



## The PBO's approach to enhancing the civil service costing facility

PBO Note 13 of 2018

### Introduction

The Parliamentary Budget Office (PBO) recognises that the ability of Members to have accurate, comprehensive and impartial costings carried out on their behalf is an integral part of the support required to ensure that they have the resources and opportunity to scrutinise government policy and performance.

In advance of Budget 2019, this *PBO Note* outlines the PBO's approach to adding value in respect of four categories of costing which it has identified as being of relevance and interest to Members in respect of parliamentary scrutiny, the financial implications of policy proposals and the management of public finances.

### The PBO's assessment of costing categories

The PBO examined the output of the existing civil service costing facility with a view to ensuring that any proposals it makes *add value* to what is currently available. To this end, the PBO has identified four categories of costings – shadow (or opposition) budget, policy, legislative and election manifesto – and provides an assessment in relation to which of these categories of costings it would be most appropriate to address.

In particular, the PBO considers each of these categories in respect of:

- the service provided by the existing civil service costing facility;
- whether the category has relevance for parliamentary scrutiny, and if it should be addressed as a priority by the PBO; and
- the action(s), if any, the PBO should take to address this category of costing, and the timing of any action it might take.

### The PBO's approach to adding value

As indicated in Table 1, the PBO recognises that priority consideration should be given to **shadow budget and policy costings**. In assessing the ways in which it can add value to the existing service, and based on consultation with government departments and experts from international PBOs, the PBO recommends two approaches; one for the short-to-medium term, and another long-term approach.

#### 1. Short-to-medium term approach: a quality assurance '*Pilot Scheme*'

Following consultation with government departments, the PBO has devised a quality assurance (QA) *Pilot Scheme* for launch in 2018. This will involve the provision of a QA service to political parties and groups with representation in the Oireachtas in respect of **shadow budget** costings carried out by government departments. This service will be available upon request by the party or group leader (or an individual nominated in writing by the leader).

This service will **not** involve the PBO estimating a cost, but will allow the PBO to provide a "sense-check" of the costings that were carried out by departments, informing political parties and groups whether or not the PBO feels that the estimate(s) provided in reply to their request was plausible. This QA process would also involve the provision of advice on problems in relation to the costing of a particular proposal and suggesting methodological solutions in the event that a costing cannot be provided by departments. The role of the PBO would be to assess whether or not the department's methodology and assumptions were justifiable.

These requests would be submitted to the PBO, in a prescribed template, to [PBOCostings@Oireachtas.ie](mailto:PBOCostings@Oireachtas.ie). The Director of the PBO will formally notify the leaders of political parties and groups of the launch of the scheme in August, with an explanation of the process and the underlying terms of reference.

Generally, the PBO will endeavour to respond to requests within 15 working days, and will publish this response online in January, following the publication by departments of their costings. As part of this service, the PBO also intends to offer departments a ‘right of reply’ prior to the publication of its opinion.

It is important to note that the PBO does not propose to take over this costing service from government departments. This would be beyond the current capabilities of the PBO, in terms of access to relevant information and resource constraints. Rather, this service is intended to complement the existing civil service costing facility, in a way that adds value to the current service. The aim is to support both Members and departments in their engagement with the costings process, and in their mutual understanding of the outputs of this process.

The PBO will commence a review of this *Pilot Scheme* in 2019, and will assess the suitability of the service for expansion.

## 2. Long-term approach: the static cost of intervention taking into account first-order fiscal effects

First-order fiscal effects are not quantified in the departments’ costings. The PBO identifies that the calculation and provision of costings that take into account first-order fiscal effects would enhance the existing civil service costing facility.

This type of costing encompasses a range of potential direct economic impacts, including behavioural ones. It may go beyond the immediate exchequer impact to assess how consumer behaviour may adapt as a result of the new policy or programme, for example, an increase in the duty imposed on one type of beverage may encourage consumers to switch to purchasing an alternative beverage thereby potentially affecting the additional revenue projection produced by a static costing.

However, the PBO is not yet in a position to provide this analysis as it must first develop complex modelling systems. Based on discussions with a number of international partners, this will take

considerable time and resources. The *Pilot Scheme* described above will allow the PBO to develop the skills and knowledge required to provide an enhanced service at a future date. The PBO is targeting the launch of this service in 2020.

Access to relevant data from departments and other public bodies is a prerequisite to the successful operation of any costings service by the PBO. Legislation may be required for such material. The PBO anticipates that it will be established on a statutory basis towards the end of 2018, however, this is subject to change.

## Additional relevant material

The PBO has produced a separate *Note* (*PBO Note 12 of 2018*), detailing the existing civil service costing facility, currently offered by the Department of Public Expenditure and Reform, and the Department of Finance. This *Note* outlines how political parties and groups can engage with this service, and presents an indicative time-line and milestones associated with this service. This *Note* can be accessed [here](#).

In addition, the PBO would remind Members that the Library and Research Service (L&RS) provides research to individual Members to inform the development of policy proposals.

Table 1: PBO's assessment of options available in respect of four costing categories

Costing category	Existing civil service costing facility (Yes / No)	PBO's assessment of added value	PBO action(s) and timeline
<b>Shadow budget</b>	<p><b>Yes.</b></p> <p>Shadow budget proposals may be submitted by political party leaders (or via a single nominated individual) directly to the Secretary General of:</p> <ul style="list-style-type: none"> <li>• the Department of Public Expenditure and Reform for expenditure proposals; or,</li> <li>• the Department of Finance for taxation proposals, for costing and / or co-ordination.</li> </ul> <p>Shadow budget proposals are costed individually and on a static basis.</p>	<p>This category <b>has</b> direct relevance to parliamentary scrutiny <b>but</b> involves the processing of a large volume of requests within a limited timeframe.</p> <p>On this basis, these costings <b>should</b> be considered by the PBO as a priority, but will require a substantial commitment of resources.</p>	<p><b>Action:</b> The PBO is currently developing a <i>Pilot Scheme</i> in consultation with government departments that will allow for the provision of a quality assurance service to political parties in respect of the shadow budget costings provided by departments. In effect, this involves the PBO providing a 'sense-check' of costings carried out by government departments, upon request by political party leaders.</p> <p><b>Timeline:</b> The <i>Pilot Scheme</i> will launch in August 2018. A review will be undertaken in 2019.</p>
<b>Policy</b>	<p><b>Yes.</b></p> <p>Policy proposals can be submitted for costing by individual Members of the Oireachtas through the Parliamentary Question (PQ) service for consideration and response by the relevant department.</p> <p>Policies are costed individually and on a static basis.</p>	<p>This category <b>has</b> direct relevance to parliamentary scrutiny <b>but</b> involves the processing of a large volume of requests within a limited timeframe.</p> <p>On this basis, these costings <b>should</b> be considered by the PBO as a priority, but will require a substantial commitment of resources.</p>	<p><b>Action:</b> As indicated above, the PBO is developing a <i>Pilot Scheme</i> that involves the provision of a quality assurance service in respect of shadow budget costings carried out by government departments.</p> <p>In 2019, the PBO will commence a review of this scheme, and will assess its suitability for expansion to include <i>select</i> policy costings.</p> <p><b>Timeline:</b> A review of the QA <i>Pilot Scheme</i> will take place during 2019, with potential roll-out of the expansion of this service to include policy costings from 2019 – 2020.</p>
<b>Legislative</b>	<p><b>No.</b></p> <p>At present there is no systematic costing of legislative proposals in Ireland. However, there may be Cost Benefit Analysis (CBA) of certain proposed Government legislation through conducting Regulatory Impact Assessments (RIAs). A framework for the costing of Private Members' Bills (specifically the exchequer cost) is currently being piloted by the L&amp;RS, with the aim of applying this approach on a case-by-case basis.</p>	<p>This category <b>has</b> direct relevance to parliamentary scrutiny, and is currently under review by the L&amp;RS.</p> <p>At present, on this basis, this category <b>should not</b> be addressed by the PBO as a priority.</p>	<p><b>Action:</b> The PBO is currently engaging with the L&amp;RS to assess the role it can play in support of the costing of Private Members' Bills (PMBs).</p> <p><b>Timeline:</b> TBD, depending on the outcome of ongoing discussions with the L&amp;RS.</p>
<b>Election manifesto</b>	<p><b>Yes.</b></p> <p>Election manifesto proposals may be submitted by political party leaders (or a nominated individual) directly to the Secretary General of:</p> <ul style="list-style-type: none"> <li>• the Department of Public Expenditure and Reform for expenditure proposals; or,</li> <li>• the Department of Finance for taxation proposals, for costing and / or co-ordination.</li> </ul> <p>Election manifesto proposals are costed individually and on a static basis.</p>	<p>This category does <b>not</b> have <i>direct</i> relevance to parliamentary scrutiny.</p> <p>On this basis, this category <b>should not</b> be addressed by the PBO as a priority.</p>	<p><b>Action:</b> None.</p> <p><b>Timeline:</b> At present, there are no priority actions to be taken by the PBO in relation to election manifesto costings.</p>



### Recent Publications

[PBO Initial Objectives and Services](#) 4 October 2017

### Commentaries

[Quarterly Economic and Fiscal Commentary \(Q1 2018\)](#) 16 April 2018

[Quarterly Economic and Fiscal Commentary \(Q4 2017\)](#) 23 January 2018

### PBO Notes

[Note 11 of 2018: 2018 European Semester: Draft Country Specific Recommendations for Ireland](#) 28 May 2018

[Note 10 of 2018: 2018 European Semester: European Commission's Assessment of the 2018 Stability Programme for Ireland](#) 28 May 2018

[Note 9 of 2018: Public Service Performance Report 2017](#) 11 May 2018

[Note 8 of 2018: An overview of the Social Insurance Fund \(SIF\)](#) 11 May 2018

[Note 7 of 2018: Note on Sugar Tax](#) 27 April 2018

[Note 6 of 2018: Overview of the Stability Programme Update 2018](#) 24 April 2018

[Note 5 of 2018: Note on Central Bank of Ireland Surplus Income](#) 22 March 2018

[Note 4 of 2018: 2018 European Semester: Country Report Ireland](#) 22 March 2018

[Note 3 of 2018: The Multiannual Financial Framework of the EU](#) 9 February 2018

[Note 2 of 2018: Note on Revaluation of the Local Property Tax base](#) 15 January 2018

[Note 1 of 2018: Note on Ireland's budgetary process and the European Semester 2018](#) 15 January 2018

### Briefing Papers

[Briefing Paper 6 of 2018: Potential Output, the Output Gap and Associated Key Issues for Fiscal Policy-making in Ireland](#) 11 May 2018

[Briefing Paper 5 of 2018: An overview of Public-Private Partnerships in Ireland](#) 16 March 2018

[Briefing Paper 4 of 2018: The Gender and Equality Budgeting pilot in the Revised Estimates for Public Services 2018](#) 27 February 2018

[Briefing Paper 3 of 2018: Revised Estimates for Public Services 2018](#) 20 February 2018

[Briefing Paper 2 of 2018: Local Property Tax: Issues to be considered with the revaluation of the base](#) 15 January 2018

[Briefing Paper 1 of 2018: European Semester 2018 and how it interacts with Ireland's Budget 2019](#) 15 January 2018

### Infographics

[Infographic 4 of 2018: Total Gross Voted Allocation and Expenditure Cycle 2017](#) 27 April 2018

[Infographic 3 of 2018: Revised Estimates for Public Services, subheads by expenditure](#) 24 April 2018

[Infographic 2 of 2018: Exchequer revenue – Significant months 2018](#) 6 March 2018

[Infographic 1 of 2018: Budgetary Cycle 2018](#) 10 January 2018

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