

F7/82/05

26 June 2006

Circular 11/06

Minute of the Minister for Finance in response to the Fifth Interim Report of the Committee of Public Accounts on the 2002 Report of the Comptroller and Auditor General – Department of Education and Science; Department of Health and Children; and the Department of Social and Family Affairs

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I am directed by the Minister for Finance to enclose for your information and guidance a copy of the Minute of the Minister for Finance in response to the Fifth Interim Report of the Committee of Public Accounts on the 2002 Report of the Comptroller and Auditor General – Department of Education and Science; Department of Health and Children; and the Department of Social and Family Affairs.

Your attention is drawn, in particular, to the Committee's recommendations and the Minister's responses regarding:

- the advantages of openness by public bodies in relation to the selection criteria for projects and progress on them (Section 1 of the Minute)
- the fact that costs arising from the use of temporary accommodation in developing capital projects should be regarded as part of a project's costs (Section 2 of the Minute)
- the fact that Departments and Agencies contemplating significant projects should have appropriate information systems in place to monitor the projects (Section 3 of the Minute).

The contents of the Minute should be brought, as appropriate, to the attention of bodies under the aegis of your Department / Office.

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Tom Considine
Secretary General

To: All Accounting Officers

Minute of the Minister for Finance
on the Fifth Interim Report of the Public Accounts Committee on the 2002
Report of the Comptroller and Auditor General – Department of Education &
Science, Department of Health & Children and the Department of Social &
Family Affairs

The Minister for Finance has examined the Committee's Report and has taken account of its findings. In relation to its recommendations, his response is as follows:

1. Dept. of Education and Science - Chapter 7.2

- **Decisions made to increase the number of schools to benefit from programmes of remedial works should be accompanied by corresponding increases in funding so as not to undermine progress on agreed remedial works in other schools.**

The Minister would note that the question of the level of funding for any particular programme is a policy matter. However, the Minister would point out that significant increases in the level of capital funding have been allocated to the Department of Education and Science in the context of the agreed multi-annual Capital Envelope for that Department. These increases include significant funding for programmes of remedial works in schools, which takes account of the increased number of schools benefiting from such programmes and ensures that progress on agreed remedial works is not undermined.

- **The proactive approach to planning the school building programme needs to be maintained in order to provide schools in areas of increasing population.**

The Minister is advised by the Department of Education and Science that it accepts this recommendation. The Department has demonstrated the importance it attributes to planning the school building and modernisation programme by re-structuring the Planning and Building Unit. In addition, a review of the criteria for prioritising large-scale projects was undertaken in consultation with the Education partners early in 2004 so as to ensure that the criteria are fully tuned to meeting the priority accommodation needs of primary schools, particularly in areas of increasing population. In 2004 a new planning model - Area Development Plan (ADP) - was introduced for educational infrastructure to ensure that, in future, school provision is decided after a transparent consultation process.

- **The advantages offered by greater levels of openness and consultation should be communicated to other State agencies.**

The Minister accepts this recommendation. While the management of capital programmes is primarily a matter for the relevant Departments or Agencies, the Minister agrees in principle that greater levels of openness by public bodies in relation to the selection criteria for projects and information about progress on projects can contribute to better understanding and acceptance of project selection by interested

parties. The Minister will bring the advantages of such openness to the attention of Departments and Agencies.

- **Early intervention in the land development process with local authorities should form part of a systematic approach to the acquisition of sites for school building purposes.**

The Minister is advised by the Department of Education and Science that it accepts this recommendation. The Department has also confirmed that it is consulted by local authorities in the drawing up of Local Area Development Plans and this consultation process is being developed into a systematic approach to address the planning for new schools, particularly in rapidly-developing areas.

2. Dept. of Education and Science - Chapter 7.3

- **The rates of return for PPP contracts should be kept in line with the level of risk in the projects. This should be kept under review by the Department of Finance.**

The Minister accepts that the rates of return for PPP contracts should be kept in line with the level of risk in projects.

While the return to investors is an issue that informs the evaluation of bids, it is not examined in isolation. A key test is that, in order for a bid to be considered to represent value for money for the Exchequer, it must be compared with the Public Sector Benchmark (the cost, including risks, to the public sector of procuring the PPP project using traditional procurement).

The National Development Finance Agency (NDFA) advises public bodies on the optimum means of financing the cost of public investment projects to achieve value for money and on all aspects of financing, refinancing and insurance, including risk analysis of public investment projects. Where the NDFA is procuring projects via the Centre of Expertise, it will consider these issues directly in its evaluation of bids.

- **Temporary accommodation costs arising from these kinds of project should be properly factored into the overall business case. The Department of Finance should give clearer guidance on these issues.**

The Minister agrees that costs arising from the use of temporary accommodation in developing capital projects should be regarded as part of a project's costs. He will bring this to the attention of Departments and Agencies. The Department of Finance's Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector of February 2005 require that costs should cover ongoing capital and life cycle costs relating to the operation and maintenance of a project as well as costs involved in the creation of capital assets.

- **Bids from contractors wishing to engage in PPP projects should only be sought after the affordability cap has been set.**

The Minister agrees that bids should only be sought after the affordability limits for a project have been identified and in fact the Department of Finance's *"Interim Guidelines for the Provision of Infrastructure and Capital Investments through Public Private Partnerships: Procedures for the Assessment, Approval, Audit and Procurement of Projects"*, published in July 2003, require that an "affordability cap" must be set before tenders are invited.

3. Department of Health and Children – Value for Money Report on the Waiting List Initiative

- **Proper information systems to support monitoring and evaluation should be put in place at the outset of significant projects like the waiting list initiative. Appropriate performance indicators should be adopted for the NTPF.**

On the general point, the Minister agrees that Departments and Agencies contemplating significant projects should have appropriate information systems in place to monitor the project. He will draw this matter to Departments' and Agencies' attention.

As regards the waiting list initiative, the Minister has been advised by the Department of Health and Children that the initiative came to an end in 2003. The National Treatment Purchase Fund (NTPF) now arranges treatment for public patients who have been waiting longest for surgery. Up to the end of December 2005, over 38,000 patients had had treatment arranged for them by the NTPF. It is now the case that, in most instances, anyone waiting more than three months will be facilitated by the Fund.

The Patient Management System operated by the NTPF maintains data in respect of all patients treated under the Fund. This includes information such as the patient's name, address, other identifying details, the surgery performed and the amount paid for it. This system allows for tracking of all cases treated under the auspices of the NTPF.

The NTPF has also been given responsibility for the collation and publishing of waiting list and waiting time data.

The Minister has been informed by the Department of Health and Children that a new on-line National Patient Treatment Register (PTR) has been developed by the NTPF. The PTR is a national database of patients waiting for admission to hospital for treatment. It will allow for more accurate identification of waiting lists and, more importantly, waiting times. Phase 1 of the PTR was implemented in September 2005. Phase 1 includes data from seven hospitals which, under the previous waiting list system, accounted for approximately 40% of the total number of patients waiting nationally. The published data for the seven hospitals showed that on average patients are waiting between two and four months for their operation for 17 of the 20 most common surgical procedures. The PTR will be rolled out to the remaining acute hospitals during 2006.

The Minister understands that, when completed, the PTR will allow an accurate national assessment as well as an assessment of how individual hospitals are performing in relation to reducing waiting lists and waiting times.

- **The option of using nursing homes to care for persons who are clinically fit to be discharged from acute hospitals should be facilitated in appropriate cases in view of the potential savings that can be achieved.**

This recommendation is accepted. The Minister has been informed by the Department of Health and Children that the Health Service Executive (HSE) has been and is making sustained efforts to arrange for the discharge of those patients in acute hospitals who have completed their acute phase of treatment in order to have more acute beds available in hospital for emergency and elective patients.

The Minister is informed that specific actions regarding the care of the elderly have been taken including provision of additional beds in nursing homes, including private beds, and additional homecare packages.

The Minister has been assured by the Department of Health and Children that the HSE is continuing to work closely with private nursing homes to identify suitable capacity to allow the transfer of patients from acute hospitals to more suitable places of care.

4. Department of Social and Family Affairs – Vote 40; and Chapter 12.1

- **There is a need to improve the capability of Departments to develop more accurate estimates to support policy decisions. The Department of Finance should consider the various examples of under-estimation to identify lessons to be learned by other Departments and by its own officials.**

The Minister has emphasised to Departments and Offices the importance of ensuring that estimates are drawn up as accurately as possible having regard to the latest available information and that due regard is paid to capacity building in this regard through the appropriate staff development and training.

It is of course primarily the responsibility of individual Departments to develop policies in their area of remit, to develop their organisational capacity to estimate the cost of policy proposals and to ensure that the informational databases on which decisions are based are as up-to-date and accurate as possible.

The Department of Finance initiated a long-term training programme in public policy analysis in 2003. This is provided by the Civil Service Training & Development Centre in conjunction with the IPA and UCD. A two year full-time training programme to Masters Degree standard is provided for officers at Assistant Principal, Higher Executive Officer and Administrative Officer levels. 25 places are available under the current programme and are filled from applicants across all Departments. A two year Higher Diploma Programme in Public Policy Analysis involving a further 19 participants currently is also available to middle managers. The objective of the programmes is to increase the analytical skills available in all Departments.

As regards lessons to be learned, the Department of Finance's Capital Appraisal Guidelines of February 2005 require Departments and Offices responsible for capital projects to carry out post-project reviews on at least 5% of completed projects so as to identify any significant lessons that can be learned and translated into their ongoing project practices. If the lessons are of general application, they are required to report them to the relevant sanctioning authority to enable them to be incorporated into wider practices.

Arising from this approach to learning from lessons of the past, proposals to introduce fixed price contracts as the norm for public sector contracts are at an advanced stage. Cost certainty, value for money and cost-effective delivery of public capital projects are at the core of the reforms. The fundamental changes in both the new construction and consultant contracts are a re-balancing of risk and the introduction of fixed price lump contracts with appropriate risk transfer tendered on a competitive basis as the norm. The public sector client will be asked to provide comprehensive information at tender stage, including identifying which risks are to be transferred, to facilitate fixed price tendering.

5. Department of Social and Family Affairs – Value for Money Report on Evaluation of Control Activity

- **The Department should continue to develop a strategic approach to tackling social welfare fraud.**

This recommendation is accepted. The Minister is advised by the Department of Social and Family Affairs that it is fully committed to the ongoing development of a strategic approach to tackling social welfare fraud. The implementation of the 2003 Control Strategy will provide the basis for this. That Strategy indicated that a more targeted and methodical approach, focused in particular on the schemes and elements of schemes that pose the highest risk of fraud and abuse, is the most effective and efficient approach to control activity. A number of initiatives have been introduced following the publication of the strategy: specifically, the fraud and error survey programme and fraud risk assessment of schemes. These measures implement the more strategic approach to tackling fraud.

- **Consideration should be given to harmonising the approach to sanctions applied and arrangements for recovery of overpayments in line with schemes in other Departments and in Revenue.**

The Minister is advised by the Department of Social and Family Affairs that a review of its policies and practices in relation to social welfare debts and debt management is being carried out. The purpose of the review is to optimise the level of recovery of debts and the efficiency of the collection process. As part of the review, research is being carried out into debt management in other comparable organisations with a view to identifying best practice. In that regard, the Department of Social and Family Affairs will liaise with the Revenue Commissioners on its debt management policy and activities.

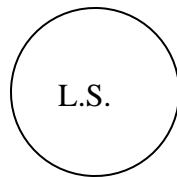
- **The Department should devise meaningful indicators of performance in the area of detecting overpayments and fraud.**

The Minister is advised by the Department of Social and Family Affairs that the main performance indicators for control activity currently are the amount of savings achieved and the number of reviews undertaken annually. More recently the percentage of reviews undertaken, which actually result in control savings, is used as a measure of the effectiveness of control activity. Since 2003, the Department has undertaken fraud and error surveys on individual income maintenance schemes and is committed to doing two such surveys annually. The outcomes of these surveys will be used as an indicator of the effectiveness of the Department's control programme over time.

- **There should be a greater emphasis on detecting overpayments and fraud in schemes in which there is a greater likelihood that incorrect overpayments have been made.**

This recommendation is accepted. The Minister is advised by the Department of Social and Family Affairs that, in the context of the implementation of the 2003 Control Strategy, that Department has emphasised the need to focus control activity

on schemes and parts of schemes that pose the highest risk of fraud and abuse. As referred to above, the introduction of the fraud risk assessment process and the fraud and error survey programme has now enabled a more targeted and focussed approach by the Department to its control activity.



Given under the Official Seal of
the Minister for Finance this
9 day of June, 2006

Thomas Considine
Secretary General
Department of Finance