon	64%	61%	-3%	7%	9%
Skibbereen	68%	56%	-12%	11%	4%
Sligo	71%	61%	-10%	14%	9%
Tallaght	N/A	48%	N/A	N/A	-4%
Thurles	51%	46%	-5%	-6%	-6%
Tipperary	52%	48%	-4%	-5%	-4%
Tralee	62%	56%	-6%	5%	4%
Tuam	60%	62%	2%	3%	8%
Tullamore	63%	53%	-10%	6%	1%
Waterford	53%	50%	-3%	-4%	-2%
Wexford	55%	49%	-6%	-2%	-3%
Wicklow	49%	45%	-4%	-8%	-7%
<b>Average for all centres</b>	<b>57%</b>	<b>52%</b>			

## Annex B    Waiting Times for 1998 and 2006

Driving Test Centre	Weeks Waiting	
	1998	2006 <sup>a</sup>
Athlone	19	29
Ballina	43	27
Birr	28	29
Buncrana	21	30
Carlow	22	45
Carrick-On-Shannon	18	29
Castlebar	38	29
Cavan	30	11
Churchtown	N/A	29
Clifden	23	28
Clonmel	31	44
Cork	43	34
Donegal	31	23
Dundalk	29	38
Dungarvan	18	38
Ennis	29	38
Finglas	59	34
Galway	36	42
Gorey	27	37
Kilkenny	23	26
Killarney	30	22
Kilrush	31	31
Letterkenny	44	29
Limerick	35	37
Longford	15	26
Loughrea	23	22

Driving Test Centre	Weeks Waiting	
	1998	2006
Mallow	31	27
Monaghan	13	18
Mullingar	31	32
Naas	31	32
Navan	33	26
Nenagh	21	48
Newcastle West	35	29
Portlaoise	25	29
Raheny	N/A	36
Rathgar	47	29
Roscommon	32	16
Shannon	41	41
Skibbereen	34	21
Sligo	33	27
Tallaght	N/A	34
Thurles	15	32
Tipperary	16	30
Tralee	31	22
Tuam	26	13
Tullamore	21	30
Waterford	24	30
Wexford	24	24
Wicklow	28	34
<b>Average for all centres</b>	<b>29.7</b>	<b>29.9</b>

Note: Waiting times are approximated and indicative only.

a Average waiting time as at 31/12/2006

## **Chapter 15**

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### **Met Éireann**





## 15 Met Éireann

**15.1** This report reviewed how Met Éireann's performance was measured, in the context of its stated objective, to meet the national requirement for high quality weather forecasts, associated services and the existence of an administrative budget agreement with its supervising Department.

### Performance Issues

**15.2** The report dealt with issues regarding

- accuracy of weather forecasting
- how the performance of Met Éireann was managed.

### *Accuracy of Weather Forecasting*

#### Report Finding 1

*For most areas of the service it provides, including the broadcast forecasts and weather warning systems which are of most interest to the public, accuracy levels are currently not assessed.*

#### Department Update

**15.3** The verification scores for the most important parameters, i.e. maximum temperature, minimum temperature and rainfall, have been published in the Annual Reports since 2001. The published results also include a comparison with standard persistence forecasts<sup>29</sup>. Results show that Met Éireann forecasts are substantially better than the persistence forecasts in all cases. They show that, over the period 2001-2005, forecast accuracy remained relatively constant. This is consistent with international experience that significant improvements in the accuracy of meteorological forecasts are observed over decades rather than years.

**15.4** For wind warnings the number of 'hits', 'misses' and 'false alarms' are counted and verification scores are calculated according to internationally recognised criteria. A warning is not considered to have been successful unless there is a lead-time of 12 hours between the issue of the warning and the occurrence of the severe gust. Wind-warning verification scores have been calculated for the years 2002 to 2005. However, because of the fact that gusts exceeding 60 knots occur only a few times per year Met Éireann has decided that the statistical basis for analysis requires more detailed assessment over a longer period before results can be published. For 2005, the hit rate was 80% and the false alarm rate was 2%.

### *Managing Performance*

#### Report Finding 2

*There is no Service Level Agreement between the Department and Met Éireann.*

#### Department Update

**15.5** The Administrative Budget agreement is a service-level agreement at a strategic level. In the Value for Money report it is remarked that "...the administrative budget agreement between Met Éireann and the Department of Public Enterprise has provision for the setting of lists of 'service outputs' but these are at

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<sup>29</sup> A persistence forecast is one that assumes that tomorrow's weather will be the same as today.

an early stage of development.” In the subsequent Administrative Budget Agreement (July 2000), and partly in response to the Value for Money conclusions, the service-output section of the agreement was developed further. The following actions relevant to the Value for Money report were included.

- In the case of the forecasting outputs, a verification measure for at least one key product in each sector would be redeveloped during 2000 and the verification scores published in the Annual Report.
- A statement of the public-service obligation of Met Éireann would be agreed between Met Éireann and the Department of Public Enterprise during 2000.
- Investigation of transparent accounting for commercial activities, begun in 2000, would continue. An accounting system enabling calculation of the cost, revenue and profit of each of Met Éireann’s main commercial services would be put in place by the end of 2001.
- The subsequent Administrative Budget Agreement with the Department of Public Enterprise was concluded in 2002 and included a similar set of service outputs.

**15.6** In June 2002, the role of supervising Met Éireann was transferred to the Department of Environment, Heritage and Local Government (DEHLG). It was agreed in principle that Met Éireann would continue to operate under an Administrative Budget Agreement in the new Department and, until such an agreement could be negotiated, the terms of the agreement with the Department of Public Enterprise would be honoured. The period of this last agreement has now expired and the DEHLG is currently finalising a new agreement with the Department of Finance.

### **Report Finding 3**

*Many of the elements required for performance measurement are in place but they have not been brought together in a coherent performance management system, despite recognition over many years that such a system is required.*

### **Department Update**

**15.7** The 1999 Strategy Statement referred to in the Value for Money report was subsequently replaced by one covering the period 2003-2005 and this has since been revised and extended to cover 2005-2007. For each high-level goal, it identifies a number of relevant objectives each of which has a set of clearly linked strategies and key performance indicators. There is now a clearer emphasis on outputs and outcomes.

**15.8** DEHLG has produced an action plan on the Sustaining Progress agreement that includes a number of actions by Met Éireann along with dates for their completion. Regular progress reports are submitted by Met Éireann to the Department.

**15.9** The Accounting Officer informed me that Met Éireann now operates with benchmarks and output targets contained in the Strategy Statement and defined in connection with Sustaining Progress and Towards 2016 and, in particular

### *Accurate Forecasting*

- Strategy – Continue to produce accurate forecasts and disseminate them via the media and the Met Éireann website.
- Key Performance Indicator – Continued output of mainstream forecast products and accuracy of the forecasts as measured by a rigorous verification system. The accuracy of the forecasts is measured against persistence forecasts and the results from previous years. The verification results and both these comparators are included in the Met Éireann Annual Report.

### *Timely Responses to Requests for Climatological Information*

- Strategy – Continue to provide a range of climatological information and services to both Public Service and Commercial customers.
- Key Performance Indicator – Timely response provided to external requests as set out in a Customer Charter. Met Éireann sets the following targets.
  - o Routine requests for climatological data will receive a response within five working days.
  - o More complex enquiries generally receive a response within 10 working days.
  - o Customers are advised if the response time is likely to exceed 15 working days.

### **Report Finding 4**

*Met Éireann's public service and commercial roles are not clearly defined.*

### **Department Update**

**15.10** Following the transfer of responsibility for Met Éireann to DEHLG, the Statement of Public-Service Functions was updated and submitted to the new Department. It has now been finalised and approved by the Minister.

### **Report Finding 5**

*A comprehensive and reliable performance measurement system would contribute significantly to the management decision-making process within Met Éireann. It would also help to define more clearly the level of service which Met Éireann is expected to deliver and provide a sound basis for the process of accountability between Met Éireann and the Department.*

### **Department Update**

**15.11** It is considered that the following measures, now in place, meet the requirement for an adequate performance measurement system

- the Statement of Strategy
- the approved Statement of Public Service Functions
- business plan and reporting arrangements in relation to Sustaining Progress.

**15.12** In regard to the system of monthly performance reporting, the Accounting Officer informed me that a Management Committee, chaired by the Director and including the heads of all Met Éireann Divisions, meets monthly and considers all significant developments in the organisation, including financial management, project management and general performance. The Director of Met Éireann reports directly to, and meets regularly with, the Secretary General of the Department in relation to these matters.

**Report Finding 6**

*There has been little progress in the development of a suitable costing system which would be central to any performance measurement system.*

**Department Update**

**15.13** At the time of the Value for Money examination Met Éireann already had plans to employ consultants to advise on this area. The recommendations of the consultants, who were engaged in June 2000, may be summarised as follows.

- Met Éireann's costing requirements should be met within the SMI Generic Model<sup>30</sup> for financial management, which was due to be implemented within a few years.
- Pending the implementation of the Generic Model, an Interim Accounts System (IAS) was to be set up in Met Éireann. This system would allocate all costs, including support costs over a set of activity categories covering the public-service, commercial and civil aviation sectors of the organisation's activities. It was to be a simple, cash-based system operating in parallel with the Appropriation Accounts.

**15.14** The IAS has been set up in house and has been operating since 2001. It makes possible the calculation of the costs and income associated with each of 28 activity categories grouped into Core, Public Weather Service, Civil Aviation and Commercial sectors. While the future development of the MIF envisages the allocation of support costs to cost centres, it is not as yet in a position to meet all Met Éireann's costing requirements. For this reason, the IAS has been continued. One of the most important applications of the IAS is the calculation of charges to civil aviation for the supply of meteorological services in accordance with the recommendations of an interdepartmental Working Group (Review of Met Éireann Aviation-Related Costs, 2002).

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<sup>30</sup> This is now known as the Management Information Framework (MIF).

## Views of Accounting Officer

**15.15** Since the Value for Money report was completed there have been two external evaluations of different aspects of Met Éireann systems.

- Evaluative work was carried out in 2001 in relation to the introduction of the IAS.
- In 2006, the Aviation Services Division of Met Éireann was audited by the National Supervisory Authority<sup>31</sup> to ensure compliance with the practices defined by the International Civil Aviation Organisation.

**15.16** Internal Met Éireann evaluation indicates that the verification systems are operating as planned. In 2002, an interdepartmental working group – Review of Met Éireann Aviation-Related Costs – made recommendations on the charging of services provided for civilian aviation use. The Accounting Officer assured me that most of the information and performance deficiencies noted in the report have been addressed and, in particular.

- Through the Annual Report the public now has access to objective verification scores for one of the main public weather forecasts. Verification statistics for other sectors of forecasting activity are also available in the Annual Report.
- The IAS, introduced in 2001, enables the organisation's activities in the areas of public service, commerce and civil aviation to be costed in a reliable and transparent manner. For technical reasons, it has not so far proved possible to integrate this into the Department's accounting system.
- The Statement of Public Service Functions of Met Éireann clearly defines the role of the organisation and provides a sound basis for its Strategy Statement and financial arrangements.

**15.17** With regard to the accuracy of forecasts, the new verification system makes detailed statistics available to management for monitoring and analysis purposes, and the existence of these enables any deficiencies in the forecasting operation to be detected quickly and remedial action taken, if necessary.

**15.18** It is the policy of Met Éireann to keep the cost of service delivery under review to optimise value for money and to ensure that the organisation operates in a cost effective manner. The financial activities of Met Éireann are subject to standardised monitoring arrangements operated by the Department.

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<sup>31</sup> A designation of the Irish Aviation Authority.



## **Chapter 16**

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### **Special Housing Aid for the Elderly**





## 16 Special Housing Aid for the Elderly

**16.1** The objective of the report was to assess how the scheme was being delivered and to review the arrangements for the evaluation of the effectiveness of the scheme.

### Performance Issues

**16.2** The report findings reflected concerns regarding

- the implementation of the scheme
- the evaluation of the scheme.

### *Implementing the Scheme*

#### Report Finding 1

*The report found that the scheme was delivered in a variety of ways across the various Health Boards. There was a need to assess the value of local initiatives in order to apply the best approaches across all health boards. For instance, it found that some Health Boards placed emphasis on the use of grants where the applicant engages the contractor directly. At the time of the report the grant-based approach was used in 38% of cases. While the use of the grant-based approach is administratively efficient, it could also act as a barrier to entry for an elderly person wishing to avail of the scheme. Thus, the ability of elderly people to avail of the scheme and the manner in which they benefited from it depended greatly on where they happened to live.*

#### Department Update

**16.3** In May 2001, the Task Force on Special Housing Aid for the Elderly directed the Health Boards to ensure that the methodology used would not deter or exclude any older person qualified under the terms of the scheme from applying for or receiving aid. It requested Programme Managers to ensure that the scheme is operated using a combination of approaches and the approach applied in each case tailored to the individual's circumstances. In particular, it was stressed that the onus of employing a contractor to carry out works should not be an inhibiting factor for elderly people wishing to avail of the scheme.

**16.4** In response to my query on whether the Department of Environment, Heritage and Local Government got evidence that the Task Force directions are being implemented the Accounting Officer informed me that the Department continuously monitors the implementation of the Task Force directions through its regular contacts with the HSE officers with responsibility for the scheme. The Department is satisfied that its request for a tailored approach is being implemented. The Department also reports that there has been no negative feedback from scheme participants regarding the administration of the Scheme.

## Report Finding 2

*There was, at the time of the report, a growing backlog of applications and the average time interval between receipt of applications and completion of works. Departmental records indicated that the former health boards required approximately €21.6 million to clear the backlog of applications at 31 December 1999. However, health boards advised that, even if the funds were provided, they would be unable to eliminate the backlogs due to insufficient administrative capacity and non-availability of building contractors or FÁS workers.*

## Department Update

**16.5** The Department informed me that it monitors the number of Special Housing Aid for the Elderly applications on hand twice yearly. The HSE operates a priority system whereby applicants with the most urgent health/housing need are given priority, therefore, waiting times vary depending on the priority afforded by the Environmental Health Officer (EHO) to individual applications. No data was supplied on current waiting times, however, a decrease in the number of applications on hand from 8,379 in 2000 to 5,595 in 2005 indicates that some progress has been made.

## Report Finding 3

*It was noted that due to the construction boom absorbing contractors and FÁS Trainees the delay in repairs was likely to worsen considerably. The report suggested that an innovative and concerted effort was required at local and national level to identify ways of dealing with impediments to ensure priority work was carried out.*

## Department Update

**16.6** Meetings were held between the Department, FÁS and the former Health Boards. As a result, it was agreed that the former Western Health Board would use the Community Employment Scheme as a means of carrying out work. In the former Eastern Health Board area, the Social Economy Scheme was employed to carry out works. Other Health Boards had either a panel of contractors or advertised for contractors.

**16.7** In regard to the extent to which these arrangements were successful in dealing with the scarcity of contractors and trainers, the Accounting Officer informed me that the extended use of FÁS Schemes has been very successful in having works carried out under the scheme. The use of these schemes is considered by the HSE to represent good value for money. Output increased by an average of 45%. Over the period 2000 – 2005 the number of applications dealt with has increased from 3,600 to 5,200 annually.

## Evaluating the Scheme

## Report Finding 4

*There was an absence of systems, practices and procedures to underpin an evaluation of the effectiveness of the scheme in terms of achieving its objectives.*

## Department Update

**16.8** The effectiveness of the scheme in terms of the quality of service provided and of reaching the target population was unclear due to a lack of a specific needs assessment. A survey of past applicants was conducted in the former Western Health Board region during 2003 with a view to gauging the level of satisfaction with the scheme, including the provision of information. The mean age of the participants

in the main survey was 76. Overall, there was a general level of satisfaction in relation to the length of time involved in the overall process and the quality of the work.

**16.9** The majority of elderly (53%) were not aware of the existence of the scheme. The Accounting Officer has informed me that the HSE has responded to this by making Public Health Nurses aware of the Special Housing Aid for the Elderly Scheme and its potential benefits for the elderly. The scheme is advertised in local newspapers and highlighted with press releases periodically.

### **Report Finding 5**

*The absence of a needs profile on individual cases made it difficult to prioritise applicants. It was recommended that the Department instigate a formal needs analysis to identify the full extent of the problems associated with elderly people living in substandard accommodation.*

### **Department Update**

**16.10** A Project Steering Group was established with a view to having a pilot needs assessment undertaken in the former Western Health Board area. Questionnaires were circulated and a comprehensive inspection of dwellings was carried out by an EHO.

**16.11** The EHO assessment of the conditions of the dwellings included an evaluation of overcrowding, dampness, water/drainage, plumbing, bathroom/kitchen facilities, heating and electrical systems and safety and security. The EHO set out the time scale in relation to the urgency for the various repairs necessary and found that the greatest numbers of dwellings (28%) required rewiring within the next five years while 26% required window replacement.

**16.12** A report on the findings was completed in 2004 and it offers an insight into the present state of housing for older people. It noted that there was a need to prioritise applicants who lack basic water and sanitation facilities. It recommended co-operation between HSE and local authorities to facilitate compliance with water quality standards, the fitting of smoke alarms for approved applicants, the setting of a standard time limit for the processing of all applications and for the commencement of work.

**16.13** The extension of the pilot needs assessments to other HSE areas is being considered in the context of the new HSE organisational arrangements and the review of the disabled persons and essential repairs grant schemes being undertaken in the Department.

**16.14** The Accounting Officer has informed me that a new needs assessment incorporating the lessons learned from the pilot programme will be rolled out on a national basis.

## Views of Accounting Officer

**16.15** Since the report was issued, it has been a time of significant change within the Department of Environment, Heritage and Local Government (DEHLG). Additionally, there have been recent changes in the structure of the Health Boards. Four regional organisational areas of the Health Service Executive (HSE) have replaced the former eight Health Boards. Responsibility for the operation of the scheme is a matter for the Directorate of Primary, Community and Continuing Care in each of the relevant areas. DEHLG plan to meet with officials of the HSE at an early date to discuss the operation of the scheme under the new re-organised structures.

**16.16** As stated in the report, the value of this type of scheme cannot be judged solely in monetary terms but also must be considered in terms of its social implications, particularly in relation to the well-being of the elderly persons that it serves. The primary aim of the Special Housing Aid for the Elderly scheme is to undertake works which will prolong the useful life of a house and prevent deterioration in the living conditions of an elderly person, thereby allowing them the comfort, dignity and independence to remain in their own homes for as long as they are physically able. The scheme has resulted in a large number of elderly persons not having to avail of institutional or nursing home care. In addition, expenditure represents good value for money when set against the potential alternative of having to provide for badly housed older people in residential care.

**16.17** Improvements have been made to the operation of the scheme and some positive trends can be identified in terms of output and backlog figures. Good progress has been made under the scheme since 2000. The number of jobs completed in 2005 was over 5,200 compared with an output of 3,600 in 2000. The upward trend in output has had an impact on the number of applications on hand which has fallen from a high of almost 11,000 in 2001 to 5,595 in 2005. The programme continues to be supported by significant capital funding. The spending outturn in 2005 was €16.5 million and the 2006 estimate is €17 million.

**16.18** The Department has undertaken a comprehensive review of the Special Housing Aid for the Elderly and the Disabled Persons Housing Grant Scheme. The revised scheme will build on the positive aspects of the current scheme and will draw on the recommendations of the Comptroller and Auditor General's report and the outcome of the pilot study on needs assessment.

**16.19** Since its introduction in 1982 the scheme has helped over 65,800 elderly households (nearly 28,000 since 2000) to improve their homes and living conditions. In turn, this has helped give a significant portion of the Irish elderly population the choice to remain at home and avoid residential care.

**16.20** In regard to its cost effectiveness, the Accounting Officer informed me that the Department and the HSE were proactive in pursuing innovative procurement and the contracting out of jobs. Where possible, the scheme administrators have used the available FÁS schemes to achieve increased cost efficiencies and value for money. Since the report in 2000, the scheme has also managed to secure an increase in the total annual number of jobs carried out during a period of unprecedented competition for construction workers.

## **Chapter 17**

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### **Collection of Fines**



## 17 Collection of Fines

**17.1** This report aimed primarily to establish how efficiently and effectively the fines system is managed. The examination sought to address the following questions

- when finable offences are detected, how successful is the fines system in ensuring that financial penalties are imposed and collected?
- how well are the various processes in the fines system managed by An Garda Síochána and the Courts Service?

## Performance Issues

**17.2** The report findings reflected concerns regarding

- Management of the fines system
- Garda on-the-spot fines
- Enforcement of fines.

### ***Management of the Fines System***

#### **Report Finding 1**

*It was noted that there was almost no overall management or co-ordination of the fines system. It was recommended that clear responsibility and accountability for the overall performance of the system should be determined including agreeing relevant and challenging performance targets for all involved and regular reporting on management achievements.*

#### **Department Update**

**17.3** An inter-departmental High Level Group was established to examine the possible means of collecting unpaid court imposed fines. The main recommendations of the Group which reported in November 2001 were as follows.

- The establishment of an Executive Office under the aegis of the Department of Justice, Equality and Law Reform (the Department) comprising a Director and support staff drawn on secondment from the various organisations who currently have an input into the management and collection of fines. The Executive Office should give consideration to outsourcing the collection of fines to a commercial body or to take on the task itself. Any outsourced contract should be on the basis of a request for information and should be subject to a rigorous trial period of, say, three years.
- The establishment of an advisory Board made up of representatives of those organisations and also representatives from the general community.
- That the functions of the Office and Board would be to implement the recommendations of the report, to carry out research on the topic and to advise the Minister on any further steps that need to be taken and the promotion of required legislation.
- That the efficiency of the fines payment process be improved by
  - o extending the use of debit/credit cards and existing national bill payment networks
  - o extending the use of Personal Public Service Number to the Criminal Justice area

- o improving the Criminal Courts Tracking System (CCTS), the National Driver File system and the Garda on-the-spot fines system. Improved interfaces should be given urgent priority by the information technology group on fines.
- Improving enforcement of fines through the introduction of the following measures
  - o payment of fines by instalment (Fines Bill, 2007)
  - o extended time to pay (Fines Bill, 2007)
  - o supervision/advice orders
  - o detention of vehicles
  - o attachment of earnings
  - o attachment of property
  - o incremental added administration fees
  - o imposition of Community Service in lieu of a custodial sentence.

**17.4** The recommendation to establish an Executive Office has not been proceeded with, primarily due to the fact that it would require staffing resources on a scale that the Department does not have. Moreover, and with the passage of time since the group has reported, the Department favoured a substantially different approach to achieving its core objectives.

**17.5** The Department favoured an outsourced model and, in this regard, a pilot programme of fines collection was undertaken. The pilot test involved

- engagement of a commercial body - a credit management organisation - to conduct the pilot
- supply of data in relation to the individual fines by the Courts Service (via the Department) to the collection agency
- the use of a collection methodology with the following features
  - o letter cycle comprising three letters to individual recorded addresses, each letter being sterner in nature to its predecessor
  - o tracking and tracing of telephone details and subsequent contact
  - o tracing of individuals with invalid addresses.

**17.6** Under the pilot arrangements, a sample of 5,500 individual cases, involving overdue fines with a value of €2.1 million ranging in date from 1999 – 2005, was provided to the credit management agency.

**17.7** The pilot ended in November 2006 and the outcomes are currently being reviewed by the Department. Initial analysis indicated that some 16% of the cases with a value in the region of €380,000 had been cleared.



## Garda on-the-spot Fines

### Report Finding 2

*The payment performance in respect of “on-the-spot” fixed penalty fines in 1998 was*

- 84% of speeding motorists paid
- 61% of illegally parked motorists paid
- 26% of owners of vehicles with no tax or insurance paid.

### Department Update

**17.8** Figure 17.1 compares the results found in 1998 with those for 2005. An improvement occurred in the collection of fines for both the parking and display of disc violations while that for speeding violations decreased.

**Figure 17.1 Collection performance 1998 and 2005**

Type of violation	1998	2005
Speeding violation	82%	78%
Parking violation	57%	68%
Display of disc violation	25%	63%
<b>All on-the-spot cases</b>	<b>63%</b>	<b>70%</b>

**17.9** A Fixed Charge Processing System (FCPS) which is a computer based system that assists An Garda Síochána in the processing of fixed charge offences under the Road Traffic Acts was introduced on a pilot basis in 2005. The 2005 figures do not include notices issued under FCPS<sup>32</sup>.

## Enforcement of Fines

### Report Finding 3

*It was found that over 20% of the parking and disc display offences detected in 1998 were cancelled or allowed to lapse. This prevented targeted action being taken to ensure unpaid “on-the-spot” fines were followed up. It was recommended that a more effective approach to pursuing persistent offenders was needed.*

### Department Update

**17.10** It is difficult to identify persistent offenders due to the manner in which the system is currently organised. When an offence is committed it is given a case number rather than a number which will identify the offender. However, the Department is proposing to introduce the Personal Public Service Number as a unique identifier for offenders.

<sup>32</sup> In 2005, 78,773 fines were issued for speeding and 6,816 for seat belt offences under FCPS.

**17.11** Figure 17.2 presents the percentage of fine notices that were cancelled or spoiled in 1998 and 2005. There has been a marked change in the number of fine notices that were cancelled or spoiled over the period 1998 - 2005.

**Figure 17.2 Rate of cancellation or spoiling of fine notices**

Type of violation	1998	2005
Speeding violation	1%	3%
Parking violation	9%	7%
Display of disc violation	15%	7%
<b>Total percentage of fines cancelled or spoiled</b>	<b>7%</b>	<b>6%</b>
Total number of fines cancelled or spoiled	24,071	10,948
Estimated value of fixed penalties forgone	€1 million	€1.1 million

#### Report Finding 4

*The evidence at the time suggested that many fines imposed by the Courts were not collected, resulting in a considerable loss of revenue. The main mechanism used to enforce payments of fines was the issue of warrants. Many warrants were not acted upon due to long delays in their issuing and execution. It was noted in the report that other enforcement procedures could be more effective.*

#### Department Update

**17.12** In 1998, the total value of fines imposed was estimated at around €15.6 million (an average fine of around €127), the corresponding figure for 2005 was €24.5 million (an average fine value of €250).

**17.13** 55% of fines imposed in the Dublin Metropolitan District (DMD) in 1998 had been paid by 2001. Of the fines imposed in the DMD in 2005, 30% were paid within that year and the collection rate had risen to 49% by 3 November 2006. This suggests that just over half of all Court imposed fines are ultimately collected in the Dublin area.

**17.14** On a nationwide basis, 41% of fines imposed in 2005 were collected that year and the collection rate had risen to 66% by 3 November 2006.

#### Report Finding 5

*The average time between detection and a court hearing was around 259 days (eight and a half months). This time lag has increased since 1984. It was noted in the report that if all the steps in the legal process were carried out more efficiently and expeditiously, the overall elapsed time for legal proceedings would be reduced considerably.*

#### Department Update

**17.15** The following figure shows the average time taken for each stage of the legal proceedings process. The average time between detection and a court hearing in 1998 was approximately 259 days (eight and a half months), Figure 17.3 below shows that by 2004 this had risen to 344 days (11 months and one week).

**Figure 17.3 Average time in the legal proceedings process - 2004**

<b>Stages in Legal Proceedings in District Court Fine Cases</b>	<b>Elapsed time (days)</b>
Date of detection of offence to date of summons application	148
Date of summons application to date of issue of summons	79
Date of issue of summons to date of court hearing	117
<b>Total</b>	<b>344</b>

## Information Deficiencies

When my Office attempted to follow-up on the issues the following information was not readily available in respect of recent processing

- 1) A breakdown of the reasons for cancellation of on-the-spot fine notices. The Department stated that this information was not currently available.
- 2) The reasons for non-service of summonses. The Department stated that this information is collated at station level but that it is not collated centrally.
- 3) The percentage of the District Court fine cases that commenced nationally which
  - resulted in the case being withdrawn because the fine (and any late penalties) was paid prior to the court hearing
  - resulted in a court hearing
  - were withdrawn or struck out because the summons was not served
  - were withdrawn or struck out for other reasons
- 4) The number of District Court fine cases that resulted in the following outcomes
  - convictions other than fines and/or penalty points
  - charges taken into account
  - case dismissed
- 5) The proportion of driving licence holders that had penalty points and/or an endorsement recorded against their licences for penalty points/licence endorsements imposed by courts in relation to District Court fine cases. The Department stated that the penalty point information is not currently available.

Overall, there is a need to streamline the information systems to ensure that this type of information is available for performance monitoring and policy formulation.

## Views of Accounting Officer

**17.16** Since September 2004, the CCTS has been fully rolled out and is now utilised to provide management information on a national basis.

**17.17** More recently the Department has looked at the possibility of using external agencies to collect unpaid fines. Arising from this, it is currently in the process of pilot testing a random sample of 10% of total unpaid fines to establish if the unpaid fines in question are collectable using such methods. (See Report Finding 1)

**17.18** Currently, a project is in progress which aims to centralise the accounting and processing of a range of financial transactions that arise from the operation of the District Courts. This will see the establishment of a central courts accounting processing unit and the transfer of most of the labour intensive manual processes from the 40 or more local offices into a single office with the aim of achieving significant economies of scale and providing a range of payment options. This system will have the capability of interfacing with the CCTS - reducing data input duplication. Since this system is to be a centralised process, it is envisaged that information retrieval will be facilitated more easily.

**17.19** These enhancements should enable more proactive administration of the fines collection process and also the availability of better management information. The Accounting Officer stated that while the centralisation of processing is one positive move in improving the fines collection process it must be accompanied by other initiatives. The fines collection process needs to commence much earlier than at present, by engaging with persons coming to court and establishing an expectation that one of the outcomes could be the imposition of a fine and that they should come to court prepared to discharge the fine. This and other initiatives require resources.

**17.20** The FCPS was rolled out in phases to the Dublin Metropolitan Region, Cork City and parts of Louth and Meath during 2005. The system catered for the two fixed charge offences operating at that time – speeding and non-wearing of seat belts. In addition to these there were, at that time, two offences which incurred penalty points but where the option of paying a fixed charge is not offered and the driver must appear in court – driving without insurance and driving carelessly. On 2 February 2006, the system was extended from the pilot areas to the whole country.

**17.21** FCPS now covers all the offences which impact most on road safety. On 3 April 2006, FCPS was extended by the addition of 31 other penalty point offences bringing the total number of penalty point offences to 35. Fixed charges apply on 30 of these offences. On 10 April 2006, the system was integrated with the PULSE system enabling the linking of offences so that single summons applications can be generated. In relation to the collection of these fines, a standard 28 days from the date of the notice has been allowed in which to pay the fine. If the fine remains unpaid at the end of this period the fine is automatically increased by 50% for the next 28 days. If, at the end of 56 days from the date of the fixed penalty notice, the amount remains unpaid, the issue is referred to the Courts. This incremental increase in the amount due should reduce the number of these types of cases which have to be referred to the courts.

**17.22** In conjunction with this extension of FCPS, the roll-out in respect of the processing of fixed charge payments by An Post, rather than by An Garda Síochána is proceeding. Since the end of March 2006, the service was available in over 130 post offices covering all Garda Districts. As of 19 May 2006, An Post has 515 post offices throughout the country capable of accepting payments. The availability of an increasing number of post offices which can accept fixed charge payments is likely to result in an increase in the payment rate.

## **Part C      Cross-Cutting Reports**

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## **Chapter 18**

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### **Consultancies in the Civil Service**





## **18 Consultancies in the Civil Service**

**18.1** The original report set out to establish the extent of the use of consultants in the Civil Service and to what degree the impact of consultancies was being measured. It reported on survey returns in respect of 983 consultancies commissioned by Departments and Offices at a cost of €79.6 million over the period 1994 - 1996.

**18.2** Following the issue of the report the Department of Finance introduced guidelines for engagement of consultants in the Civil Service in March 1999. The guidelines set out best practice principles for the engagement and management of external consultants by Government Departments and Offices. This chapter examines the current position following the issue of the Department of Finance guidelines.

### **Volume of Consultancy 2004 - 2005**

**18.3** A follow-up survey conducted by my Office received responses in respect of 1,159 consultancies which were in progress in the course of 2004 and 2005. The responses reported €124 million as the total cost of these consultancies. Expenditure in respect of 699 consultancies, where the value of the consultancy was greater than €2,697, amounted to €21.5 million, or 98% of the total expenditure for the two years. Analysis of the survey responses was confined to these consultancies.

**18.4** Figure 18.1 shows the total value of consultancy work being undertaken in Departments and Offices in the two years 2004 and 2005 together with the number of consultancies involved. The Office of the Revenue Commissioners had the largest value of consultancies at €40 million spread over 33 consultancies.

**Figure 18.1 Total value and number of consultancies per Department in 2004 and 2005**

Department/Office	Total value <sup>a</sup>	Number
	€	
Office of the Revenue Commissioners	40,011,000	33
Department of Social and Family Affairs	11,625,693	34
Department of Education and Science	10,390,580	139
Department of Communications, Marine and Natural Resources	9,460,635	76
Department of Foreign Affairs	7,985,644	116
Central Statistics Office	7,730,353	4
Department of Finance	6,111,617	29
Department of Justice, Equality and Law Reform	5,576,479	53
Department of Community, Rural and Gaeltacht Affairs	5,426,757	42
Department of Transport	4,152,860	30
Department of Arts, Sport and Tourism	3,199,960	35
Director of Public Prosecutions	2,563,967	5
Department of Health and Children	1,276,053	19
Department of Enterprise, Trade and Employment	1,138,903	14
Other <sup>b</sup>	4,809,460	70
<b>Totals</b>	<b>121,459,961</b>	<b>699</b>

**Notes**

a The total value represents the gross value of all consultancies in progress during the 24 months and not the expenditure in the years 2004 and 2005.

b The heading "Other" is made up of 70 consultancies all of which have a value of less than €1,000,000.

The response from the Public Appointments Service, which spent approximately €183,000 on consultancies during the two years 2004 and 2005, was excluded from analysis because it was not in the standard format required.

## Compliance with Good Practice

**18.5** The following good practice guidelines were recommended in the original report.

- Introduction of practices to define the nature of the service required, identify the reasons and motives for using consultants and estimate the likely financial and non-financial benefits to the organisation.
- Considering in advance the likely costs and benefits of the proposed consultancy
- Monitoring of plans with milestones and deliverables against which progress could be measured
- Introduction of clearly defined roles and responsibilities for those involved in project management
- Introduction of registers recording information on the nature and extent of consultancy activity in each Department and Office to facilitate a sharing of lessons learned.

When the situation was reviewed in 2006 compliance with the good practice recommendations was found to be as outlined in Figure 18.2.

**Figure 18.2 Compliance with good practice recommendations**

	Formal Business Case	Cost-Benefit Analysis	Activity Plan	Project Manager	Database Updated
Positive responses <sup>a</sup>	516	395	592	607	514
Proportion of positive responses	74%	57%	85%	87%	74%

Note

- a The total number of consultancies was 1,159, only consultancies with a value greater than €12,697 were examined.

**18.6** 43% of the consultancies which cost more than €12,697 were not assessed using cost-benefit analysis techniques. This threshold is, perhaps, too low to warrant cost-benefit analysis. However, when the threshold is increased to €200,000, 21.5% of the remaining 65 consultancies still did not have cost-benefit analysis completed. It is recognised that the demand for these consultancies may be driven by factors such as regulatory and legislative requirements or requirements imposed on the Department that are not readily quantifiable in economic terms. However, there may be merit in having more differentiated but certain rules in regard to this good practice requirement.

## Accounting for Consultancy

**18.7** In response to a criticism of the lack of clarity in regard to the chargeability of consultancy expenditure, the Department of Finance issued guidance on accounting for expenditure on consultants in 1999. The guidance provides that, in general, all expenditure on consultancies should be charged to the consultancy services subhead of administrative budgets (subhead A7), except where it is required for the purposes of

- major investment programmes or major asset disposals
- a review or evaluation of an EU supported programme.

**18.8** In these cases, the consultancy should be treated as a programme expenditure and charged against the relevant programme subhead. Commencing in the 1999 Revised Book of Estimates and the 1999 Appropriation Accounts, where consultancies are charged against any other subhead other than the

consultancy services subhead of Administrative Budgets, the charge involved should be identified separately in the subhead(s) concerned. Figure 18.3 below sets out the percentage of consultancies coded to subhead A7 for consultancies above the €12,697 threshold.

**Figure 18.3 Breakdown of subheads under which expenditure was coded**

Subhead	Percentage of total
A 7	80%
Other	20%

Figure 18.4 sets out the most frequently used consultants taken from the responses received to the questionnaire.

**Figure 18.4 Most frequently used consultants in 2004 and 2005**

Consultant	Total value	Number
	€	
Accenture	39,003,925	8
Bearing Point	11,303,135	8
Cognizant Technology Solutions	7,300,000	1
Price Waterhouse Coopers	3,687,613	24
Deloitte and Touche	2,471,935	17
Axxia Ltd	2,170,389	1
Work Research Centre	2,161,768	3
Education Policy Research Centre and ESRI	1,700,268	15
Kimmage Manor	1,673,218	1
Mason Hayes & Curran	1,469,579	6
Goodbody Economic Consultants	1,440,427	13
Helm Corporation	1,251,712	8
Matheson Ormsby Prentice	1,236,879	4
Indecon	1,202,285	9
Tipperary Institute	1,200,000	1
Cornwell	1,136,171	2
<b>Total value of consultancy</b>	<b>80,409,304</b>	<b>117</b>

These consultancies accounted for 66% of the value of all consultancies with a value greater than €12,697. The balance of 582 consultancies was spread among approximately 400 consultants.

## Quality of Information about Consultancies

**18.9** The 1998 examination found that a scarcity of information available to Departments concerning the experience gained from consultancies could restrict the achievement of value for money. At the time of the report, Departments generally did not keep central records of the consultants engaged, so it was not possible to readily compile a listing of consultancy projects undertaken or those which were under way at any point in time. The report suggested that a single register of the use of consultants by the Civil Service would provide valuable information which would be a useful reference base for staff in any Department involved in finding suitable consultants for particular assignments. In response to the finding in the report, the Department of Finance established a central database to record details of consultancy activity in the Civil Service. This follow-up review found that 26% of consultancies with a value greater than €12,697 had not been recorded on the database.

## Review of 1999 Guidelines on Engagement of Consultants

**18.10** The Department of Finance carried out a further review of the 1999 guidelines on consultancy following a Government decision of October 2005. Departments and Offices were asked to participate in this review and, based on their experience of implementing the guidelines and of managing consultancy projects, to submit observations on how the guidelines could be improved and strengthened. They were also requested to suggest examples of best practice, risk management and project control that might usefully be considered or adopted. As part of this exercise, the Department of Finance examined the documentation of sample consultancy projects across the Civil Service.

**18.11** In regard to the outcome of the review of the 1999 Guidelines, the Accounting Officer of the Department of Finance informed me that, following Government consideration, additional guidance was produced in 2006. This guidance and the Minister's Value for Money Initiative of 20 October 2005<sup>33</sup> are part of a wider drive to achieve best value in the use of external consultancy and support.

**18.12** The drafting of revised guidelines<sup>34</sup> followed an interdepartmental review which, inter alia, took account of examples of Request for Tender documents, contracts and best practice in conducting consultancies. The revised guidelines also provided for a peer review process and firm definitions of consultancy, contractors and external service providers. Following consultation within the Department of Finance the guidelines also included requirements in relation to

- accounting for expenditure on consultancy and other external services in the Vote Structure
- accounting for expenditure on consultancy made in relation to Value for Money reviews
- the obligation on Departments to maintain the central database of consultancy contracts as required by their Administrative Budget Agreements.

<sup>33</sup> The former Expenditure Review Initiative was reconstituted into a Value for Money Review Programme.

<sup>34</sup> Guidelines for the Engagement of Consultants and Other External Support by the Civil Service.



## **Chapter 19**

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### **Training and Development in the Civil Service**





## 19 Training and Development in the Civil Service

**19.1** The Value for Money report set out to review training and development activity across the Civil Service and to consider the systems, practices and procedures used to assess effectiveness.

**19.2** The objective of this follow-up report is to establish to what extent the conclusions and recommendations from the original report have been taken on board by Departments. In order to achieve this objective a questionnaire-based survey was distributed to all Departments and Offices listed at Annex A. Since the report was completed in 2000, certain Departments have been restructured. For the purpose of the follow-up report and comparing the 1999 figures quoted in the original report with the up-to-date figures for 2005, these changes are outlined at Annex B. The follow-up report also looks at how Departments now monitor, measure and report performance and the extent to which training is evaluated.

**19.3** The main conclusions and recommendations of the original Value for Money report were as follows.

- A central policy on Civil Service training and development should be formulated to provide overall direction and guidance.
- Needs analysis should be introduced which is focused on training and development that will provide the outcomes needed to support objectives.
- The specific needs of top managers should be identified and training and development programmes designed which are appropriate and of value to these managers.

This follow-up report sets out the current position in regard to these matters.

### ***Overall Policy Approach***

**19.4** In 1999, a policy statement on training and development in the Civil Service, as a whole, did not exist. The examination had found that many Departments did not have training policies, plans and review procedures in place. It was suggested that a detailed and considered statement of policy on Civil Service training and development was desirable, as it would provide a standard framework for the production of local policies and plans.

**19.5** The Department of Finance introduced a framework for Civil Service training and development to cover the period 2003 – 2008. The Framework document produced in collaboration with the Civil Service Training and Development Centre (CSTDC) and all its partners within the Civil Service, sets out a specific strategy to progress the overall policy framework for training and development. It sets out targets in relation to specific training and development initiatives which aim to support and develop a learning ethos across the Civil Service. The Framework is underpinned by principles of quality, collaboration and value for money. A Cross Departmental Training and Development Committee is the key driver of the Framework. It has the following objectives.

- Maintain and develop a learning culture within the Civil Service which promotes and supports continuous questioning and review of organisational practices and procedures by expanding the boundaries of innovation, creativity and best practice.
- Use the potential offered through PMDS to
  - o assist in meeting business objectives as set out in organisational strategy statements and business plans ensuring optimum performance at individual and team level
  - o equip individuals with the knowledge, skills, attributes and behaviours that are appropriate to their current role and necessary for their further personal development

- develop a collaborative approach to the design and delivery of training and development across Departments and Offices
- recognise the potential for development through a combination of formal training programmes, on-the-job training and self-managed learning
- ensure that training and development is planned in the context of an integrated HRM strategy including placement, mobility and motivation policies
- contribute to a positive working environment
- promote awareness of and commitment to equality and diversity across the Civil Service
- deliver value for money.

### ***Training and Development Strategy***

**19.6** The follow-up report noted that, by 2005, seven out of the 25 Departments that responded to this question still did not have a formal training and development strategy in place. However, there was a marked improvement in the use of policies, plans and review procedures. It was found that all of the 25 Departments that responded to this question had policies, plans and review procedures in place.

### ***Focus of Training on Needs***

**19.7** The original examination had noted that training needs analysis was limited with the result that the quality of planning and the effectiveness of training provided was affected. The survey results in 1999 indicated that needs identification procedures were limited in most Departments with only 39% of the Departments surveyed having carried out a formal needs analysis in the previous two years. The follow-up report revealed that, by 2005, 19 Departments (76%) out of the 25 that responded to this question had carried out a training needs analysis in the last two years.

### ***Training of Top Management***

**19.8** The original report had also noted that while private sector companies devote considerable energy to the training and development of top managers and their successors, the Civil Service largely relied on networks, seminars and conferences for top management training and development and lacked a specific programme in this area. It suggested that a separate development programme which takes account of the particular requirements and circumstances of top managers should be developed, implemented and evaluated. The follow-up examination found that most Departments had adopted this approach and that only four did not have a separate development programme for top management in place.

## **Organisation of Training and Development**

**19.9** The follow-up review noted that of the 27 Departments and Offices surveyed, 21 had a separate training function headed up by Principal Officer/Assistant Principal Officer level, three were headed up at Higher Executive Officer level, one had a training function that consisted of one member of staff at Executive Officer grade and two did not have a separate training function. Departments may need to review the level at which their training and development functions are led and the relationship of the function to HRM and line management.

## Overall Spend

**19.10** Expenditure on Civil Service training and development has risen from €21 million in 1999 to €47.5 million in 2005. The breakdown of expenditure in 2005 by Department or Office is set out in Figure 19.1. The comparative spend for 2004 is also included.

**Figure 19.1 Expenditure on training and development for 2004 and 2005**

Department/Office	2004	2005
	€	€
The National Gallery	46,000	77,000
Office of the Ombudsman	157,290	153,664
The State Laboratory	170,800	147,000
The Valuation Office	271,807	291,724
Public Appointments Service	300,966	324,415
Office of the Attorney General	304,260	318,546
Department of the Taoiseach	327,140	427,653
The Chief State Solicitor's Office	348,432	362,548
Department of Arts, Sport and Tourism	351,990	462,317
Director of Public Prosecutions	365,823	335,238
Department of Community, Rural and Gaeltacht Affairs	468,202	813,803
Central Statistics Office	599,324	733,939
Department of Health and Children	764,574	936,382
Office of Public Works	784,357	914,093
Department of Transport	940,258	1,147,182
Department of Defence	1,065,852	1,229,290
Department of Finance	1,068,723	1,232,912
The Courts Service	1,085,791	1,166,407
Department of Environment, Heritage and Local Government	1,201,376	1,584,048
Department of Foreign Affairs	1,361,517	1,846,883
Department of Enterprise, Trade and Employment	1,461,904	1,760,907
Department of Communications, Marine and Natural Resources	1,551,210	2,383,244
Department of Education and Science	1,944,296	2,077,731
Department of Justice, Equality and Law Reform	3,340,941	3,811,061
Department of Agriculture and Food	5,720,287	4,919,644
Department of Social and Family Affairs	8,090,839	7,245,684
Office of the Revenue Commissioners	11,131,624	10,831,137
<b>Total</b>	<b>45,225,583</b>	<b>47,534,452</b>

**19.11** The Department of Finance stipulates that expenditure on training and development must be met from existing resources and has set a general target expenditure level of 4% of payroll costs, excluding the pay costs of attendees. This target is intended to ensure that Departments and Offices devote sufficient resources to meet their staff training and development needs. Overall, the percentage of payroll costs devoted to training and development increased from 2.3% in 1999 to 3.5% in 2005. The following figure compares the percentage of payroll costs expended on training and development by Departments and Offices in 1999 and 2005.

**Figure 19.2 Percentage of payroll costs expended on training and development**

Department/Office	1999	2005
Department of the Taoiseach	2.5%	3.6%
Department of Arts, Sport and Tourism	2.0%	2.5%
Central Statistics Office	4.1%	2.5%
Office of Public Works	2.3%	2.8%
Department of Health and Children	1.8%	3.0%
Department of Community, Rural and Gaeltacht Affairs	1.5%	7.0%
Department of Transport	3.8%	4.7%
The Courts Service	1.4%	2.5%
Department of Defence	3.5%	4.9%
Department of Finance	3.0%	3.6%
Department of Environment, Heritage and Local Government	1.8%	3.0%
Department of Enterprise, Trade and Employment	2.9%	3.8%
Department of Foreign Affairs	1.8%	2.7%
Department of Education and Science	1.4%	4.1%
Department of Communications, Marine and Natural Resources	1.6%	6.9%
Department of Justice, Equality and Law Reform	1.1% <sup>a</sup>	3.0%
Department of Agriculture and Food	1.3%	2.5%
Department of Social and Family Affairs	3.8%	4.1%
Office of the Revenue Commissioners	2.5%	4.1%
Other <sup>b</sup>	2.5%	3.5%

**Notes**

a This figure includes the Department of Justice, Equality and Law Reform, the Prison Service and the Land Registry.

b All Departments with expenditure under €400,000 in 2005 were included in the heading "Other". There were eight Departments or Offices in this category.

## Type of Training

**19.12** Based on the responses, there has been a marked shift away from the use of external training.

- Expenditure on seminars, conferences and training courses has reduced by 9%.
- Expenditure on consultants and external trainers has reduced by 14%.
- The percentage of fees refunded to individuals who took part in external training activities has reduced by 5%.

## Evaluation of Training

**19.13** The examination noted that the evaluation systems used by the Civil Service at the time were limited in their effectiveness and that the Civil Service needed to establish proper evaluation systems if it was to be effective in assessing whether its training and development programmes were meeting the objectives set for them.

**19.14** The Kirkpatrick Evaluation Model is widely used in the private sector. Under the Kirkpatrick Model, training evaluation can be made at four levels. The first level evaluates the degree to which participants valued the learning experience, usually through the use of assessment sheets at the end of the course. The second level assesses the degree to which participants have achieved the learning objectives established for the course, usually through testing. Third level evaluation assesses to what extent participants have transferred the skills and knowledge acquired in the training course to their jobs. Level four evaluation is a cost-benefit analysis to determine the impact of the training course on individual and organisational performance, viz. whether it has been worth the investment. However, only a limited number of training programmes are suitable for this level of evaluation.

**19.15** The original examination found that most Civil Service training was subject to level one evaluation only, with some evaluations at levels two and three and no evidence to indicate that evaluations were carried out at level four. Figure 1.3 shows the up-to-date evaluation position using levels set out in the Kirkpatrick Model.

**19.16** In categorising evaluation activity the following approach was adopted.

- Level 1 – Evaluation sheets, pre and post course questionnaires and discussion with participants after the course.
- Level 2 – The use of tests designed to assess the extent to which participants have transferred the skills and knowledge acquired in the training course to their jobs.
- Level 3 – The use of the Performance Management and Development System (PMDS) to identify training needs and evaluate on-the-job outcomes.
- Level 4 – Policy evaluations including cost-benefit analysis to ensure the training and development policies are adding value to the Department.

**19.17** While the PMDS is used in all Departments, the survey outcome suggests that there is scope to increase the value of training through identification of needs aligned with business outputs and outcomes in the course of PMDS reviews and placing a greater emphasis on the evaluation of the overall training strategy.

**Figure 19.3 Evaluation and measurement of effectiveness of training programmes using Kirkpatrick Model**

Department/Office	Level 1	Level 2	Level 3	Level 4
Department of Arts, Sport and Tourism	√			
Department of Foreign Affairs	√			
Department of Finance	√	√	√	
Department of Education and Science	√	√		
Office of the Attorney General	√	√		
The Chief State Solicitor's Office	√	√		
Central Statistics Office	√			
Director of Public Prosecutions	√			
The National Gallery			√	
Office of the Ombudsman	√		√	
Office of Public Works	√	√	√	
Public Appointments Service	√	√	√	
The State Laboratory <sup>a</sup>				
Department of Agriculture and Food	√	√		
Department of Health and Children	√			
Office of the Revenue Commissioners	√	√		
Department of Transport	√	√	√	
Department of the Taoiseach	√		√	√
Department of Community, Rural and Gaeltacht Affairs	√	√	√	
Department of Social and Family Affairs				
Department of Defence	√			
Department of Environment, Heritage and Local Government	√	√		
Department of Enterprise, Trade and Employment	√	√		
Department of Communications, Marine and Natural Resources	√			
Department of Justice, Equality and Law Reform	√			

Note

a The State Laboratory stated that they have no evaluation mechanisms in place but that this would be addressed as part of the business planning process.

## Subsequent Developments

**19.18** The Department of Finance framework for training and development in the Civil Service issued in 2003 emphasised that it is necessary to apply a structured approach to evaluation as this assists

- closer integration of future training interventions with business objectives
- development of common standards for training and development
- prioritisation of training
- improving and refining training and development design and delivery
- assessing value for money.

**19.19** A Training and Development Committee has been established to advise on appropriate arrangements for ongoing evaluation of training and development across the Civil Service. The Committee is supported by CSTDC research into best practice in this regard. Explicit targets and performance indicators for evaluation of formal training are being developed and will be consistent with the approach recommended by the Training and Development Committee.

**19.20** The Accounting Officer of the Department of Finance informed me that a particular focus of the CSTDC in the short-term will be on the further development of senior management training and in that regard a programme of training directed at the Principal Officer grade has now commenced.





## **Annex**

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## **Annex A    Departments included in the Examination**

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Department of Arts, Sport and Tourism

Department of Foreign Affairs

Department of Finance

Department of Education and Science

Office of the Attorney General

The Chief State Solicitor's Office

The Courts Service

Central Statistics Office

Director of Public Prosecutions

The National Gallery

Office of the Ombudsman

Office of Public Works

Public Appointments Service

The State Laboratory

The Valuation Office

Department of Health and Children

Office of the Revenue Commissioners

Department of Transport

Department of the Taoiseach

Department of Community, Rural and Gaeltacht Affairs

Department of Social and Family Affairs

Department of Defence

Department of Environment, Heritage and Local Government

Department of Enterprise, Trade and Employment

Department of Communication, Marine and Natural Resources

Department of Justice, Equality and Law Reform

Department of Agriculture and Food

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## Annex B Restructuring of Departments

Previous Name	Current Name
The Civil Service Commission	Public Appointments Service
Department of Environment and Local Government	Department of Environment, Heritage and Local Government
Department of Arts, Heritage, Gaeltacht and Islands	Department of Community, Rural and Gaeltacht Affairs
Department of Tourism, Sport and Recreation	Department of Arts, Sport and Tourism
Department of Social, Community and Family Affairs	Department of Social and Family Affairs
Department of Public Enterprise	Department of Transport
Department of Marine and Natural Resources	Department of Communications, Marine and Natural Resources.

### ***General Points***

Ordnance Survey Ireland changed its status in March 2002 becoming a State body, as a result it is not included in the follow-up review.

The President's Establishment and the Houses of the Oireachtas were not included in the follow-up review.

The Prison Service and the Land Registry were included in the Department of Justice, Equality and Law Reform for 2005, so when comparing expenditure in the report, the Prison Service and the Land Registry were included with the Department of Justice, Equality and Law Reform for 1999 also.



## Appendix

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## Appendix A Overview of Responses to Value for Money Concerns

The general scheme for classification of value for money issues is outlined in Chapter 2. This appendix links the overall assessment set out in that chapter with the responses to the specific findings set out in Chapters 3 to 19.

### ***Economy – Resource Minimisation***

Seven chapters dealt with resource minimisation issues. The specific concerns and the current position in regard to those concerns are set out in Figure A.1.

**Figure A.1 Resource minimisation issues**

<b>Chapter</b>	<b>VFM Report</b>	<b>Audit Concern</b>	<b>Current Position</b>
4	Inland Fisheries	Duplication of activities between Fisheries Boards and local authorities	Consultation ongoing on roles
5	GP Prescribing Practices	GPs breached IDTS savings limits	No agreement on the method of setting targets since 2002
8	Supplementary Welfare Allowances	Duplicated means tests	Overlaps remain but are under review
9	Management of Industrial Property	Amount of land held	Some decrease in land held, active management of land portfolios
11	Defence Property	High cost of security for property	Progress made in containing costs
13	Local Development Initiatives	Deadweight and displacement	Better management of these factors in successor schemes
14	Driver Testing Service	Travel and subsistence arrangements and headquartering	Under negotiation at present

### ***Economy – Resource Mix***

Seven chapters dealt with opportunities to substitute less costly inputs or approaches. Figure A.2 outlines the issues reviewed and my assessment of the progress made to date.

**Figure A.2 Opportunities for improvement in resource mix**

<b>Chapter</b>	<b>VFM Report</b>	<b>Resource Mix Issue</b>	<b>Progress Made</b>
5	GP Prescribing Practices	Substitution of generic drugs for higher priced proprietary items	Limited
		Cheaper alternative therapies and practices that would not compromise patient care	Limited
6	Emergency Ambulance Services	Scope for cheaper non-emergency ambulance journeys	Limited
7	VAT Collection	Level of random audits; use of Sheriffs compared to the issuance of S22 estimates for VAT collection	Good
9	Management of Industrial Property	Satisfying the demand for industrial buildings in an alternative fashion	Good
13	Local Development Initiatives	Potential duplication of activities to counter economic and social disadvantage; subsidy shopping by beneficiaries	Good
14	Driver Testing Service	Temporary engagement of driver testers to deal with backlogs	Good
16	Special Housing Aid for the Elderly	Lack of availability of resources to deal with backlogs in applications	Limited

## Efficiency Issues

A wide variety of efficiency issues were considered in eleven of the reports issued during the period under review. Figure A.3 links the specific findings on efficiency with their location in Chapters 3 to 19.

**Figure A.3 Efficiency issues**

Chapter	VFM Report	Efficiency Factors			
		Service Output	Timeliness	Quality	Cost Effectiveness
3	ISTS	-	Finding 4	-	-
6	Emergency Ambulance Services	Finding 7	Finding 7	Finding 8	-
7	VAT Collection	-	Finding 4	-	Finding 6
8	Supplementary Welfare Allowances	-	-	-	Finding 1
9	Management of Industrial Property	-	-	-	Finding 1
10	Collection of Taxes	Finding 1	-	-	-
11	Defence Property	-	Finding 1	Finding 4	-
14	Driver Testing Service	Finding 2	Finding 3	Finding 1	-
15	Met Éireann	-	-	Finding 1	Finding 6
16	Special Housing Aid for the Elderly	Findings 2 and 3	-	-	-
17	Collection of Fines	Finding 1	Finding 4	-	-

## Management Information

Eleven reports noted concerns arising out of limitations in the information which would be necessary to enable organisations to manage more effectively. Figure A.4 outlines the nature of these limitations and the extent of subsequent progress.

**Figure A.4 VFM reports that reported limitations in management information to support VFM**

Chapter	VFM Report	Limitation	Progress Made
5	GP Prescribing Practices	No reporting to health boards by GPs on the incidence of illnesses	None
		No patient registration system	Limited
6	Emergency Ambulance Services	Limited operational information on patient transport services	Limited
		No costing information	Good
7	VAT Collection	No linkage to Companies Registration Office; limited knowledge of the extent of the black economy; cost of revenue audits	Good
8	Supplementary Welfare Allowances	Limited capability to monitor the change in profile of recipients to anticipate future needs	Limited
9	Management of Industrial Property	Financial data on revenue and cost not integrated with property data; limited information of the condition of assets	Good
10	Collection of Taxes	Use of stop markers; tracking of Sheriff certificates; reporting capability of the AIM system; management information on solicitor activity	Good
11	Defence Property	Inadequate asset register; no record of condition and utilisation of property; valuations only obtained at time of disposal; inadequate management information for property maintenance by civilian staff	Good
13	Local Development Initiatives	Inadequate monitoring system; lack of data sharing among agencies	Good
14	Driver Testing Service	No system to forecast the demand for tests	Limited
15	Met Éireann	No coherent performance measurement system (although separate elements were in place); no costing system or service level agreement	Limited
16	Special Housing Aid for the Elderly	No needs profile to support the prioritisation of cases	Limited

## Organisation of Services

The reports under consideration raised a number of issues associated with organisational arrangements, most notably in cross-cutting situations. These are summarised in Figure A.5.

**Figure A.5 Organisational deficiencies**

Chapter	VFM Report	Limitation	Progress Made
4	Inland Fisheries	Roles of the Department, Central Fisheries Board and Regional Fisheries Boards (RFB) need to be redefined	Implementation of Spollen Report recommendations Drafting of the National Inland Fisheries Bill
		No agency had responsibility for overseas promotion of angling	Introduction of TAM and TRAM measures
		Significant duplication of activities between RFBs and local authorities	Consultation ongoing on roles
5	GP Prescribing Practices	Therapeutic Committees were set up but had operational difficulties due to communication between hospitals and general practice	New IPHA Agreement has provided fresh impetus to addressing this issue
6	Emergency Ambulance Services	An implementation plan for recommendations of report of the Ambulance Review Group needed	65 of the 74 recommendations have been implemented or partially implemented to date
14	Driver Testing Service	Headquartering and travel and subsistence arrangements increasing costs	Under negotiation with the union
		Poor ability to employ additional testers to meet surges in demand	Additional testers employed and number of tests contracted out
		Scope for tightening the management of test appointments	Spare tester system in operation
17	Collection of Fines	No overall management or co-ordination of the fines system	Pilot programme of fines collection by external agency undertaken.
19	Training and Development	No central Policy Statement on training and development existed	Introduction of Training and Development Framework 2003-2008

## Achievement of Objectives

Nine Value for Money reports identified a number of factors that caused a limitation of effectiveness in specific cases. These are set out in Figure A.6 together with the progress since made.

**Figure A.6 Achievement of objectives**

Chapter	VFM Report	Limitation	Progress Made
3	ISTS	System not implemented in all branch offices	Now implemented in all offices
5	GP Prescribing Practices	Computerisation of GP practices did not reach the stated target (80% by 1997)	Current estimate suggests 70-80% of practices are computerised
7	VAT Collection	Information from audit activity and the CRO were not used to detect unregistered traders	Information from CRO now captured in Revenue data warehouse and is available to the computerised risk analysis system
9	Management of Industrial Property	One third of land held unlikely to be used	Substantial reduction in land holdings
10	Collection of Taxes	Multiple referrals of tax payers to sheriffs for enforcement	The percentage of multiple referrals reduced from 50% to 42% by 2004/2005.
14	Driver Testing Service	78% of costs recouped against a target of 100%	Marked reduction, only 59% of costs recouped in 2005
15	Met Éireann	Public service and commercial role not clearly defined	Statement of Public-Service Functions updated and approved by Minister
17	Collection of Fines	20% of parking and disc display offences cancelled or allowed to lapse	Marked reduction in the number of fine notices cancelled
		More effective approach to persistent offenders needed	Under review
		Many fines imposed by Courts not collected resulting in loss of revenue	Reduction in number of fines paid in 2005
19	Training and Development	Target expenditure level of 4% not achieved	Overall percentage devoted to training and development has increased to 3.5% in 2005 (2.3% in 1999)

## Evaluation of Effectiveness

Seven reports drew attention to the need to improve arrangements for the evaluation of effectiveness of operations or programmes. Figure A.7 sets out the extent to which progress has been made in addressing these findings.

**Figure A.7 Effectiveness evaluation**

Chapter	VFM Report	Limitation	Progress Made
5	GP Prescribing Practices	Development of GP services has not been evaluated	Programme still not evaluated
8	Supplementary Welfare Allowances	System of regular evaluation of SWA was not in place	Elements of scheme have been separately examined but system of regular programme evaluation not in place
9	Management of Industrial Properties	None of the agencies had minimum occupancy targets	IDA and An tÚdarás do not set minimum occupancy levels. Shannon Development has a target occupancy rate of 85%
12	Performance Measurement in Teagasc	Lack of comprehensive approach to impact measurement	Establishment of Evaluation Unit
15	Met Éireann	Forecasting accuracy not assessed	Verification scores for most important parameters published in Annual Report since 2001. Wind warning verification scores calculated for years 2002-2005.
16	Special Housing Aid for the Elderly	Absence of systems to evaluate effectiveness  Absence of a needs profile made it difficult to assess effectiveness gap and prioritise applicants	No formal system of evaluation in place  Pilot needs assessment undertaken in former WHB region in 2004, extension of pilot being considered
19	Training and Development	Evaluation systems were limited	Evaluation systems improving

## Enhancing Administrative Capacity

Eight organisations responded to value for money concerns by stating that they intended to alter their capacity to administer their operations or programmes. Figure A.8 outlines the progress in implementing these changes.

**Figure A.8 Enhanced administrative capacity**

Chapter	VFM Report	Administrative Capacity	Current position
3	ISTS	Introduction of a dedicated procurement system	Implemented
		Introduction of internal procedures for public procurement	Implemented
4	Inland Fisheries	Introduction of knowledge research and innovation strategy	Planned
6	Emergency Ambulance Services	Advanced paramedic training programme	Planned
		Detailed service level agreement between service providers	Planned
8	Supplementary Welfare Allowances	Transfer of administrative responsibility	Planned
13	Local Development Initiatives	Proposed countrywide extension of schemes	Planned
14	Driver Testing Service	Establishment of Road Safety Authority	Implemented
		Launch of driver testing online booking facility	Implemented
17	Collection of Fines	Outsourcing of credit management	Pilot Stage
		Introduction of facility to pay fines by instalment	Planned
		Introduction of extended time to pay	Planned
19	Training and Development	Enhancement of PMDS	Being Implemented



## ***Improved Management Resources***

Eleven organisations introduced systems designed to improve the management of their operations. Figure A.9 outlines the responses in individual cases.

**Figure A.9 Improved management processes**

<b>Chapter</b>	<b>VFM Report</b>	<b>Improved Management Process</b>
3	ISTS	Introduction of a system of project governance for major IT projects
4	Inland Fisheries	Introduction of a Marine Tourism and Leisure Strategy, development of decision-making and accountability framework
6	Emergency Ambulance Services	Priority based dispatch systems Two person crewing Reduction/elimination of on-call arrangements
7	VAT Collection	Active Intervention Management System (facilitates case management) Whole case management of individual customers Computerised risk analysis Integrated taxation services
10	Collection of Taxes	Whole case management of individual customers Debt management case working Computerised risk analysis
11	Defence Property	More efficient security over defence property; Movement towards a planned maintenance programme
12	Performance Measurement in Teagasc	Development of an evaluation culture
13	Local Development Initiatives	Introduction of new IT and performance monitoring systems
14	Driver Testing Service	Application of common standards
17	Collection of Fines	New criminal courts tracking system Courts accounting system Fixed charge processing system Alternative payment channels
19	Training and Development	Training and Development Committee established Introduction of Training and Development Framework 2003-2008

