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DPER Briefing Note Public Procurement 21/05/20 [GP]



An Roinn Caiteachais
Phoiblí agus Athchóirithe
Department of Public
Expenditure and Reform

Briefing Note: Public Procurement

Summary

- The Office of Government Procurement (OGP) supports and facilitates green public procurement (GPP) and is working in close co-operation with the Department of Community, Climate Action and Environment (D/CCAIE), who have the primary policy responsibility in this area.
- Examples in this regard include:
 - D/CCAIE provide advice on green criteria for inclusion in OGP Frameworks;
 - OGP assists D/CCAIE, including at EU level, on sharing best practice on green procurement issues;
 - D/CCAIE and the OGP are developing training for public procurers across the public service; and
 - D/CCAIE, with support from OGP, are revising their Green Public Procurement Guidance to provide practical support for procurers.
- Key recent developments:
 - **OGP Framework Agreements:** Green criteria has already been included in a number of the central buying arrangements (Framework Agreements) including ICT, managed print services, energy, vehicles and electric goods. Most of these are extensively used across the public service. It is important to note that it is a matter for individual public bodies to select the relevant green criteria and their relative weighting for their individual procurements under these arrangements.
 - **PER Circular 20/2019:** Promoting the use of Environmental and Social Considerations in Public Procurement - promoting green public procurement in the context of the wider commitments under the Climate Action Plan.
 - **Social Considerations Advisory Group:** a cross Departmental Group, which brings together relevant officials from policy Departments and procurement practitioners to facilitate this process.
 - **Publication of guidance:** Information Note on Incorporating Social Considerations into Public Procurement - The purpose of this Note is to assist policy makers and practitioners understand how procurement can be used to facilitate the advancement of existing social policy objectives as well as the wider context and implications of including them in particular procurement projects.
 - **Electric Vehicle Framework:** The OGP is currently nearing the final stages of establishing a Dynamic Procurement System for the procurement of Electric

Vehicles (Cars and Vans). This will enable public bodies to purchase vehicles with a reduced administrative burden. It is hoped that this approach will encourage the take up and use of this aggregated arrangement

- The use of strategic procurement to drive wider social and environmental considerations is a key priority for the OGP and we will continue to support and implement proposals in this area.

1. Overview of Public Procurement

Public procurement represents a significant proportion of Government spending. Within the Public Service, it totals an estimated €15 billion per annum, of which approximately €6.5 billion is on capital works and €8.5 billion is on goods and services. Most of the expenditure happens outside of central government, particularly in the large sectors of Health, Local Government and Education. Public procurement is governed by public procurement law (regulations transposed from EU Directives) and Government policy (implemented typically through Circulars). The EU Directives are aligned to broader World Trade Organisation rules. There are an estimated 8,000 public bodies who are encompassed by public procurement regulations. The legal regime codifies the principles of non-discrimination, transparency, proportionality and equal treatment. It also provides legal remedies through the Irish and EU Courts to effected parties who believe these obligations have been breached.

2. Office of Government Procurement

The Office of Government Procurement (OGP) is shaping the future of public procurement by leading on the reform of public procurement across the Public Service. The organisation has two main functions:

- as the national authority on public procurement managing the legislative and policy framework, providing the national tendering platform and providing support services to public bodies, and
- providing procurement arrangements to public bodies from which they can buy goods and services.

The OGP enables better, sustainable, and transparent public procurement through guidance, systems, solutions, advisory services and training. However, it is important to note that each Contracting Authority is responsible and accountable for determining what goods or service they are required to deliver the services they are responsible for providing. Similarly, responsibility for ensuring procurement compliance remains the responsibility of the accounting officers of individual public bodies.

The OGP advises the Minister, on public procurement policy for goods, services and works across the entire public sector. The OGP maintains and develops the National Public Procurement Policy Framework which supports better procurement practice, including strategic, green and socially responsible procurement. The OGP also has responsibility for developing the Capital Works Management Framework to deliver construction procurement reform. It consists of a suite of best practice guidance, standard contracts and generic template documents, which is currently being reviewed. The responsibility for procuring or managing works is matter for each contracting authority.

The OGP provides a range of flexible, high quality procurement solutions, such as framework agreements and contracts, to support its public service clients in delivering services to the public. The OGP provides customer support through its helpdesk and supports a number of national procurement systems, including eTenders, extensive guidance and circulars, the Tender Advisory Service, eInvoicing and procurement data analytics.

In its work, the OGP strives to promote SME participation in public procurement including through the design of competitions and a programme of outreach activities.

The OGP is responsible for delivering the procurement reform programme which is intended to transform the way that public bodies buy the goods and services they need to support their work delivering services to the Irish people. The reform programme is overseen by an Interim Procurement Reform Board appointed by the Minister and bringing together representatives from across the Public Service, as well as external expert appointees. It is chaired by Mr. Maurice Quinn, Secretary General at the Department of Defence. A Procurement Executive brings together representatives from the OGP and the other Central Purchasing Bodies in Health, Education, Local Government, and Defence and is chaired by Mr. Paul Quinn, the Chief Procurement Officer.

3. Small Medium Enterprises (SMEs)

As mentioned earlier public procurement is subject to EU rules and treaty principles. In effect all procurement processes must be fair and open, affording participants a right to a process that is non-discriminatory, transparent, proportional and treats participants equally. EU rules also provide legal remedies through the Irish and EU Courts to effected parties who believe these obligations have been breached. Notwithstanding this, there is still considerable scope with these rules to drive strategic policy in relation to issues such as SME access and environmental considerations as well as a host of other important policy issues provided it is done in a manner that does not contravene to aforementioned principles.

In relation of purchasing from Irish suppliers and encouraging SME access, the Government established the Small and Medium Enterprises (SME) Advisory Group (AG) which is hosted by the OGP and chaired by the Minister of State. This ensure that the voice of business is heard at first hand by Government.

The OGP recently published the *2017 Public Service Spend and Tendering Analysis Report* which found that of an analysed spend of €4.912 billion, 94% is spent in Ireland and 54% is spent with SMEs. The vast bulk of procurement activity is at a very low monetary level and would not attract much interest from foreign companies.

Specific measures have been implemented to support SME participation include:

- Publication of public procurement guidelines to promote a consistent, transparent approach;
- Advertising all competitions above €25k (€50k for works) on eTenders website;
- Encouraging businesses to register on eTenders;
- Setting proportionate eligibility requirements, e.g. turnover and insurance;

- Breaking tendering competitions into lots, e.g. by sector, region, value, etc.;
- Proactive engagement, provision of a range of communications materials; and
- Specific supports provided by InterTradeIreland (ITI) and Enterprise Ireland.

The OGP has also established the Tender Advisory Service (TAS). This is an informal service that is designed to resolve disputes that arise during public procurement processes. The Service has been independently reviewed and has been endorsed by the SME Advisory Group. In addition, the OGP in tandem with our European colleagues are looking at the issue of review processes and the access to such services.

In the current context of the Covid crisis and Brexit, the OGP continues to seek ways to engage SMEs and explore further ways to ensure that SMEs have access, across all regions, to government contracts.

4. Strategic Procurement (including innovative, green and social considerations)

The OGP supports the inclusion of wider policy considerations in public contracts but this must be done in a structured and coordinated manner. Strategic public procurement has a role to play in responding to societal, environmental and economic challenges. However, mainstreaming innovative, green, and social criteria in public procurement presents challenge as significant work needs to be done on developing appropriate criteria. Policy Departments such as Community, Climate Action and Environment will need to develop clear, quantifiable, verifiable and measurable criteria to enable such criteria be used appropriately in public tenders. Account has to be taken of the impact on existing Exchequer allocations, cost consequences, affordability, service delivery, market capacity and the potential impact on SMEs.

To progress this objective, the OGP has:

- Published an Information Note on Incorporating Social Considerations into Public Procurement. The purpose of this Note is to help policy makers and practitioners understand how procurement can be used to facilitate the advancement of wider social and environmental policy objectives. It should be noted that the OGP cannot decide for other contracting authorities or at a whole-of-Government level what social considerations should be included in the frameworks and contracts that it puts in place on their behalf. However, it can help facilitate the process of incorporating those objectives, once agreed, into planned procurement projects;

- Published DPER Circular 20/2019 on “Promoting the use of Environmental and Social Considerations in Public Procurement”. Following extensive engagement at Ministerial level (Public Expenditure and Reform and Community, Climate Action and the Environment). This Circular encourages the consideration of wider Government policy in public procurement processes. However, it recognises that it is not feasible to instruct the use of green criteria in all procurements at this stage as more work needs to be done on developing appropriate criteria. Account has to be taken of the impact on existing Exchequer allocations, cost consequences, affordability, service delivery, market capacity and the potential impact on SMEs; and
- Established a cross Departmental Social Considerations Advisory Group. This group, chaired by the OGP, brings together relevant officials from policy Departments with procurement practitioners to help facilitate this process.

OGP Frameworks

The OGP facilitates the implementation of Government and EU policy on social or environmental issues and how such issues should be included in the frameworks and contracts that it puts in place. In this regard, the OGP has a number of frameworks which provide contracting authorities with sustainable options, for example managed print services. Category teams are in regular discussions with DCCA with the aim of ensuring upcoming frameworks take account of developments in this area, where appropriate. The OGP are currently nearing the final stages of establishing a Dynamic Procurement System for the procurement of Electric Vehicles (Cars and Vans). The OGP are planning to have drawdown arrangements in place for the second half of the year, with electric vans available to be easily procured by Contracting Authorities in September and followed by electric cars in October. However, it must be noted that with the current Covid 19 situation vehicle production worldwide has been impacted which may also delay project delivery estimates.

5. Construction Procurement

The OGP Construction Policy Unit launched a review of procurement policy for public works projects in 2019. The review encompasses a significant body of work in a sector that generates considerable media attention. It will deliver significant changes to the Capital Works Management Framework (CWMF) over the coming years and will involve extensive engagement both with industry stakeholders and with the public bodies charged with the delivery of capital projects.

The CWMF represents the tools that a public body must use to procure and manage the external resources necessary to deliver public works projects that are delivered under the Exchequer-funded element of the NDP. Approximately 80% of the €116 billion expenditure earmarked under Project Ireland 2040 up to 2027 will be delivered through the CWMF.

There are two distinct engagements on public works projects:

- Consultant technical professionals who advise public bodies on all aspects of project delivery including design; and
- Building and civil engineering contractors and their respective supply chains.

A 2014 report into the performance of the public works contracts highlighted poor project definition as a significant cause of cost overruns and delays on public works projects. The focus in the review will be on improving risk management and the standard of information produced throughout the different project delivery stages to address deficiencies in project definition.

Objectives and principles have been developed with the Government Contracts Committee for Construction (GCCC) to guide the review. Approved reforms will be implemented through the progressive refinement and enhancement of the CWMF.

The OGP chairs and provides the secretariat to the GCCC which is a forum to discuss public sector construction related issues and to provide expert advice and technical input into the development of public sector national construction procurement policy.

The OGP is also a member of the Construction Sector Group Working Group which ensures regular and open dialogue between Government and industry on how best to achieve and maintain a sustainable and innovative construction sector positioned to successfully deliver on the commitments in Project Ireland 2040. It is made up of representatives of key industry bodies, as well as senior representatives of relevant Government Departments and agencies with responsibilities for policy and for the delivery of infrastructure.

The first phase of the review of the CWMF will address the manner in which construction technical professionals (the architects, engineers, quantity surveyors, etc. who typically plan, design and oversee construction projects on behalf of public bodies) are engaged. By clarifying the terms of their engagement and the quality of their outputs significant improvements will be delivered in the construction phase. The engagement of contractors will form the second phase of the review.

In addition to reforming the manner in which we engage professionals and contractors there are a range of issues that are impacting successful outcomes that will also be addressed and implemented.

The work programme for 2020 includes the following:

- Risk Management – range of measures to be applied, for example, training, risk premiums, guidance;
- Managing price inflation pressures;
- The impact of price on the award of contracts;
- Liability, indemnity and insurance;
- Performance evaluation;
- Encouraging collaborative behavior;
- Adoption of BIM on public works projects; and

- Alternative contracting and procurement strategies.

Building Regulations

The Building Regulations set performance requirements for buildings under a range of different elements, it is a matter for designers in the first instance to design the building so that it complies with the Regulations and for building contractors to construct them in a compliant manner. The Building Regulations are a matter for the Minister for Housing Planning and Local Government.

Public procurement rules determine that technical specifications are to be drafted in a manner that affords equal access to the procurement procedure and do not create unjustified obstacles to the opening up of public procurement to competition. The specification on public works projects is essentially the arbiter of what is and is not acceptable for incorporation into the building. Where environmental characteristics are to be included it is important that it is done in a manner that is compliant with EU procurement rules, that they can be verified and readily certified.

The OPW is preparing a guidance document for specifiers on construction projects to assist in drafting specifications to meet these requirements.

The OGP, as part of the review of the CWMF is looking at incorporating life-cycle analysis and cost metrics into the pre-procurement and procurement stages. Environmental sustainability is a key element of both.

The key to the successful application of 'green' criteria in both specifications and life-cycle analysis/costs is having reliable sustainability certification on construction materials available in the Single Market.

Office of Government Procurement
21st May 2020

Briefing Note: NDP contractual commitments for the period 2021-2023

The table attached at [Appendix A](#) sets out the breakdown of the capital sanction limits for contractual commitments for the period 2021 – 2023 relative to the 2020 allocations. Delegated capital sanction, unlike current sanction, allows Departments to spend their capital allocation, grant approval or any other form of binding commitment in the present year but, in doing so, they can only enter into contractual (legally binding) commitments up to defined limits over the next three years. Due to the potential for capital expenditure in the present year to tie up exchequer funds in future years, the commitment ceilings must be approved at Ministerial level before sanction can issue. Capital sanction requirements are tailored specifically to meet the specific sanction requirements of individual Departments and should be reviewed each year.

Departments may not commit to more than 75% of their 2020 capital allocations in 2021; 60% of their 2020 allocations in 2022 and 50% of their 2020 allocations in 2023 – subject to formal agreement by the Minister for Public Expenditure and Reform but this is the general practice. The figures will be adjusted on an annual rolling basis to take account of the current year's voted capital expenditure levels. For comparative purposes, the total Exchequer capital funding for 2020-2022 (per Revised Estimates Volume 2020) is set out in the last line of the table.

Detailed information on the status of capital projects and programmes is contained in the Investment Projects and Programmes Tracker last published by DPER in January 2020. The tracker is drawn from data provided by relevant Government Departments and agencies. It focuses mainly on projects and programmes with costs greater than €20 million. This data is a snapshot in time and is current as of December 2019.

Management and delivery of the projects and programmes are a matter for the Sponsoring Agency and Approving Authority in each case. It is also important to note that not all capital expenditure is related to projects and a proportion is in the form of grants/ funds for particular schemes. The Department of Public Expenditure and Reform is responsible for setting the overall capital expenditure allocations for the spending Departments. The Tracker reflects the portfolio of projects with estimated costs above €20m in the pipeline at present. This includes projects at all stages in the project lifecycle from strategic assessment, preliminary business case, final business case, implementation/construction and review. All project proposals are subject to the terms of the Public Spending Code and must secure approval from the relevant Approving Authority at each point in the project development process.

Projects that have reached Final Business Case stage and have got approval in principle form part of the pipeline of projects. Projects at Strategic Assessment or Preliminary Business Case stage should be viewed as forming part of the overall pool of projects but they are not yet contractually committed and may or may not proceed through to delivery. 59 projects in the Tracker are currently at Strategic Assessment/Preliminary Business Case: details are in [Appendix B](#).

Capital Envelope (€millions)	2020	2021	2022	2023
	Exchequer Capital Allocation*	Capital Commitment Limit (75% of 2020 allocation)	Capital Commitment Limit (60% of 2020 allocation)	Capital Commitment Limit (50% of 2020 allocation)
	€m	€m	€m	€m
Ministerial Vote Group				
Agriculture, Food & the Marine	274	206	164	137
Business, Enterprise and Innovation	632	474	379	316
Children & Youth Affairs	31	23	19	16
Communications, Climate Action & Environment	382	287	229	191
Culture, Heritage & the Gaeltacht	81	61	49	41
Defence	113	85	68	57
Education & Skills	922	692	553	461
Employment Affairs and Social Protection	15	11	9	8
Finance Group	22	17	13	11
Foreign Affairs & Trade Group	13	10	8	7
Health	854	641	512	427
Housing, Planning, Community & Local Government	2,240	1,680	1,344	1,120
Justice Group	269	202	161	135
Public Expenditure & Reform [Less OPW]	21	16	13	11
OPW	204	153	122	102
Rural and Community Development	150	113	90	75
Transport, Tourism, & Sport	1,943	1,457	1,166	972
Total*	8,166	6,125	4,900	4,083
Total Exchequer Capital Funding**	8,166	9,161	9,335	TBC

Appendix A: Capital Commitment Limits by Ministerial Vote Group

Note: Rounding affects totals.

* 2020 Allocation as per *Revised Estimates Volume 2020* published in December 2019.

** Figures for 2020 – 2022 are per multi-annual capital allocation table published in the *Revised Estimates Volume 2020*.

Appendix B: Projects at Strategic Business Case/Preliminary Business Case

<i>Name of Project</i>	<i>Department/Body responsible for Delivering Project</i>	<i>Location</i>	<i>Construction Completion Date (Year)</i>	<i>Stage of Project Lifecycle</i>	<i>Project Cost Range (€m)</i>
Upgrading of the Tyndall National Institute	Business, Enterprise and Innovation	National	2027	1. Strategic Assessment	€100m-€250m
Midleton Flood Relief Scheme	Cork County Council	Cork	2024	2. Preliminary Business Case	Subject to Appraisal
Abbey Theatre	Culture, Heritage and the Gaeltacht	Dublin	Subject to Appraisal	2. Preliminary Business Case	€50m-€100m
Chester Beatty Library	Culture, Heritage and the Gaeltacht	Dublin	Subject to Appraisal	1. Strategic Assessment	€20m-€50m
Crawford Art Gallery	Culture, Heritage and the Gaeltacht	Cork	Subject to Appraisal	2. Preliminary Business Case	€20m-€50m
Irish Museum of Modern Art	Culture, Heritage and the Gaeltacht	Dublin	Subject to Appraisal	1. Strategic Assessment	€20m-€50m
National Concert Hall	Culture, Heritage and the Gaeltacht	Dublin	Subject to Appraisal	2. Preliminary Business Case	€50m-€100m
National Gallery of Ireland	Culture, Heritage and the Gaeltacht	Dublin	Subject to Appraisal	1. Strategic Assessment	€50m-€100m
National Museum of Ireland	Culture, Heritage and the Gaeltacht	Dublin	Subject to Appraisal	2. Preliminary Business Case	€50m-€100m
Garda Station - Military Road Dublin	Garda Síochána	Dublin	2021	1. Strategic Assessment	Commercially sensitive
Garda Station Bundle - PPP: Garda Stations in Sligo, Macroom and Clonmel	Garda Síochána	National	2022	2. Preliminary Business Case	Subject to Appraisal
Sligo Garda Station - PPP: Garda Station Bundle	Garda Síochána	Sligo	2022	2. Preliminary Business Case	Subject to Appraisal
Clonmel Garda Station - PPP: Garda Station Bundle	Garda Síochána	Tipperary	2022	2. Preliminary Business Case	Subject to Appraisal
Macroom Garda Station - PPP: Garda Station Bundle	Garda Síochána	Cork	2022	2. Preliminary Business Case	Subject to Appraisal
Beaumont Emergency Department	Health	Dublin	2023	2. Preliminary Business Case	€20m-€50m
Cavan day ward upgrade	Health	Cavan	Subject to Appraisal	1. Strategic Assessment	Subject to Appraisal
Connolly Dublin clinical laboratories and Central Sterile	Health	Dublin	Subject to Appraisal	1. Strategic Assessment	Subject to Appraisal

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Services Department					
Coombe Hospital at St James's	Health	Dublin	2027	1. Strategic Assessment	Subject to Appraisal
Galway Emergency Department and Ward Block	Health	Galway	2025	2. Preliminary Business Case	€100m-€250m
Limerick University Maternity Hospital at University Hospital Limerick	Health	Limerick	2027	1. Strategic Assessment	Subject to Appraisal
Limerick ward block	Health	Limerick	2025	2. Preliminary Business Case	€20m-€50m
Mater Dublin clinical laboratory replacement	Health	Dublin	2027	2. Preliminary Business Case	€20m-€50m
Mullingar Theatres	Health	Westmeath	2026	1. Strategic Assessment	€20m-€50m
National Rehabilitation Hospital Redevelopment - Phase 2	Health	Dublin	2026	1. Strategic Assessment	Subject to Appraisal
Rotunda Hospital at Connolly	Health	Dublin	2027	1. Strategic Assessment	Subject to Appraisal
Cork City Wastewater Network	Irish Water	Cork	Subject to Appraisal	1. Strategic Assessment	€250m-€500m
Galway City Wastewater Network	Irish Water	Galway	Subject to Appraisal	1. Strategic Assessment	€20m-€50m
Greater Dublin Drainage	Irish Water	Dublin	2025	2. Preliminary Business Case	€500m-€1billion
Kilkenny Wastewater Network	Irish Water	Kilkenny	Subject to Appraisal	1. Strategic Assessment	€20m-€50m
Ringsend - Rathmines and Pembroke - Wastewater Network	Irish Water	Dublin	Subject to Appraisal	1. Strategic Assessment	€100m-€250m
South Westmeath Regional Water Supply Scheme (Athlone and Mullingar)	Irish Water	Westmeath	2023	2. Preliminary Business Case	€20m-€50m
Terryland Water Treatment Plant	Irish Water	Galway	Subject to Appraisal	1. Strategic Assessment	€20m-€50m
Tralee Wastewater Network	Irish Water	Kerry	Subject to Appraisal	1. Strategic Assessment	€20m-€50m

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Clonroadmore Wastewater Treatment Plant	Irish Water	Clare	Subject to Appraisal	2. Preliminary Business Case	€20m-€50m
Dodder Valley Sewer Reinforcement	Irish Water	Dublin	Subject to Appraisal	1. Strategic Assessment	€50m-€100m
Lahinch Wastewater Treatment Plant	Irish Water	Clare	2024	2. Preliminary Business Case	€20m-€50m
Limerick Wastewater Treatment Plant	Irish Water	Limerick	2025	2. Preliminary Business Case	€20m-€50m
Lower Liffey Valley	Irish Water	Kildare	Subject to Appraisal	1. Strategic Assessment	€20m-€50m
Midleton Wastewater Network	Irish Water	Cork	Subject to Appraisal	1. Strategic Assessment	€20m-€50m
Midleton Wastewater Treatment Plant	Irish Water	Cork	2024	2. Preliminary Business Case	€50m-€100m
Navan Mid Meath Programme	Irish Water	Meath	2026	2. Preliminary Business Case	€100m-€250m
Waterford City Wastewater Treatment Plant	Irish Water	Waterford	Subject to Appraisal	1. Strategic Assessment	€20m-€50m
Tralee Flood Relief Scheme	Kerry County Council	Kerry	2026	1. Strategic Assessment	Subject to Appraisal
King's Island Flood Relief Scheme	Limerick City & County Council	Limerick	2023	2. Preliminary Business Case	Subject to Appraisal
Limerick Flood Relief Scheme	Limerick City & County Council	Limerick	2027	1. Strategic Assessment	€20m-€50m
Carlingford Flood Relief Scheme	Louth County Council	Louth	2028	2. Preliminary Business Case	€20m-€50m
Dundalk Flood Relief Scheme	Louth County Council	Louth	2026	2. Preliminary Business Case	€20m-€50m
Enniscorthy Flood Relief Scheme	Office of Public Works	Wexford	2023	2. Preliminary Business Case	€20m-€50m
Hawkins House	Office of Public Works	Dublin	2021	1. Strategic Assessment	Subject to Appraisal
Merrion Square/Fenian Street	Office of Public Works	Dublin	2023	2. Preliminary Business Case	€20m-€50m
Tom Johnson House	Office of Public Works	Dublin	2022	2. Preliminary Business Case	€20m-€50m
Opera Site, Limerick	Office of Public Works	Limerick	Subject to Appraisal	2. Preliminary Business Case	Subject to Appraisal
Ballyvourney and Ballymakeera Flood Relief Scheme	Office of Public Works	Cork	2026	2. Preliminary Business Case	Subject to Appraisal

M11 Capacity Enhancement (Phase 1 & Phase 2)	Transport, Tourism and Sport	Wicklow	Subject to Appraisal	2. Preliminary Business Case	Subject to Appraisal
MetroLink	Transport, Tourism and Sport	Dublin	2027	2. Preliminary Business Case	€1 billion+
N2 Slane Bypass	Transport, Tourism and Sport	Meath	2026	2. Preliminary Business Case	€50m-€100m
N20 Cork to Limerick	Transport, Tourism and Sport	Multi-County	Subject to Appraisal	2. Preliminary Business Case	€500m-€1billion
N72/N73 Mallow Relief Road	Transport, Tourism and Sport	Cork	2027	2. Preliminary Business Case	€50m-€100m
Arklow Flood Relief Scheme	Wicklow County Council	Wicklow	2024	2. Preliminary Business Case	Subject to appraisal

Source: Investment Projects and Programmes Tracker, January 2020.

Climate Change Costs DPER Briefing 09/03/20 [GP] [FF]

PDF Attachment 1

Cost of Public Sector Building Upgrade Programme 09/03/20

[GP]

PDF Attachment 2

DPER Responses 05/03/20 [FF] [GP]

Q: What amendments would be needed to the Public Spending Code to increase the €2 million eligibility spending threshold for single-stage approval for LA social housing? (e.g. to €6 million)

Summary response

- No amendments would be needed to the Public Spending Code. The Code sets out over-arching value-for-money requirements for the evaluation, planning and management of public investment projects. As indicated in section 1.1 of the Code: “It is the responsibility of each government department to ensure that departments and agencies draw up their own sector-specific procedures [...] which align with the Public Spending Code.”
- Section 2.1.3 of the Public Spending Code further specifies: “It is a matter for each Accounting Officer to decide whether processes in place in his/her department/office/body and associated agencies are appropriate to: ensure compliance with the Public Spending Code; manage capital budgets overall; and manage budgets at an individual project level.”

- Setting eligibility thresholds for single stage approval for Local Authority housing is accordingly a matter for the Department of Housing, Planning and Local Government (DHPLG) to consider. □ The DHPLG is currently developing new sectoral processes to tailor the general arrangements to the specific context of housing investment. The new arrangements are currently in development.

Background: the Public Spending Code and Proportionality

- The Public Spending Code (“the Code”) sets the national requirements and guidance for public bodies evaluating, planning and managing public investment. The revised version of the Code – A Guide to Evaluating, Planning and Managing Public Investment – came into effect on January 1st 2020. The Code supports improved value for money through structured evaluation of options and careful management of delivery.
- Proportionality is a core principle underpinning the Code. The resources and time to be spent on appraisal or evaluation should be commensurate with the likely range of cost, the nature of the investment, and the degree of complexity of the issues involved.
- In addition, the Code specifically refers to sectors (such as housing and urban regeneration) whereby policy interventions can be appraised on a programme-wide basis without the need to assess every single project or scheme individually. The responsibility for considering and implementing such sector-specific approaches would rest with the Government Department concerned.

Further details

- The DPER Briefing Note on “The Public Spending Code and overview of sectoral applications” provides further details in respect of the points set out above.

DPER Responses 05/03/20 [GP SF]

D/PER

Q: To ask D/PER to provide a comprehensive breakdown of the numbers of public servants earning over 140,00 in bands of 10k going up, for the public service and by Department?

The data below is extracted from multiple systems and included in returns provided to the Department of Public Expenditure and Reform specifically in relation to pay bands. Other than as noted below, in relation to Education, all figures relate to end December 2019. The figures are in whole-time-equivalents (WTE) and do not include salaries paid from the accounts of the Houses of the Oireachtas Commission.

	€140- €150k	€150- €160k	€160- €170k	€170- €180k	€180- €190k	€190- €200k	Over €200k	Total Over €140K	Total As % of Overall Sector (c)
Civil Service	130	51	11	11	15	16	5	239	0.6%
Defence Sector	3	0	0	0	1	0	0	4	0.1%
Health Sector (a)	239	325	312	313	374	155	1003	2721	2.7%
Justice Sector	8	0	1	0	0	0	1	10	0.1%
Local Authorities Total	13	9	3	0	1	0	0	26	0.1%
Non-Commercial State Agencies	14	39	7	7	7	6	6	86	0.6%
Judiciary	55	3	36	0	0	9	55	158	
Total	462	427	370	331	398	186	1070	3244	

	€125k- €150k	€150k- 175k	Over €175k	Total
Education Sector (b)	505	42	57	604

(a) The figures provided to the Department of Public Expenditure and Reform include details in respect of the HSE and certain Section 38 bodies. In aggregate, these returns covered bodies representing approximately 84% of total Health Sector whole-time-equivalent numbers. Medical consultants account for the vast majority of public servants in the Health Sector with salaries in excess of €140,000, and almost all (over 90%) of those with salaries in excess of €200,000.

(b) Education Sector numbers relate to Primary/Secondary/Third Level. Due to data being held on multiple systems, the figures are as at end-Q2 2019 and also were provided in bands of €25,000 up to €175,000.

(c) Calculated as a percentage of the overall total included in the pay band returns to the Department of Public Expenditure and Reform. All figures are rounded to nearest 0.1%.

The numbers in the tables above represent *inter alia* the following positions:

Sector	Positions
Health Sector	Medical Consultants, Senior Management Grades in the HSE (Director General/ CEO, National Directors, CEOs of Hospital Groups) and Section 38 Bodies
Civil Service	Assistant Secretary level, and above
Justice Sector	Commissioner, Deputy Commissioner and Assistant Commissioner in the Garda Síochána
Judiciary	Judges and Presidents of the following courts: District Court, Circuit Court, High Court, Court of Appeal, Supreme Court
Defence Sector	Chief of Staff (Lieutenant-General), Major-General in the Defence Forces
Non-Commercial State Bodies	Chief Executive Officers/Heads of Office, 2 nd tier management, and medical consultants in certain state bodies under the aegis of D/Health.
Education Sector	Heads of Third-Level Institutions, University Professors
Local Government Sector	Chief Executives (Level I-IV) of Local Authorities

Public Spending Code 05/03/20 [GP FF SF]

PDF attachment 3

DFIN DPER Economic and Fiscal Briefing [GP FF SF FG SD's] **Economic and Fiscal: high level briefing points¹**

CONTEXT

Fiscal policy must meet two overarching needs:

1. to contain emerging demand pressures in the economy (counter-cyclical)
2. to ensure sustainability (to reduce public debt so that we can continue to provide goods and services over the medium and long-term, especially in the context of an ageing population).

¹ Joint Dept. of Finance / Dept. of Public Expenditure and Reform briefing.

Note that all forecasts will be updated in the *Stability Programme Update* (a legal requirement), which will be published in April.

Section 1: Economic developments and outlook

GDP in Ireland is projected to expand by 3.9 per cent this year and by around 2¾ per cent per annum over the medium-term. Measurement issues are increasingly problematic, with traditional metrics such as GDP flattering the underlying economic picture. Modified domestic demand, a proxy for the ‘domestic economy’, is projected to increase by 3½ per cent this year, and averaging 3 per cent in the medium term.

Table 1: economic outlook

	2020	2021	2022	2023	2024	2025
GDP growth	3.9	3.0	2.8	2.7	2.7	2.5
Employment growth	1.8	1.7	1.6	1.6	1.6	1.6
Unemployment rate	4.8	4.8	4.8	4.8	4.7	4.7

This is the baseline scenario – such a pace of growth is conditional upon a **benign trade agreement between the EU and UK** as well as a gradual recovery in the global economy over the course of this year and into next year. This cannot be taken for granted and, at the current juncture, risks to the economic outlook – mainly on the external front – are firmly tilted to the downside, not least due to the recent outbreak of **coronavirus which is expected to impact on global supply chains** this year.

After 7 straight years of employment growth of around 3 per cent per annum, the labour market is effectively at, or possibly beyond, most estimates of ‘full-employment’, with employment growth projected to moderate as a result. The unemployment rate of 4¾ per cent is equal to the average seen over the period 2000-2007. Wage pressures are picking up, with private sector pay growing by c. 4 per cent, and capacity constraints are increasingly binding, particularly in construction.

Risks to the forecasts are firmly tilted to the downside in the short-term and can be classified into a number of categories:

- Domestic – overheating economy
- Global – external growth remains sluggish and does not pick-up
- Structural – a trade deal is not agreed between the EU and UK
- Other – EU/US trade tensions; coronavirus

Table 2: Risks to the outlook

	DOMESTIC	EXTERNAL
DOWNSIDE	Overheating economy Pharma – trade tension	EU / US trade tensions EU / UK trade on WTO terms Pandemic – coronavirus Prolonged global weakness Rising market interest rates
UPSIDE	Sectoral strength (ICT, pharma)	

Section 2: Fiscal developments and outlook

A general government surplus of **0.7 per cent of GDP is expected this year** - on the back of an estimated surplus of 0.4 per cent last year. A further improvement to 1.0 per cent of GDP is envisaged next year, reaching 1¼ per cent in the medium term. The underlying structural position is not as positive as the headline position, averaging ¼ per cent per annum over the 2020-2025 period.

Budgetary policy must be counter-cyclical: it must stabilise (not amplify) the cycle – the economy is already at full-employment and there is a need to **build up fiscal buffers** to help smooth the next downturn.

Table 3: medium term fiscal strategy (as per January 2020)

	2020	2021	2022	2023	2024	2025
General budget balance (% GDP)	0.7	1.0	1.1	1.1	1.2	1.3
Structural budget balance	0.3	0.4	0.4	0.1	0.2	0.1
Total budget package	2.9	3.6	2.9	3.3	3.4	3.4
: Tax reduction [a]	(0.4)	0.6	0.6	0.6	0.6	0.6
: Expenditure	3.3	3.0	2.3	2.7	2.8	2.8
- Current	2.6	2.0	2.1	2.4	2.2	2.3
- : pre-committed [1+2+3]	1.1	1.0	0.5	0.5	0.5	0.5
1. demographics	0.5	0.5	0.5	0.5	0.5	0.5
2. PSSA	0.3	0.3	-	-	-	-
3. carryover	0.3	0.2	-	-	-	-
- : pre-capital	0.8	1.0	0.2	0.3	0.6	0.5
Total unallocated	-	1.6	2.2	2.5	2.3	2.4
Memo: debt-GNI* (approx.)	95	-	-	-	-	-

The sharp increase in **corporation tax receipts** is a key factor behind the improvement in the fiscal accounts in recent years: **these could reverse potentially very quickly**. The *medium term fiscal strategy* allows for a decline of €2 billion in receipts by 2025, the Department of Finance has identified an upper bound risk of €6 billion.

These projections set out in table 3 assume:

- annual increases in current expenditure of 3¼ per cent (€2.2 billion) per annum,
- a reduction in corporation tax receipts of €0.5 billion per annum from 2022 and
- a €600 million annual tax reduction package.

Ireland remains one of the **most heavily indebted countries in the developed world** - €42,000 per capita and Ireland’s debt-GNI* ratio is currently around 100 per cent.

Section 3: Fiscal rules

There is a legal requirement to comply with fiscal rules:

- structural deficit of no more than 0.5 per cent of GDP,
- (net) spending increase in line with trend (not actual) economic growth
- Debt-GDP ratio below 60 per cent

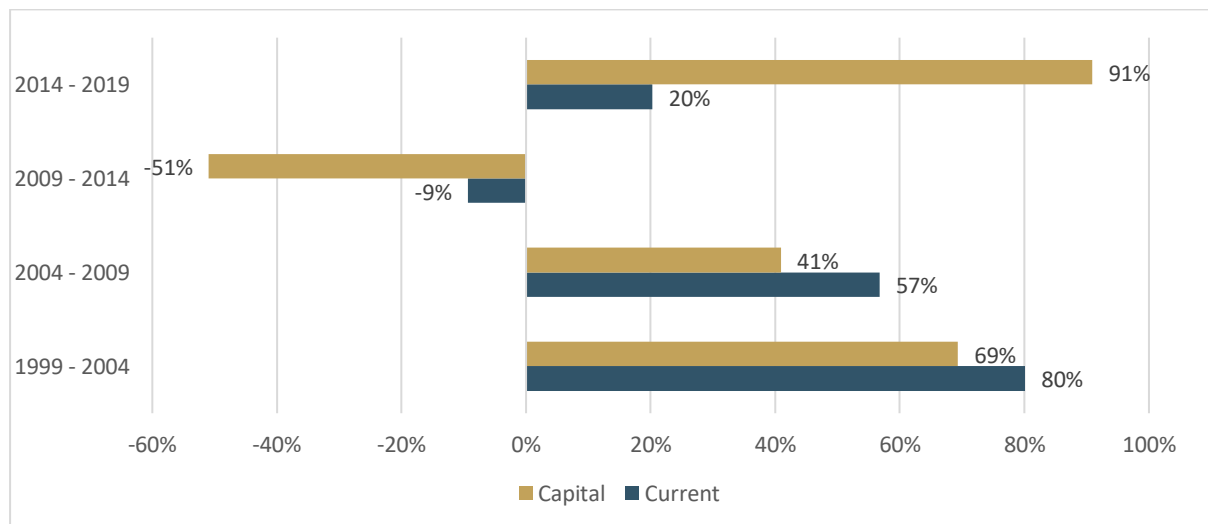
The Department of Finance has highlighted that minimum compliance with these rules would be inappropriate (for instance, because GDP is distorted in Ireland, the debt-GDP ratio implies an excessively benign situation).

Section 4: Expenditure

Context: Recent Trends in Public Expenditure

Future plans for public expenditure need to reflect the significant growth in public expenditure in the period since 2014. Recent expenditure increases have been more moderate than in the pre-crisis period, with a focus on capital investment, but still represent a very substantial increase in social provision and public infrastructure.

Figure 3: Current and Capital Expenditure Growth Five-Year Intervals*



* 2014-2019 adjusted to reflect disestablishment of HSE Vote and change in Irish Water funding arrangements.

Specifically, growth in the last five years in current expenditure has averaged just under 4% a year. Health, which accounted for just over 25% of overall expenditure in 2015, has received over 40% of the increase in expenditure in the last five years. As shown below, growth in expenditure has been stronger in the last three years, reflecting higher allocations – both current and capital – across a broad range of sectors. Appendix 2 sets out further details on this three-year trend.

Table 4: Gross Voted Expenditure Growth 2014-2019* (€m)

	2014	2015	2016	2017	2018	2019**
Total Gross Voted Current	49,501	50,864	51,775	54,019	57,057	60,048
<i>y-o-y increase (€)</i>		1,363	911	2,245	3,038	2,991
<i>y-o-y increase (%)</i>		2.8%	1.8%	4.3%	5.6%	5.2%
Total Gross Voted Capital	3,597	3,730	4,212	4,601	5,996	7,366
<i>y-o-y increase (€)</i>		133	483	389	1,394	1,370
<i>y-o-y increase (%)</i>		3.7%	12.9%	9.2%	30.3%	22.9%
Total Gross Voted Expenditure	53,098	54,594	55,987	58,620	63,052	67,414
<i>y-o-y increase (€)</i>		1,495	1,393	2,633	4,432	4,362
<i>y-o-y increase (%)</i>		2.8%	2.6%	4.7%	7.6%	6.9%

*2014 adjusted to reflect disestablishment of the HSE Vote. Technical adjustment in relation to Irish Water increased current expenditure by €0.3 billion and capital by €0.5 billion in 2018.

** Includes capital carryover of over €0.2 billion.

Reductions in the public service pay bill, both pay rate reductions and reductions in staff numbers, formed a key element of the expenditure consolidation in the period 2008 to 2014. Since 2014 there has been an increase of over 15½% in public service numbers. With pay constituting 50% of gross voted current expenditure, excluding Social Protection payments, decisions in relation to staffing levels and pay rates have a significant impact on overall expenditure.

Table 5: Public Service Numbers 2008 to 2019 (Thousands of Whole Time Equivalents)

	2008	2014	2014 v 2008		2015	2016	2017	2018	2019	2019 v 2014	
Civil Service	37.4	34.8	(2.6)	(7%)	35.0	35.9	37.1	38.5	40.8	6.0	17%
CS Industrial	1.9	1.4	(0.5)	(26%)	1.3	1.3	1.4	1.5	1.5	0.1	7%
Defence	11.3	9.8	(1.5)	(13%)	9.7	9.6	9.7	9.4	9.1	(0.7)	-7%
Education	95.0	94.0	(1.0)	(1%)	96.4	99.8	104.1	106.9	109.8	15.8	17%
Health	115.8	101.5	(14.3)	(12%)	107.3	110.3	114.1	117.9	119.8	18.3	18%
Justice	15.7	12.8	(2.9)	(18%)	13.0	13.4	13.9	14.4	14.7	1.9	15%
Local Auth.	35.0	26.8	(8.2)	(23%)	26.6	26.9	27.4	28.3	29.2	2.4	9%
NCSA	13.1	12.3	(0.8)	(6%)	12.2	12.7	13.0	13.7	14.3	2.0	16%
Total	325.2	293.4	(31.8)	(10%)	301.5	309.9	320.7	330.6	339.2	45.8	16%

Outlook and Objectives for Expenditure Policy

The recently published update to the Fiscal Strategy proposed by the Department of Finance was prepared on the basis of running surpluses to mitigate risks to the economy and public finances. The strategy would allow potential expenditure growth up to 4½% p.a. on average, inclusive of both current and capital expenditure, over the coming 5 years assuming no taxation reductions. Decisions on tax side measures would affect the scope for expenditure growth.

In line with practice in recent years, the amounts included as “pre-commitments” in table 3 above reflect the Public Service Stability Agreement, the impact of demographics in Health, Education and Social Protection, the carryover of prior year measures, and increases under the NDP. Taking into account the experience in the years leading up to the fiscal crisis, there is no indexation applied to expenditure items. Consequently, future pay deals and Social Welfare rate increases would fall to be met from the overall unallocated resources of €11 billion over this five-year period.

Managing within this overall envelope will require targeting of resources at key sectors. For other sectors consideration could be given to reprioritising expenditure to fund new measures and to the introduction of lower growth rates for staffing in these areas. Key enablers of maintaining expenditure growth within the parameters set out in the updated fiscal strategy are:

- A strengthened Medium-Term Expenditure Framework;
- Strengthened in-year budgetary management and control within agreed allocations; and
- Effective Delivery of Infrastructure Investment under Project Ireland 2040.

Over the past three years, we have already seen expenditure growth rising at a faster-than-planned rate, in response to both political and public demands for policy action, and weaknesses in budgetary discipline in certain areas with in-year increases accommodated by way of Supplementary Estimates. Bringing this trend towards more acceptable levels will depend on the success and rigour of budgetary management in the various sectors, not least Health.

Table 6: Year-on-Year Increases 2019 v 2020

	2019			2020****		
	Gross	Increase	Increase	Gross	Increase	Increase
	€bn	€bn	%	€bn	€bn	%
Social Protection*	20.4	0.4	2.1%	21.1	0.6	3.2%
Health	16.7	1.3	8.3%	17.5	0.7	4.4%
Education	9.9	0.5	4.9%	10.3	0.3	3.2%
Justice	2.7	0.2	6.1%	2.7	0.0	1.2%
Others	9.9	0.7	7.2%	10.5	0.5	5.3%
Total Current	60.0	3.0	5.3%	62.0	2.0	3.3%
Total Capital**	7.4	1.4	22.9%	8.2	0.8	10.9%
Overall (Current & Capital)	67.4	4.4	6.9%	70.2	2.8	4.1%

**For comparison purposes, Christmas Bonus is not included here as it is not provided for in REV 2020.*

***Includes capital carryover of over €0.2 billion.*

****Timing related cash costs of €0.2bn not included in 2020.*

Looking ahead, there are potential cost pressures arising from demographics. These are included as pre-commitments within the updated fiscal strategy – there are also higher capital allocations included. **This leaves an overall unallocated resources of €11 billion over this five year.** There are expectations in relation to pay increases, following the end of the Public Service Stability Agreement 2018 to 2020, Social Welfare increases, and potential pressures from other areas. The table below sets out some potential cost pressures likely to arise over the medium term.

Table 7: Potential Additional Annual Costs Pressures (€ billion)

	Average Cost
Pay Rates after end of PSSA (c.2% to 2½%)	0.4-0.5
Social Welfare Weekly Rates (Inflation)	0.35
Public Service Pensions Pressures	0.2
Total	0.95-1.05

In addition, if staff numbers are not managed adequately, or if the Government were to accede to demands for additional staff numbers in certain areas – e.g. Gardaí, nurses – the expenditure pressures would be intensified.

Risks and Challenges to Effective Infrastructure Delivery

Project Ireland 2040

Capital investment has been a particular focus in recent years with spending growing from €3.6 billion in 2014 to €8.2 billion in 2020. This will bring capital investment as a percentage of GNI* to almost 4% in 2020. This doubling of investment is creating capacity challenges within the system and in the wider construction sector. Further measures are planned and these need to be carefully managed to avoid further price pressure in the sector. Appendix 3 sets out the capital envelope by Department to 2022.

Project Costings

The NDP includes very early stage cost estimates for numerous projects (for example MetroLink, Bus Connects, the Eastern-Midlands Water Supply Project, the M20 Limerick-Cork). In many cases, these

published estimates are outdated, do not include inflation, nor do they account appropriately for risk or full project scope; these will need to be refreshed.

Construction Capacity

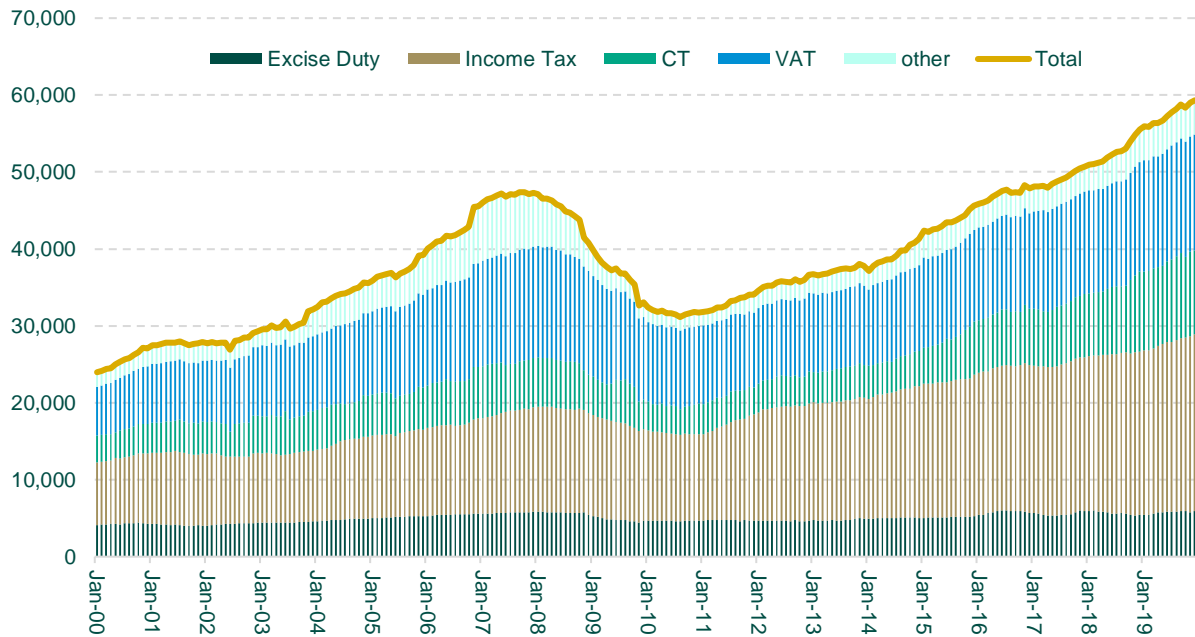
We are now up against clear capacity constraints in the construction industry; therefore further increases in overall investment risk overheating the market. While total investment in building and construction increased by approx. 11% in 2019, construction employment growth slowed to 2% in Q3 2019.

Prioritisation of where construction capacity should be focused will be necessary in order to achieve particular policies e.g. meeting housing demand instead of continuing increases in the commercial sector. Capacity challenges are also exacerbated by stagnant productivity growth in this sector, with slow adoption of modern approaches (e.g. off-site construction, digitisation) especially in the housing sector.

Annex 1: Taxation – the macro picture

- The evolution of tax over the past two decades is set out in figure 1 below.
- The collapse in tax revenue in 2008-2010 was due to the over reliance on transitory receipts **and the narrowing of the income tax base.**
- Figure 2 sets out the share of taxation accounted for by the main tax heads last year.

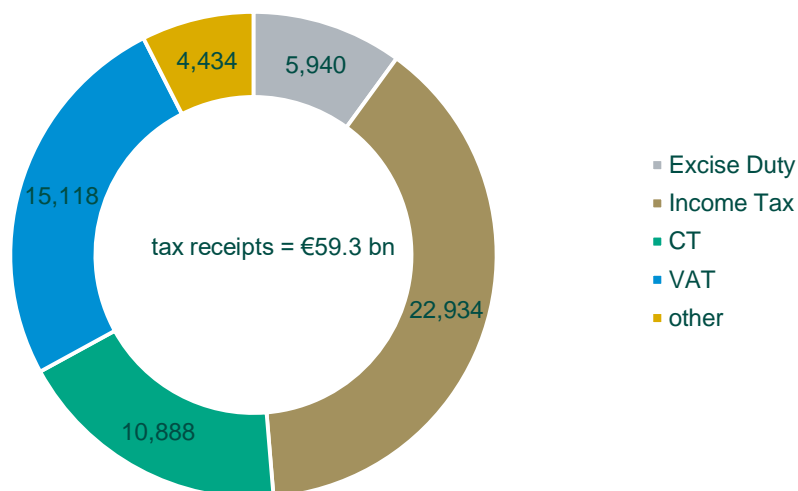
Figure 1: taxation revenue, 2000 – present Error! Bookmark not defined., € millions



CT: corporation tax.

From 2011, income tax includes the Universal Social Charge.

Figure 2: share of taxation revenue in 2019. € millions



CT: corporation tax.

From 2011, income tax includes the Universal Social Charge.

Annex 2: Expenditure Growth 2017-2019

Expenditure Growth 2017 – 2019 (€ billion) by area **

	Current		Capital		Total	
	<i>2017-2019</i>		<i>2017-2019</i>		<i>2017-2019</i>	
	€bn	p.a.	€bn	p.a.	€bn	p.a.
Health	3.1	7.0%	0.3	21.1%	3.4	7.4%
Education	1.5	5.5%	0.3	11.1%	1.7	5.9%
Justice	0.4	6.0%	0.0	2.2%	0.4	5.7%
Housing*	0.6	12.7%	1.2	30.0%	1.7	20.8%
Children and Youth Affairs	0.4	12.0%	0.0	-1.0%	0.4	11.7%
Agriculture	0.3	7.7%	0.1	18.1%	0.4	9.3%
PER	0.2	6.1%	0.0	8.8%	0.2	6.5%
Defence	0.1	2.6%	0.0	10.8%	0.1	3.6%
Foreign Affairs	0.1	4.8%	0.0	28.7%	0.1	5.1%
Transport	0.1	4.9%	0.4	10.5%	0.5	8.5%

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Others*	0.2	4.6%	0.3	10.3%	0.5	6.7%
Sub Total	6.9	6.6%	2.7	16.2%	9.6	7.9%
Social Protection*	1.0	1.6%	0.0	-12.8%	1.0	1.6%
Total	7.9	4.8%	2.7	16.1%	10.6	5.8%

* Adjusted to reflect inter-vote transfers and change in Irish Water funding arrangements.

** Rounding affects totals.

Appendix 3: Multiannual Capital Investment Framework to 2022

Capital Envelope	2017	2018	2019	2020	2021	2022	€ million	%
Capital Envelope (€ millions)							2017 - 2022	2017 - 2022
Agriculture, Food & the Marine	219	274	260	274	265	275	1,567	25.6 %
Business, Enterprise & Innovation	547	527	577	632	640	715	3,638	30.7 %
Children & Youth Affairs	27	26	26	31	32	33	175	22.2 %
Communications, Climate Action & Environment	162	192	211	382	517	611	2,075	277.2 %
Culture, Heritage & the Gaeltacht	63	54	70	81	80	110	458	74.6 %
Defence Group	96	95	138	113	120	125	687	30.2 %
Education & Skills	692	741	941	922	1,006	1,100	5,402	59.0 %
Employment Affairs & Social Protection	8	8	7	15	16	17	71	112.5 %
Finance Group	22	23	28	22	18	19	132	- 13.6 %
Foreign Affairs & Trade Group	13	12	14	13	13	14	79	7.7%
Health	454	513	689	854	880	880	4,270	93.8 %
Housing, Planning & Local Government	792	1,773	2,151	2,240	2,269	2,280	11,505	187.9 %
Justice & Equality Group	170	147	162	269	208	216	1,172	27.1 %
Public Expenditure & Reform Group	140	190	180	225	223	232	1,190	65.7 %
Rural & Community Development	58	95	138	150	152	175	768	201.7 %

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Transport, Tourism & Sport	1,1 39	1,3 24	1,5 36	1,9 43	2,6 13	2,4 24	10,979	112.8 %
Unallocated Reserve	N/ A	N/ A	N/ A	N/ A	109	109	218	N/A
Total (a)	4,6 02	5,9 94	7,1 28	8,1 66	9,1 61	9,3 35	44,386	102.8 %
Total as % of GNI* (b)	2.5 %	3.0 %	3.5 %	3.8 %	4.0 %	4.0 %		

(a) 2017 & 2018 are the gross Appropriation Account outturns, 2019 is the gross provisional outturn (excluding capital carryover of over €0.2billion) and 2020 – 2022 are the expenditure allocations. (b) GNI* for 2019 based on Budget 2020 estimate, with 2020 and 2022 based on assuming growth for GNI* in line with the GDP growth in 15 January Fiscal Strategy Update.