

### Overview of Proposed Savings

The Government has agreed expenditure savings with a full year effect of €2.1 billion. In addition, the postponement of the next increases scheduled under the “Towards 2016” pay agreement will save up to a further 1 billion in 2010.

<u>ITEM</u>	<u>PROSPECTIVE SAVINGS</u> full-year
1. Public Service Pay – increased pension-related payments and other measures	€1,400 m
2. Reductions averaging 8% in Professional fees (medical, legal etc.)	€80 m
3. ODA Savings	€95 m
4. Curtailments to Early Childcare Supplement	€75 m
5. General administrative reductions	€140 m
<i>Sub-total: Current Savings</i>	<i>€1,790 m</i>
6. Capital savings – 3.6% across-the-board reductions	€300 m
<i>TOTAL: Current and Capital savings</i>	<i>€2,090 m</i>

## Summary of Current Savings Measures

	<b>SAVING</b>	
	2009	Full Year
<b>PAYROLL ADJUSTMENT</b>	€1,160m	€1,400m
<p>A saving of €1.4bn is to be achieved in a full year, largely as a result of a new pension-related deduction which will apply to the total earnings of all public servants. It will not apply to those on pension. The deduction will be graduated so that the effect is somewhat less at lower income levels and greater at higher levels. On average, the deduction will be 7.5%. The basis for the deduction is that public service pensions are acknowledged to be significantly more favourable than the generality of pensions in the private sector, both in regard to their terms and their overall security and it is therefore appropriate that a deduction should be made to reflect this reality at a time when savings are needed from the public service pay bill. A small element of the €1.4bn will be achieved through reductions in the travelling and subsistence rates and other measures.</p>		

	<b>SAVING</b>	
	2009	Full Year
<b>REDUCTION IN PROFESSIONAL FEES</b>	€67m	€80m
<p>The Government spends over €1 billion annually on a range of professional services across all Departments. In view of the need for an equitable sharing of the burden of the adjustment to address the deterioration in the public finances, the Government will pursue a general 8% reduction on fees to legal, medical, veterinary and other professionals engaged by the public service. This will raise €80 million in a full year. This process will be carried out by engaging in consultations through appropriate channels.</p>		

	<b>SAVING</b>	
	2009	Full Year
<b>OVERSEAS DEVELOPMENT AID</b>	€95m	€95m
<p>Total Overseas Development Aid (ODA) in 2009 was set at €891 million at Budget Day or 0.56% of GNP. This is now being reduced to €796m or 0.53% of revised GNP for 2009. Even after this adjustment, Ireland's ODA rate exceeds that of the UK, the US and most other EU countries and is surpassed only by the Nordic States, Luxembourg and the Netherlands.</p>		

	<b>SAVING</b>	
	2009	Full Year
<b>EARLY CHILDCARE SUPPLEMENT</b>	€1m	€75m
<p>The Early Childcare Supplement (ECS) was introduced in Budget 2006 at €1,000 per annum paid on a quarterly basis in respect of each child up to 6 years of age. The rate was increased to €1,100 in Budget 2008. Budget 2009 reduced this age limit to 5½ years and changed the payments to monthly payments.</p> <p>It is now proposed to go back to the rate of payment of €1,000 or so per annum and to set the age limit at 5 years.</p>		

	<b>SAVING</b>	
	2009	Full Year
<b>GENERAL ADMINISTRATIVE REDUCTIONS</b>	€40m	€40m
<p>In Budget 2009, it was decided that the additional costs of the pay increase due on 1 September 2009 would be met through administrative efficiencies. The pay increase has now been deferred, and €50 million of those efficiency savings are being retained for the Exchequer. These savings will arise from greater efficiencies in Departments and Offices in both the pay and non-pay areas. In pay terms it will focus on issues such as the deferment of filling of vacancies / management of vacancies; curtailment of overtime; non-replacement of staff on term-time etc; and suppression of posts. On the non-pay side, in addition to €25 million non-pay savings to be found from general efficiencies, there will be a focus on further reductions of €25 million on procurement and €25 million in expenditure on advertising, public relations and consultancies.</p> <p>Savings of €15 million will be found across the range of Defence expenditure, including equipment purchases.</p>		

**Table showing the Effect of the Pension-related Contribution  
At Different Income Levels**

**Contribution of 3% on first €15,000, 6% on next €5,000 and 10% on  
balance**

<b>Income</b>	<b>Amount of deduction</b>	<b>Amount of Deduction (per week)</b>	<b>Deduction as % of overall Income</b>
€15,000	€450	€8.65	3.0%
€20,000	€750	€14.42	3.8%
€25,000	€1,250	€24.04	5.0%
€30,000	€1,750	€33.65	5.8%
€35,000	€2,250	€43.27	6.4%
€40,000	€2,750	€52.88	6.9%
€45,000	€3,250	€62.50	7.2%
€50,000	€3,750	€72.12	7.5%
€55,000	€4,250	€81.73	7.7%
€60,000	€4,750	€91.35	7.9%
€65,000	€5,250	€100.96	8.1%
€70,000	€5,750	€110.58	8.2%
€75,000	€6,250	€120.19	8.3%
€80,000	€6,750	€129.81	8.4%
€85,000	€7,250	€139.42	8.5%
€90,000	€7,750	€149.04	8.6%
€95,000	€8,250	€158.65	8.7%
€100,000	€8,750	€168.27	8.8%
€125,000	€11,250	€216.35	9.0%
€150,000	€13,750	€264.42	9.2%
€175,000	€16,250	€312.50	9.3%
€200,000	€18,750	€360.58	9.4%
€225,000	€21,250	€408.65	9.4%
€250,000	€23,750	€456.73	9.5%
€275,000	€26,250	€504.81	9.5%
€300,000	€28,750	€552.88	9.6%

## **Exchequer Capital Investment Adjustments**

### **Budget 2009 Allocation**

€8,231m

### **Revised Overall Reduction**

€7,931m – an adjustment of €300m or 3.6% in total.

### **Exchequer capital as % of GNP**

Budget Day allocation = 5.5% of GNP

Proposed allocation = 5.3% of GNP

### **Impacts**

Given the reduction in tender prices of between 10% or more it is envisaged the real level of capital will be maintained.

Details of the capital allocations per Department and the implications of the reductions will be announced by Ministers in due course.