


The Irish Facility for Party Policy Costings

Whitehall in Year Five of the Coalition: Lessons from Elsewhere

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Summary

The context of coalition

Coalition government has become the norm in Ireland. This means that in the run-up to an election there can be a large number of parties with a chance of holding power when the new government is formed.

In this context, it is important that all parties can have their policy plans tested for affordability. The Department of Finance provides such a facility, with all parties able to submit policies for assessment by officials, enabling parties to refine policies and be more confident about the financial feasibility of their plans.¹

Parties are able to submit policy proposals for costing at three points in the political calendar: in the months preceding a general election, during the annual Budget process, and during the negotiation of a Programme for Government after the election.

This case study examines how the costing facility operates at these different points (though our focus is on the pre-election period), how parties make use of the facility, what lessons can be drawn, and what relevance the Irish experience may hold for the UK.

How the facility works

The costing process is tightly controlled. Requests from all parties are submitted to the Secretary General (permanent secretary equivalent) of the Department of Finance, and then passed on to relevant officials to carry out the necessary analysis. The content of requests and responses is confidential – officials are not told who the request is for, ministers are not consulted and all documentation related to the costings is exempt from freedom of information legislation.

The facility is limited to costings – officials are not supposed to comment on the policy itself. However, depending on the relationship between the individuals involved, officials may provide additional information on the pros and cons of a policy, or on potential implementation challenges.

The facility is in practice only used by opposition parties, since governing parties feel they have sufficient ability to draw upon civil service resources. However, some hold the view that in the final period of government, the governing parties themselves might benefit from access to confidential channels of information that enable them to develop policy without their coalition partner being aware.

Parties are also able to access the costing facility in the lead-up to the annual Budget, although during this period fewer resources are devoted to the process.

The costing facility is in addition available to parties involved in post-election coalition negotiations. It appears that negotiating parties have made limited use of this facility, but some participants in past negotiations told us that greater civil service input could improve the quality of future Programmes for Government.

¹ Following the 2011 election, the Department of Finance was divided into the Department of Finance and the Department of Public Expenditure and Reform. However, there has been no suggestion of removing this facility at future elections.

Benefits of the system

The costing facility offers a number of benefits:

- The process enhances the credibility and robustness of all parties' policy plans, and gives them greater confidence to make the case for their proposals.
- It offers parties a confidential space in which to test and refine policies. It is trusted and widely regarded as an automatic right of all parties, not a privilege granted by the government of the day.
- The system also creates incentives for parties to have their policies costed and to release those costings, since uncosted policies – or those judged incapable of being costed – will attract criticism and enhanced scrutiny in political and media debate.
- The costing facility creates the potential for more evidence-based coalition negotiations in the aftermath of an election.

Challenges faced

However, we also highlight a number of challenges:

- The facility can be used to calculate the costs of relatively simple policies, such as changes to taxation or to welfare payments. However, it is less useful in estimating the costs of more complex or innovative policies.
- The system does not provide significant advice on the 'implementability' of policy plans, or on alternative approaches the parties could consider.
- The facility does not assess party manifestos as a whole. Although parties could in principle request a costing for an integrated set of policies, they rarely do so. In practice, the costing facility assesses policies in isolation, and cannot indicate how different policies might interact.
- Parties can game the system by releasing the costs of a policy or declaring that it has been approved by the Department of Finance without clarifying the assumptions on which the costing is based.
- In the absence of a fixed parliamentary term, there is no fixed date at which the facility is opened. The facility opens once an opposition party makes a costing request; if a government falls early, there may be insufficient time for the parties to make constructive use of the system.
- The system is in practice not used significantly during the coalition formation process, limiting its overall impact on the quality of government policy.

We conclude that while the benefits of the Irish costing facility should not be overstated, it does have a positive impact on policy development and public debate, by creating incentives to develop affordable and feasible policy plans.

Introduction

This research paper discusses the system through which political parties in Ireland can submit policy proposals to Department of Finance officials for costing at several points in the political calendar: in the months prior to a general election, during Programme for Government negotiations, and ahead of the annual Budget.

This study forms part of the Institute for Government's wider 'Year Five' project, which is examining challenges facing Whitehall in the final year of the UK Coalition. Specifically, we are interested in how the Civil Service should support the two coalition parties and the opposition parties as they develop their policy plans for the next term, in order that whatever government is formed in May 2015, it has a well-prepared and affordable policy programme.

Ireland provides a useful case for the UK to learn from as, while coalition government used to be the exception in Irish politics, it has become the rule. For much of the post-independence period, Irish politics was dominated by Fianna Fáil. First coming to power in 1932, Fianna Fáil was in office (either alone or in coalition) for 61 of the next 79 years until the 2011 election. Throughout this period it was consistently the largest party in the Irish Parliament even when in opposition.² However, Fianna Fáil has not won a parliamentary majority since 1977, and Ireland has been governed by multi-party coalitions for most of the period since then. The decline of Fianna Fáil as the dominant force in Irish politics has continued, and in 2011 the party experienced its worst defeat, winning just 12% of seats in the Dáil (the lower house of the Irish Parliament).³

In this more pluralistic party landscape, multi-party government seems likely to continue. With this considerable experience of coalition government, Irish politics can offer insights into how political parties, including those that form part of a governing coalition, are able to access information and analysis to develop their policy proposals in advance of an election.

This paper is based on eight telephone interviews conducted with current and former civil servants, external experts on Irish politics, and party political figures (both politicians and advisers) in Ireland. We also draw upon the limited existing secondary literature and official government documents. The paper is one of a series of international case studies published as part of our Year Five project, and will feed into a final report with recommendations for Whitehall and Westminster.

Pre-election support for the coalition

There is no specific mechanism in Ireland for the Civil Service to support coalition parties to develop their own distinct party policies, either in the final months of a parliament or in the election campaign period itself (when strict restrictions apply to civil service support for ministers, in a similar fashion to 'purdah' in Whitehall).⁴

As they formulate their manifesto plans, the governing parties are able to use information and expertise gathered throughout their time in government to develop party policies. A

² Hutcheson, D., 'The February 2011 Parliamentary Election in Ireland', IBIS Working Paper no.109, 2011.

³ Little, C., 'The General Election of 2011 in the Republic of Ireland: All Changed Utterly?' *West European Politics* 34:6, 2010.

⁴ Interview IRE08, December 2013; Interview IRE06, December 2013; Interview IRE01, October 2013.

former political insider told us that during its time in coalition, his party was able to access information that could then be fed into its own policy thinking:

We wouldn't have been looking for information [ahead of the election]. However, the intelligence we had from being in government, about the possibilities of various proposals, we would have used the information that we had to help us to prepare for the manifesto.⁵

Interviewees from parties in the current coalition were similarly confident that they had sufficient access to information through existing channels to be able to develop their own party's policy plans. When asked if there was a need for a specific mechanism to allow coalition parties access to confidential policy support in the final year, one party insider told us that in departments led by a minister of the other party, they would often have a junior minister who could request information.⁶ Another party figure said that even in departments where they had no ministerial representation, party advisers were able to access sufficient information:

If I asked our Department of Social Protection [led by a minister of the opposite party], if I asked them to prepare a whole bunch of costings for me I know that, and I do in fact, I know that that series of communications and dialogue would be copied in to their political office – they would have full view. They would always answer, they would always provide whatever answer I was looking for, but it wouldn't be on a confidential basis.⁷

A senior serving official agreed that after four years in post, ministers themselves would have a good idea of what new policies were possible, and would be able to draw on proposals and papers they had seen.⁸ Another interviewee echoed this view:

They [the parties] don't tend to surreptitiously seek access to data that the others don't have, but in fact the Irish coalition systems have been reasonably open, not too much in the way of internal opposition...They have enough access to data. Their policy advisers have plenty of facility to put things together, to ask questions.⁹

However, senior insiders from each of the current coalition parties agreed that the issue of being able to access information from civil servants without the coalition partner being copied in would become more relevant as they approached the next general election.¹⁰ One also confirmed that discussions had begun within the party about how to manage the final year of coalition. The other made the point that, while it is very much the role of the parties to develop new ideas, the Civil Service might have some part to play in 'validating' those proposals.¹¹

Interviewees also told us that it would not be difficult to create such a confidential facility should the need arise. One said:

⁵ Interview IRE07, December 2013.

⁶ Interview IRE08, December 2013.

⁷ Interview IRE01, October 2013.

⁸ Interview IRE06, December 2013.

⁹ Interview IRE02, November 2013.

¹⁰ Interview IRE01, October 2013. Another interviewee (Interview IRE08, December 2013) confirmed that discussion had begun within the party about how to manage the final year.

¹¹ Interview IRE08, December 2013.

There would actually be, in Ireland, no difficulty at all about setting such a thing up if a coalition partner asked for it. I think any finance minister I've ever been involved with would say, 'Yes sure, just do it, don't even tell me about it, just put that facility in place.'¹²

A political figure from the current coalition agreed:

'I would imagine the department will be happy to provide information on a confidential basis as we approach an election campaign.'¹³

Pre-election support for opposition parties

Opposition parties in Ireland have a number of mechanisms through which they can access information from departmental sources. As at Westminster, they can use parliamentary questions and freedom of information requests to access information about existing policies or to generate costings of their own policy proposals.¹⁴

Prior to the election, opposition parties can also request meetings with heads of department to discuss changes they might wish to make to the structures and the focus of individual departments, in a similar fashion to pre-election access talks in the UK.¹⁵ And in 2011, the opposition parties were also offered 'extensive briefings' from the Civil Service on the economic situation. A party insider described this process as 'information sharing... rather than seeking [...] direct input [from the Civil Service]', which was related to the dire economic situation in which Ireland found itself at the time.¹⁶

In addition, political parties in Ireland are offered access to a mechanism that does not exist in the same form in the UK. In the months leading up to an election campaign, the parties are entitled to access the Facility for Costing of Proposals operated by the Department of Finance. This allows parties to request confidential costings of individual policies. According to a review of the facility published in 2003, parties can use it 'in the context of general elections or the formulation of Programmes for Government subsequent to elections'.¹⁷ Parties are also able to access a similar facility in the lead-up to the annual Budget process in order to have their pre-Budget submissions costed.¹⁸ The costing facility is not restricted to opposition parties,¹⁹ but we were told that, in practice, it is used exclusively by non-government parties. It appears that governing parties have not seen the need to use this channel of support, given their existing access to the Civil Service.

The facility allows parties to submit policy proposals directly to the Department of Finance to be costed confidentially. The process is exempt from freedom of information legislation and is independent of the political leadership of government. A former senior Department of Finance official told us that the facility has been in operation for 'quite some time', but none of our interviewees was aware of exactly when or why it was established. However, a review commissioned by the Minister of Finance and carried out by Department of Finance officials stated that the costing facility was 'in the public interest', and concluded that it was:

¹² Interview IRE02, November 2013.

¹³ Interview IRE01, October 2013.

¹⁴ Interview IRE02, November 2013.

¹⁵ Interview IRE08, December 2013.

¹⁶ Interview IRE01, October 2013.

¹⁷ Department of Finance, *Review of Facility for Costing Proposals from Political Parties*, 2003.

¹⁸ Interview IRE01, October 2013; Interview IRE07, December 2013.

¹⁹ Department of Finance, 2003.

...important that political parties understand the precise consequences of any particular proposal, particularly where such proposals are being considered for inclusion in party political manifestos.²⁰

Several interviewees confirmed that the facility forms an important part of the electoral process, in that it both places pressure on parties to demonstrate that their policies are affordable, and gives them the means to do this.²¹ Parties gain credibility by having departmental officials cost their policies, and the failure to have a taxation or spending policy costed will attract negative speculation in the media.²² And in a political context where almost any party might find itself engaged in government formation negotiations after the election, there is a strong rationale for ensuring that even the minor parties have well-costed plans.

How the costing facility works

The costing facility is available to parties at three different times: in the months leading up to an expected election, during the annual Budget process, and for the formulation of Programmes for Government.²³

Pre-election policy costings

Ireland does not have fixed-term parliaments, and there is no fixed date at which the costing facility becomes available prior to an election. Instead, the facility is activated as soon as a party submits a request for a policy costing. The Secretary General of the Department of Finance may query whether a request falls within the context of preparation for an election, but in practice the opening of the facility is 'pretty much automatic':

It's close to being a right... the moment they [opposition parties] say, 'Yes, I'm doing this in the context of an election'... almost by definition the facility is activated.²⁴

Once the Secretary General is satisfied that the request falls within the remit of the facility (that it concerns the party's preparation for an election) they will write to the leaders of all opposition parties informing them that the facility is available:

It might be three to four months in advance, maybe even a little longer, that the Secretary General of the Department of Finance would write to the opposition leaders and say, 'I am now making available to you and to your staff this facility for confidentially costing election proposals.'²⁵

The government of the day has no role in making the facility available to the opposition. It is the right and the responsibility of the Secretary General of Finance to decide when the facility should be activated. Indeed, one interviewee told us that the Taoiseach (Prime Minister) and the Minister for Finance would not even be aware that the facility had opened:

It was understood that this was a highly confidential process, and it was understood that the Secretary General would not be talking to ministers or the Taoiseach about it.²⁶

²⁰ *Ibid.*

²¹ Interview IRE01, October 2013; Interview IRE05, December 2013.

²² Interview IRE01, October 2013; Interview IRE03, November 2013.

²³ Department of Finance, 2003; Interview IRE01, October 2013; Interview IRE07, December 2013.

²⁴ Interview IRE02, November 2013.

²⁵ Interview IRE01, October 2013.

²⁶ Interview IRE02, November 2013.

The process around costing requests is channelled through a nominated official on the party side, the Secretary General of Finance, and a request co-ordinator within the Department of Finance. Guidelines published following the 2003 review specify that:

Individual costing requests must be detailed and must be submitted directly to the Secretary General of the Department of Finance through a single nominated channel authorised in writing by the party leader.²⁷

A party insider confirmed that the leaders of the opposition parties would formally write to the Secretary General, nominating an individual to be the 'point of contact' with the department.²⁸ On the Department of Finance side, the Secretary General appoints 'a sensible and trustworthy person' to act as request co-ordinator. This co-ordinator would be an 'upper-middle level manager at least' within the department.²⁹

Parties must send all requests directly to the Secretary General, who keeps a record of them before passing them on to the co-ordinator to be sent on to relevant officials for completion. This co-ordinating officer would often be a senior manager of a team that was likely to receive a significant number of requests, such as the team dealing with income tax. A significant proportion of requests could therefore be dealt with by the co-ordinator's own team.³⁰ The remainder of the requests are distributed to other units or teams within the department for completion. Completed costings are signed off by the senior official within that unit, before being passed back to the request co-ordinator.³¹ The co-ordinator passes completed costings to the Secretary General, who in turn sends them to the nominated individual within the relevant party.³²

The process of receiving and distributing requests is tightly controlled and confidential:

[The co-ordinator] told no one about the requests he was receiving, and would only circulate a request to the unit or team that would be answering that specific query, so there would never be a distribution [of requests].³³

The team receiving a request will not be told which party submitted it, and officials are instructed not to discuss requests or preparation of responses with anyone. All documentation related to the policy costings is exempt from freedom of information requests. One senior party insider confirmed that they had complete confidence in the security of the system:

'Our experience has been that the process is tight, leak-proof, and that it never fed into our political opponents or the media.'³⁴

In terms of the content of communication between the parties and Department of Finance officials, the facility is limited to providing costings of individual policy proposals. The

²⁷ Department of Finance, 2003.

²⁸ Interview IRE01, October 2013.

²⁹ Interview IRE02, November 2013. Principal Officer is a grade below Assistant Secretary General, and is classed as senior management within the Irish Civil Service (McCarthy, A., '[Leadership in the Irish Civil Service: A 360° Review of Senior Management Capability](#)', 2011).

³⁰ Interview IRE02, November 2013.

³¹ *Ibid.*

³² Interview IRE08, December 2013.

³³ Interview IRE02, November 2013.

³⁴ Interview IRE01, October 2013.

guidelines drawn up following the Department of Finance review in 2003 set out the limits of what the facility offers:

The department will not comment on any policy costed, on existing policies, or on economic forecasts prepared by others or on aggregate spending.³⁵

The facility applies only to officials in the Department of Finance, and opposition parties cannot use it to contact officials in other line departments to seek information on their policies. The Department of Finance can request information from other departments if necessary.³⁶

A former minister told us that the costing facility could only be used to access information or data that already existed:

They tend to have their body of data and their model, and to answer the question they'll run the model or they'll assess their data. They won't do bespoke separate analysis for each party.³⁷

However, several interviewees indicated that discussions can go further than these basic financial calculations. One party insider told us that these good working relationships between officials on the departmental and party side could result in freer discussion of policy. Departmental officials could and did take 'a very broad interpretation of their mandate':

It sometimes comes down to the individual civil servant... but they might give you a broader view of the pros and cons of a policy, and let you know of potential implementation hurdles that you may not have considered... They're happy to sit down and talk it through in terms of their answers, to provide a richer dialogue in terms of some issues... It tends to turn into a more informal conversation and you get, I suppose, a better sense of whether some of the options you've been asking them to cost have been considered before, and if so, what are the other related issues that may have complicated the picture for them.³⁸

The party had found those additional discussions to be useful, and our interviewee added that they would be confidential, as would the contents of the initial costing requests and responses. Another party figure agreed that, depending on the individual official who was completing your request, you could get 'subtle' comments on a proposal – he might be told, for example, that 'this is a silly idea'.³⁹

The processes around this pre-Budget facility are the same as those that apply in the pre-election facility – exchanges are confidential, and limited to costings of policies. However, this is a 'light version' of the facility offered ahead of an election, and officials devote fewer resources to the process.⁴⁰

Use of the costings facility to inform coalition negotiations

The 2003 review of the costing facility states that parties are also entitled to use it while negotiating a Programme for Government, a process which lasted six days in 2011 and 10

³⁵ Department of Finance, 2003.

³⁶ Interview IRE02, November 2013.

³⁷ Interview IRE05, December 2013.

³⁸ Interview IRE01, October 2013.

³⁹ Interview IRE08, December 2013.

⁴⁰ Interview IRE01, October 2013.

days in 2007.⁴¹ However, several interviewees indicated that, in practice, parties do not tend to make use of the facility during this period, despite the potential advantages. One former political insider involved in the 2007 coalition negotiations did not recall such a facility having been made available. This interviewee suggested that ministers of the previous government, who were still ‘in situ’ during negotiations, could informally use their officials to have the positions of their negotiating partner tested or costed. To his knowledge, no equivalent facility for having positions assessed was available to non-governing parties during negotiations. In this way, incumbent parties ‘have a distinct advantage’:

They have intelligence they’ve gathered from being in government – they know what officials have said on particular issues.⁴²

Greater input from the Civil Service could therefore be particularly useful for parties that had little or no experience of government, and ‘would be beneficial for the eventual Programme for Government document’, we were told.⁴³

But it appears that the relationship between the negotiating parties and government departments can also affect how extensively parties make use of the support offered during Programme for Government negotiations. Parties that have not recently been in government are unlikely to have close relationships of trust with senior officials, which can deter them from making full use of the support offered. This lack of a prior relationship between officials and parties not recently in government may increase the incumbency advantage of negotiating parties from the previous government.

One party insider agreed that the Civil Service should be more involved in coalition negotiations, as it is at the negotiation stage that the input of the Civil Service is most important; the new government has a mandate and policy ideas, and the Civil Service has the knowledge and ability to translate those ideas into workable policies. This interviewee could identify manifesto proposals which, in hindsight, they wouldn’t have committed to in the Programme for Government if they had had more access to the Civil Service in the negotiation stages.⁴⁴

What impact does the costings facility have?

The ability to have policies costed has become a key part of the politics surrounding Irish elections. One party insider from the current coalition told us that the debate over policy costings has become ‘part of the political dialogue and media commentary’ around the Irish election process. This interviewee explained:

Certainly there would be an expectation in the media that when a party is presenting its manifesto, any type of social welfare changes would have been costed by the Department of Finance, so there would be a certain pressure on political parties to make sure that those type of basic proposals would have been costed, and if they haven’t been fully costed by Finance it could be quite damaging to

⁴¹ Department of Finance, 2003; ‘[Fine Gael and Labour to form next government](#)’, RTÉ, 6 March 2011; ‘The Greens: it’s a deal’, Independent.ie, 13 June 2007 <http://www.independent.ie/irish-news/the-greens-its-a-deal-26297101.html>.

⁴² Interview IRE07, December 2013.

⁴³ *Ibid.*

⁴⁴ Interview IRE08, December 2013.

political parties in the media. They would immediately be asked the question of whether their numbers are credible.⁴⁵

While the content of costings received through the costing facility is confidential, it has nevertheless become expected that parties will release the costings of significant policy proposals. An expert observer told us:

People would expect that any significant proposals would be subject to a look at the costings by the Department of Finance... If it wasn't done, the likelihood is that questions would be asked of political parties that they would rather not have asked, so it's almost become the norm that proposals would be submitted to the department for costing.⁴⁶

This view is borne out by media coverage of party manifestos and commitments. As noted above, parties are also able to access a 'light version' of the costing facility in the lead-up to the annual Budget. In October 2013 Sinn Féin published its alternative Budget, which included a proposed wealth tax which it claimed would raise €800 million (mn),⁴⁷ or 0.5% GDP.⁴⁸ The party acknowledged that the proposal had not been costed, and stated in its published Budget submission that the 'Department of Finance says it is unable to cost this proposal'.⁴⁹

This attracted significant attention in the media, as one interviewee told us:

That generated a fair amount of discussion and debate in the media at the time about whether or not it was a viable policy, because the Department of Finance had said they couldn't cost it.⁵⁰

Inevitably, Sinn Féin was criticised by its political opponents for including in its Budget submission this uncosted proposal. A government MP accused the party of 'uncosted, fairytale economics'.⁵¹ In 2012, when Sinn Féin had also included an uncosted wealth tax in its pre-Budget submission, the Taoiseach attacked the party's actions in the Dáil:

Sinn Féin's pre-Budget submission was a con-job to avoid answering the most basic of questions about how it would manage the economy. It admits its wealth tax proposal was not costed by the Department of Finance and, incredibly, claimed that it would raise €800mn. The truth is that its policies would tax the country back into recession.⁵²

Sinn Féin is not the only party to have been criticised for proposing uncosted policies. In 2013 the major opposition party, Fianna Fáil, did not submit all alternative Budget proposals to be costed.⁵³ Sinn Féin's finance spokesman told the media:

Fianna Fáil's Budget alternative is uncosted. It's not acceptable in 2013 that any party would produce a Budget with so many uncosted measures.⁵⁴

⁴⁵ Interview IRE01, October 2013.

⁴⁶ Interview IRE03, November 2013.

⁴⁷ McGee, H., '[Sinn Fein to drop wealth tax from its budget submission](#)', *The Irish Times*, 3 September 2013; Kelly, F., '[Sinn Fein admits €800m wealth tax plan not costed](#)', *Independent.ie*, 21 November 2012.

⁴⁸ Based on latest available [OECD](#) statistics.

⁴⁹ Sinn Féin, *A Fair Budget: Alternative Budget 2014* (2013).

⁵⁰ Interview IRE03, November 2013.

⁵¹ '[Labour TD: Sinn Féin's budget proposals based on uncosted, fairytale economics](#)' *The Journal*, 14 October 2013.

⁵² Speech by Enda Kenny to the Dáil Éireann, 12 December 2012. <http://bit.ly/1bvbULx>

⁵³ Interview IRE01, October 2013.

⁵⁴ '[Fianna Fáil: Sinn Féin's budget would cut pay for teachers, gardaí and nurses](#)', *The Journal*, 10 October 2013.

These recent examples support the views of our interviewees that having tax and spend commitments costed by the Department of Finance has become an important process for political parties in Ireland. A failure to have policies costed will result in negative media attention and comment. While the policy costing process is confidential, parties therefore have an incentive to release costings of certain policies.

An expert observer suggested that, in addition to creating an expectation that significant policy measures must be costed, the costing facility had had an effect on the type of policies that parties generated:

Some of the more extreme possibilities would tend to disappear because [parties] know that they wouldn't get any sense of endorsement.⁵⁵

Lessons from the operation of the costings facility

The evidence presented above suggests a number of lessons about the operation of the costing facility.

The system helps improve the credibility of policies

There was a consensus among our political interviewees that the facility to have key tax and social spending policies costed in advance of the election was a valuable one, particularly in that it lent credibility to the policies that parties had developed. As noted, it has become expected that political parties will release the costings of at least some of their key policy proposals. One party insider acknowledged that the costing facility was important because parties need to demonstrate that their policies are 'fundable'. The Civil Service has 'privileged access' to information and is therefore the only institution that can provide those costings.⁵⁶

Former ministers from both sides of the 2007-11 coalition confirmed that the costing facility was an important resource for parties. One told us that it allowed parties to lend 'credibility' to their policies.⁵⁷ A former minister from another party agreed:

I think it is a good process... particularly for parties such as our own where people maybe wouldn't at first associate the Green Party with macroeconomic stability. It does help to have it costed, have it checked... It's a useful tool both to try and inform political thinking, but also for political parties... to show that this is rational – it has been tested in some way.⁵⁸

Without the right to confidentiality, parties would not submit policies for costing

Interviewees expressed confidence that their interactions with the Department of Finance over costings would be kept confidential from other political parties. Without this confidentiality and the exemption from the Freedom of Information Act, parties would be less likely to submit policies for costing.⁵⁹ A review into the facility carried out by the Department of Finance in 2003 reported that, while it could be offered on a non-confidential basis, 'it was

⁵⁵ Interview IRE03, November 2013.

⁵⁶ Interview IRE08, December 2013.

⁵⁷ Interview IRE04, November 2013.

⁵⁸ Interview IRE05, December 2013.

⁵⁹ Interview IRE08, December 2013.

in the public interest to maintain the facility including the confidential nature of the arrangement' as 'some parties would be reluctant to use it otherwise'.⁶⁰

The costings facility does directly improve transparency: parties can be tactical about what to publish

The public release of costings is not compulsory. Parties choose when and whether costings will be released. Given the strong political incentive to demonstrate that policies add up, parties can release costings of their policies tactically. One insider told us that, compared to using parliamentary questions to produce policy costings, the costing facility had an advantage in that responses to costing requests are not automatically made public:

[Parliamentary questions] are public, and the answers are published. But in the lead-in to the election campaign [the costing facility] is confidential, so we can ask all sorts of questions. [If] the answers we decide may not be the answers we wanted... we can ditch them.⁶¹

This interviewee suggested that parties could use the confidential nature of the costing facility to release some costings selectively, while keeping others out of the public eye.

The facility is free from political control and regarded as a right, not a privilege

An important feature of the Irish costing facility is its independence from ministerial control. This contrasts with UK conventions on pre-election contact with opposition parties, which commence only with the approval of the Prime Minister. In Ireland, opposition parties can submit a request for a policy costing at any time and, provided that the Secretary General of Finance agrees that the request is within the context of preparation for an election, that request will be costed.⁶² Indeed, as noted above, the political leadership may not be informed that the facility has been made available. Access to the facility is regarded as a right to be requested by the opposition, rather than a privilege granted by the current government.⁶³

The lack of a fixed term creates uncertainty about when the costing facility will be activated

As noted, the costing facility is made available almost automatically, once an opposition party has made a request and the Secretary General is satisfied that the request relates to preparation for an election. However, Ireland does not have fixed-term parliaments, and this presents a challenge for the Secretary General in judging when opposition parties might legitimately begin their election preparation.⁶⁴ Typically, when governments have run to the end of their maximum five-year term, the facility has been made available three or four months ahead of the election, perhaps a little longer. However, the last coalition government fell apart three and a half years into its term, and it was only when it became clear that the future of the government was in danger – in this case, six to eight weeks ahead of the end of the government – that the opposition parties started to use the facility.⁶⁵

The Department of Finance review of the facility in 2003 considered whether its use should be restricted to a particular timeframe 'in context of a general election'. This idea was

⁶⁰ Interview IRE01, October 2013.

⁶¹ *Ibid.*

⁶² *Ibid.*

⁶³ Interview IRE02, November 2013.

⁶⁴ *Ibid.*

⁶⁵ Interview IRE01, October 2013.

rejected on the grounds that such a restriction ‘could give rise to difficulties’.⁶⁶As one interviewee told us:

It’s a difficult thing to say this facility will activate nine months from an election because who knows when the election will be?⁶⁷

The system struggles to assess more radical and transformational proposals

There is nothing in the guidelines that limits the policy areas that can be scrutinised through the facility. In practice, however, the Department of Finance can refuse to cost policies; as discussed above, the department decided that Sinn Féin’s proposed wealth tax was ‘incapable’ of being costed. Moreover, several interviewees told us that they did not submit all of their policy proposals to be costed using the facility, and that parties have tended to use it to cost changes to taxation and social welfare spending only.⁶⁸One former minister told us that the facility cannot assess complex policies, such as proposals that cut across a number of departments. One party insider agreed that there is ‘a whole range of policy areas’ that it would be very difficult to cost or to assess using the costing facility. They gave the example of a 2011 election policy to ‘fundamentally overhaul’ the way that a major social benefit was administered:

That’s kind of so fundamental and so radical that asking the Department of Finance to cost it is an almost impossible task. There’s so many different assumptions and judgements that have to be made that are effectively political in their character, that it’s really not either appropriate to ask officials to make those judgements, or indeed politically astute to ask officials.⁶⁹

Another example of the type of policy that officials would have difficulty costing, or would not be able to cost, would be privatisation of state-owned assets:

Asking the Department of Finance to make judgement calls on the economic impact that might have, even in terms of the value of the assets, and the proceeds that might be realistic to pencil in, it’s going beyond what they’re capable of doing or what they’re comfortable doing.⁷⁰

Other interviewees from political parties suggested that they were unwilling to submit some of their policies to be costed by the Department of Finance because of the mindset of those officials. A former minister told us that, in his experience, ‘radical’ policies that were a significant departure from existing practice would be unfairly represented by the department’s conservative world view:

You have to remember as well that the department have their own fixed view of the world... they have their blind spots. You mention public transport, a carbon tax ...that sends a shiver down the Department of Finance spine, and if you actually dive down into what exactly the rationale is behind it, sometimes it’s an ideological caution...Two words that would send shivers down the spine of a finance official – paradigm shift. It’s not what they’re looking for.⁷¹

Another interviewee, from a current coalition party, agreed that it would not be ‘politically astute’ to have Department of Finance officials cost policies that were particularly ambitious or complex, because:

⁶⁶ Department of Finance, 2003.

⁶⁷ Interview IRE02, November 2013.

⁶⁸ Interview IRE06, December 2013; Interview IRE01, October 2013.

⁶⁹ Interview IRE01, October 2013.

⁷⁰ *Ibid.*

⁷¹ Interview IRE05, December 2013.

They'll only give you the answers that you don't want...They'll pick the most conservative and I suppose risk-averse position, in terms of any kind of radical change in the public finances.⁷²

This interviewee concluded that, as the facility was not suitable for complex policies, parties were in practice limited as to what proposals they could submit to be costed:

The vast majority of your manifesto is either incapable of being costed or there are so many assumptions and judgements that have to be made that simply asking a bunch of officials in finance to cost it isn't appropriate or credible... so it really comes down to the public finance forecast at the time and social welfare changes.⁷³

When asked whether the costing facility should be reformed to allow officials to provide costings or wider analysis of the practicality or implementability of these more complex and radical policies, one political insider was clear that the Civil Service should not be given the power of 'pre-approval rights' on policy:

If a journalist asks a politician, 'What does your policy cost?' and the politician can't answer, that won't look good. If a journalist asks a politician, 'Does the Civil Service support your idea for a new rail service?', then that's a lot of power to give to the Civil Service.⁷⁴

Is the costings facility more about good politics than good policy?

One party insider told us that the costing facility is not really about good government, but about good politics. Parties are under pressure to demonstrate that their policies are '[financially] feasible and fundable' and, as a result, they do use the costing system for political gain.⁷⁵ One way in which parties can do this is by failing to reveal the assumptions that the department has used to assess whether that policy is affordable. One interviewee explained – slightly tongue-in-cheek – how parties could manipulate costings in this way:

You can have almost any answer you want to a request, if you make the assumptions that back it up. So you might say, on the assumption of 50% growth next year, what would be the income tax take? And the department would say on that assumption the tax take would be some enormous figure. [Parties] would then announce some policy and when it came to a debate they'd say, 'We can fully afford this policy, based on the assumptions in our manifesto.'⁷⁶

Another former minister agreed that if departmental officials decide that an idea balances financially, the party will use that as a 'stamp of approval' – even though the policy has only been costed in a limited way under certain assumptions, and not fully scrutinised.⁷⁷

In 2003, following the review of the costing process, measures were introduced to reduce the ability of parties to game the system in this way. A standard submission template for requests was introduced, which states that:

Where caveats or assumptions are made, the department's position on such issues will be accurately, properly and fairly represented by political parties when using such costings.⁷⁸

⁷² Interview IRE01, October 2013.

⁷³ *Ibid.*

⁷⁴ Interview IRE08, December 2013.

⁷⁵ *Ibid.*

⁷⁶ Interview IRE02, November 2013.

⁷⁷ Interview IRE04, November 2013.

⁷⁸ Department of Finance, 2003.

Finance officials will respond to a request for a costing using the format ‘subject to these assumptions, this policy will cost xxx’.⁷⁹ Parties are supposed to be clear and transparent about the assumptions that underpin their costings. In practice, however, we were told that parties do not follow the guidelines on publishing assumptions around their policy costings.⁸⁰ Another interviewee agreed that parties have continued to use different assumptions when developing costings:

... which can make direct comparisons between various manifestos difficult to make, and makes it difficult for the public to assess the merits or otherwise of parties’ proposals. Some parties tend to be more liberal in their use of economic forecasts to justify their tax and spending proposals than others.⁸¹

The facility costs individual proposals in isolation so interaction effects are ignored

Another challenge noted by interviewees is that Department of Finance officials cannot give an indication of how different policies will interact. The 2003 guidelines state that the facility is to be used to cost individual proposals – it does not cost manifestos in the aggregate.⁸² Parties are not required to submit all of their policies for costing; indeed, as shown above, some may submit only a limited number. The department therefore cannot give an indication of how all those measures would affect each other:

You can say, ‘What is the effect of a 1% increase in the top level of income tax? Or what is the effect of a 1% increase in the social insurance rate? Or a 1% increase on the standard rate of income tax?’ And you get numbers for each of those, but actually there’s a level of interaction between them all... To give final figures we would need to see the interactions, and the parties won’t necessarily give us that. They don’t in all cases want to tell us what their policy mix would be, but of course one thing affects another.⁸³

Conclusion

The Irish costing facility is a valuable tool for political parties in that it enables them to say their proposals are affordable and have received the Department of Finance’s ‘stamp of approval’. At present it is seen as a resource solely for the opposition parties, but it could offer benefits for parties of the governing coalition too, should they wish to have policy ideas assessed in confidence. This facility could therefore offer some lessons for those considering how Whitehall should inform policy development for the opposition parties, and also for the two coalition parties in the final year of the parliamentary term.

The impact of the Irish costing facility should not be overstated. Many policies are not in fact submitted for assessment at all, and parties may misuse the system by basing policies on unrealistic assumptions that allow the claim that the policies are sound. The system is quite limited in other ways too: it is narrowly focused on the direct costs of a policy change; it struggles to cope with more complex or innovative reforms; and it may suffer from an innate bias towards conservatism. Nonetheless, in shifting the emphasis of electoral and budget debates a little further towards questions of affordability of parties’ plans, the system does appear to have a beneficial impact on government.

⁷⁹ Interview IRE01, October 2013.

⁸⁰ Interview IRE08, December 2013.

⁸¹ Interview IRE01, October 2013.

⁸² Department of Finance, 2003.

⁸³ Interview IRE02, November 2013.