Tithe an Oireachtais
Houses of the Oireachtas

Tithe an Oireachtais

An Coiste um Fhormhaoirsiú Buiséid

Tuarascáil Eatramhach Réamh-Bhuiséid

Houses of the Oireachtas

Committee on Budgetary Oversight

Interim Pre-Budget Report

July 2018

32CBO010

CONTENTS

Executive Summary & Key Recommendations

Effective Budget Scrutiny

Effective budget scrutiny involves focusing on certain issues in relation to the budget, with discussion contributing to changes and better outcomes.

Timelines of Publication of Budget Documents

The Committee notes that the Summer Economic Statement was debated in the Dáil on June 20th 2018. The timely publication of the SES and the allocation of time for debate in the Dáil has offered enhanced scrutiny of a key budget document. This is because it gave the Oireachtas sufficient time to debate the Government's proposals, and to clarify them if needed, well in advance of Budget 2019.

The Committee recommends that, alongside Budget 2019, the Minister should publish a list of key documents relating to Budget 2020, and indicative dates for their publication.

Macroeconomic and Fiscal Analysis

The Committee recommends that as part of Budget 2019, the Department of Finance gives consideration to extending budget forecasts out for a minimum of five years (exclusive of the current year).

In future, the Committee recommends that consideration be given to publishing the draft Stability Programme Update at an early stage to allow the Committee more time to meaningfully examine and comment if appropriate on the document.

Overheating

The Committee notes that over-heating of the Irish economy is also considered a 'medium' risk by the Government in the recent SPU, and was given a 'medium' likelihood of occurring. This was supported by ESRI's evidence, which highlighted this risk. The Committee recommends that the Government continues to implement policies that do not increase the risk of over-heating.

Current Fiscal Developments

The Committee is concerned that the increase in Corporation Tax revenue is masking slight weaknesses in other tax heads and it serves to highlight the continued dependence on this particular revenue stream.

The Committee recommends that policies are implemented to broaden the tax base as per the advice of both IFAC and ESRI.

Macro-economic and Fiscal Stance (FS)

The Output Gap

The Committee:

- Notes that concerns have been raised by IFAC[1] and the PBO regarding the reliability of methods used to calculate the structural balance for Ireland under EU fiscal rules.
- Recommends that the Output Gap measurement issue is raised at EU level, with a view to agreeing alternative measures of the Output Gap, as part of the fiscal rules. For example, this would help to ensure the use of Rainy Day Fund in a pro-cyclical manner in time of recession.

Rainy Day Fund

Political Consensus:

The Committee notes that the principle of a Rainy Day Fund proposal attracted broad support from a range of international and domestic policy experts including the IMF, European Commission, OECD, Central Bank, and the Irish Fiscal Advisory Council.

A number of Committee members expressed strong support for the establishment of an RDF, on the basis that it was consistent with a sustainable and prudent fiscal stance. However, the measure was opposed by other Committee members for a number of reasons. Therefore, it was not possible for the Committee to reach consensus on an all-party basis, on the merits of the proposal.

Nevertheless, the Committee recognises the importance of ensuring that any RDF is well designed. The objective and scope of the proposed RDF need to be very clearly defined.

Scale

It appears that the main stated purpose of the Fund is to act as a counter-cyclical buffer to protect against severe economic shocks. The Committee understands that the maximum size of the RDF would be in the order of €8bn and that the majority of Committee members

[1] E. Casey, IFAC (2018) https://www.fiscalcouncil.ie/wp-content/uploads/2018/01/Casey-E-2018-Estimating-Irelands-Output-Gap.pdf and PBO, Briefing Paper 6 (2018) Potential Output, the Output Gap and Associated Key Issues for Fiscal Policy-making in Ireland.

agree with the view that a portion of Corporation Tax income would be allocated to the Rainy Day Fund.

With an initial sum of €1.5bn and €500m per annum, the Committee notes that it would take approximately 20 years to deliver a fund of €11.5bn. For comparison purposes, the nominal deficit in 2013 was approximately €11bn, and the National Pension Reserve Fund was €25bn at its peak.

Having considered the matter, the Committee is of the opinion that the proposed size of the RDF will not be of sufficient scale to provide an effective counter-cyclical stimulus, in the event of a severe economic crisis.

In addition, the proposal that a portion of Corporation Tax income is used to fund the RDF is currently vague. The legislation setting out the RDF should set out the relationship between Corporation Tax revenue and payments into the RDF.

The Committee is not convinced of the merits of an RDF to be used as an emergency fund, or an "in-year contingency reserve".

Payments into and out of the RDF

The Committee is of the opinion that greater flexibility will be needed at EU level to ensure that monies committed to a RDF can be spent to counter a future economic shock.

The Committee is of the view that the existing exemptions within the EU fiscal rules may not provide Ireland with the explicit flexibility to deploy a RDF when it is needed.

Therefore, the Committee recommends that the Minister for Finance and Expenditure and Reform gives consideration to discuss this matter with the EU Commission, to modify EU national accounting rules used to calculate General Government Balance for SGP purposes, in order to reflect the purposes of an RDF.

Opportunity Cost

In discussion with the Minister, the Committee previously raised the issue of the appropriateness of setting up a Rainy Day Fund, in the context of Ireland's significant debt overhang.

Members highlighted the opportunity cost involved in setting aside €500m per annum for a rainy day fund, given the significant existing demands for extra investment in priority areas, such as housing, healthcare and infrastructure.

In relation to the Fiscal Stance, the Committee notes that under the Fiscal Rules, a further €1.4bn could be spent, including the half a billion assigned to the RDF. There is an

opportunity cost involved in not spending this money; however it is recognised that there is a need to balance this opportunity cost and the risk of over-heating and damaging the economy through deficit financed expenditure. The political system shall weigh up these choices.

Gender Budgeting

The key recommendation of the Committee's report on Gender Budgeting was the establishment of an Equality Budget Statement (EBS) to be prepared by the Department of Public Expenditure and Reform and read by the Minister for Finance and Public Expenditure and Reform alongside the Budget Statement. The Committee believes that the EBS should be ambitious and should set out broad strategic gender equality goals.

The Sustainability of Corporation Tax Receipts

The Committee notes that:

- Data from the Revenue Commissioners highlights the extreme concentration and volatility of CT receipts;
- Although CT revenues are likely to remain at least at current levels until 2020, the sustainability of CT revenues in the medium term cannot be guaranteed and are likely to decrease;
- The Government proposes to use the Rainy Day Fund to reduce the risk of relying on corporation tax receipts.

The Committee recommends that:

- Analyses of Corporation Tax receipts carried out by the Revenue Commissioners and the Comptroller and Auditor General be repeated in advance of Budget 2020 to enable policy-makers to monitor trends in relation to CT concentration and volatility levels;
- The Government should develop a new strategy focused on supporting the Irish indigenous SME sector as a counter-balance to our FDI sector, and in doing so; develop a more resilient domestic tax base.

Health Vote (Vote 38)

The Committee notes that:

- In June 2018, expenditure under Vote 38 was €161m above profile[2], and that this compares unfavourably with 2017, when it was €57m under profile. In short, expenditure in the Health Vote at this point of 2018 is €218 million higher *compared to profile* than it was at the same point last year.
- Vote 38 required a Supplementary Estimate of €195m in November 2017, and it seems very likely that a Supplementary Estimate will be requested for Vote 38 in 2018.

The Committee is concerned at the level of persistent Supplementary Estimates in respect of the Health Vote. This leads to a lack of budgetary transparency.

The Committee is of the view that it would be preferable to have the total voted amount that will be required, accurately estimated and set out in the *Revised Estimates for Public Services*.

The Committee believes that repeated recourse to Supplementary Estimates suggests that budgetary planning within the health sector is sub-optimal.

[2] Department of Public Expenditure and Reform's *Fiscal Monitor* June 2018
Department of Public Expenditure and Reform's *Fiscal Monitor* June 2017

Public Expenditure through Revenue Raising Measures

Stakeholder Priorities

Supports for SMEs

The Committee is of the view that:

- There is a need for Government to consider developing new strategies to support the indigenous sector, so that the economy becomes more resilient, and less dependent on MNC revenues.
- **R&D Tax Credit:** The Department of Finance should consider examining ways in which the R&D tax credit regime can be adjusted to encourage greater take-up by Irish indigenous companies, by actively promoting collaboration with the university sector.
- Employee Share Option Scheme (KEEP): The scheme has significant potential to assist SMEs, but the remuneration limit, the definition of the individual under KEEP, and the definition of a holding company need to be examined as part of Budget 2019, to give greater flexibility so that the scheme is of practical benefit to SME's and start-ups in particular.
- **Employment and Investment Incentive (EII) regime:** The Committee recommends that the Department of Finance carries out an analysis of the impact of the General Block Exemption Regulation on the EII.

Foreword

The Budgetary Oversight Committee was established on the 21st July 2016 to improve the level of involvement by parliament on the budgetary process.

This is the third year of producing a report on the budget. The Committee decided that an interim pre-budget report would be completed prior to recess. A second final budget report will be published in September.

This report provides an informative discussion on various topics that have an impact in the Budget such as; revenue raising measures regarding public expenditure, policy priorities and budget process and reform and also highlights issues raised by various stakeholders and civil society groups.

I would like to thank the Minister for Finance and Public Expenditure and Reform and his officials for their positive engagement with the Committee during its pre-budget scrutiny process. In particular the Committee would like to acknowledge the response from the Minister, in relation to recommendations put forward by the Committee on budget forecasting in this and previous reports.

I would also like to thank each of the stakeholder groups and witnesses who attended the Committee meetings: NWCI, IFAC, ESRI, NERI, ICTU, Ibec, IRHA, ISME, TASC, Fórsa, Mental Health Reform , The Disability Federation of Ireland, The Irish Wheelchair Association, Dublin Chamber of Commerce, Social Justice Ireland, Irish Tax Institute and Chamber Ireland.; Professor Edgar Morgenroth, Professor of Economics in Dublin City University and Mr Seamus Coffey, Lecturer in Department of Economics in University College Cork.

The Committee wishes to acknowledge briefings received from the Parliamentary Budget Office, and the work of the Committee Secretariat in preparing this report.

Colm Brophy T.D.

Chair

Introduction

The role of Budgetary Oversight Committee

The Committee for Budgetary Oversight was established in July 2016 on foot of an OECD review[3] of Ireland's system of parliamentary scrutiny of the budget. This review found that the level of engagement by the Oireachtas with the budget process was under-developed (OECD, 2016).

The budget is key to deciding how national resources are allocated. Since its establishment the Committee has worked to enhance the fiscal and budget oversight function of the Oireachtas. It can achieve this by improving the quality of budget information available to parliamentarians, and offering an effective cross-party forum in which to tease out options in advance of budget day.

The Committee's Budget 2018 Report highlighted the fact that the time-frame allotted to pre-budget scrutiny was truncated. As a result, the scrutiny process was limited in scope. One of the key observations of the Budget 2018 Report was the need to adjust budget scrutiny timelines:

> *"the Committee should follow the budget cycle more closely, in line with OECD recommendations. It should begin its ex-ante budget scrutiny in January of each year with a view to submitting its pre-budget report to the Minister well in advance of budget day".* (*Report of the Committee Pre Budget 2018,* Committee on Budgetary Oversight, 2017, pg 8)[4]

Approach to Budget 2019

Taking this into account, a new approach was adopted in relation to the pre-budget scrutiny process for Budget 2019. The Committee commenced its scrutiny process in January 2018. Most of the Committee pre-budget scrutiny hearings are taking place at a much earlier stage in the process (March – July) in comparison with the 2017 process (September – October). This allowed the Committee to produce an Interim pre-budget 2019 report (this report) in July 2018. The Committee also intends producing a Final pre-budget 2019 report in September 2018.

---

[3] OECD, Public Governance and Territorial Development Directorate: Review of budget oversight by Parliament: Ireland, 2016

[4] Report of the Committee Pre-budget 2018, Committee on Budgetary Oversight

The Committee's pre-budget hearings were informed by analysis provided by the PBO and the Irish Fiscal Advisory Council; documents from Government,[5] the Department of Finance,[6] the Department of Public Expenditure and Reform,[7] international bodies,[8] and pre-Budget submissions from a range of stakeholders.

This analysis identified a range of themes in light of Budget 2019. The overarching theme of this report is the prudent management of public finances. This theme is broken down into two main categories:

- Examination of the Budget processes
- Examination of Budget policy options

This enabled the Committee to carry out effective scrutiny of both the information and processes which underpin budget decisions, and the actual policy options under consideration in the Budget. Implementing this new report structure also allows the Committee to build on the work carried out for Budget 2018, and to progress a general budget reform agenda.

The role of the Parliamentary Budget Office (PBO) in budget reform

The key objective of the Parliamentary Budget Office (PBO) is to support the Houses of the Oireachtas and its committees in relation to fiscal issues and the management of the public finances.

The PBO advises Members in relation to:

- Irish and international macro-economic developments;
- the EU Semester process;
- The national budgetary process including the Medium Term Expenditure Framework (MTEF);
- The composition and sustainability of the revenue base;
- The efficiency, effectiveness and value for money of public services especially in the context of voted expenditure.

---

[5] Programme for a Partnership Government.

[6] The Fiscal Monitor; the Summer Economic Statement; Tax Strategy Papers; Tax Expenditure Reports; National Economic Dialogue; Stability Programme Update.

[7] The Mid-Year Expenditure Report; Comprehensive Expenditure Review; Budgetary Impact of Changing Demographics 2017-2027 (IGEES paper).

[8] European Council Country Specific Recommendations;

In line with best practice amongst other OECD PBOs, PBO documents are published online on the Houses of the Oireachtas website. However, the PBO places particular emphasis on providing support throughout the budgetary cycle to the Committee on Budgetary Oversight and therefore provides:

- Where possible, advance copies of its publications to the Committee, before web publication;
- Confidential oral and written briefings in relation to Budget 2019 - especially prior to its meetings with the Minister for Finance, and Public Expenditure and Reform;
- Written material, oral briefing and advice in relation to technical aspects of the committee's reports.

Budget 2019 is the first budget where the Parliamentary Budget Office (established in August 2016) has acted as the primary source of external support for the Committee and its Secretariat.

Interim Pre-Budget 2019 report: Structure

The structure of the report is set out as follows:

- **Section 1:** Sustainability of Budget Measures. This section provides analysis and discussion of the following topics:
    - Ireland's economic performance
    - Risks to the Irish economy both domestic and global
    - The Stability Programme Update
    - The Output Gap and its implications for Budget 2019
    - Ireland's fiscal stance
- **Section 2:** looks at possible revenue raising measures for public expenditure and the policy priorities for Budget 2019 raised with the Committee by various stakeholders and civil society groups.

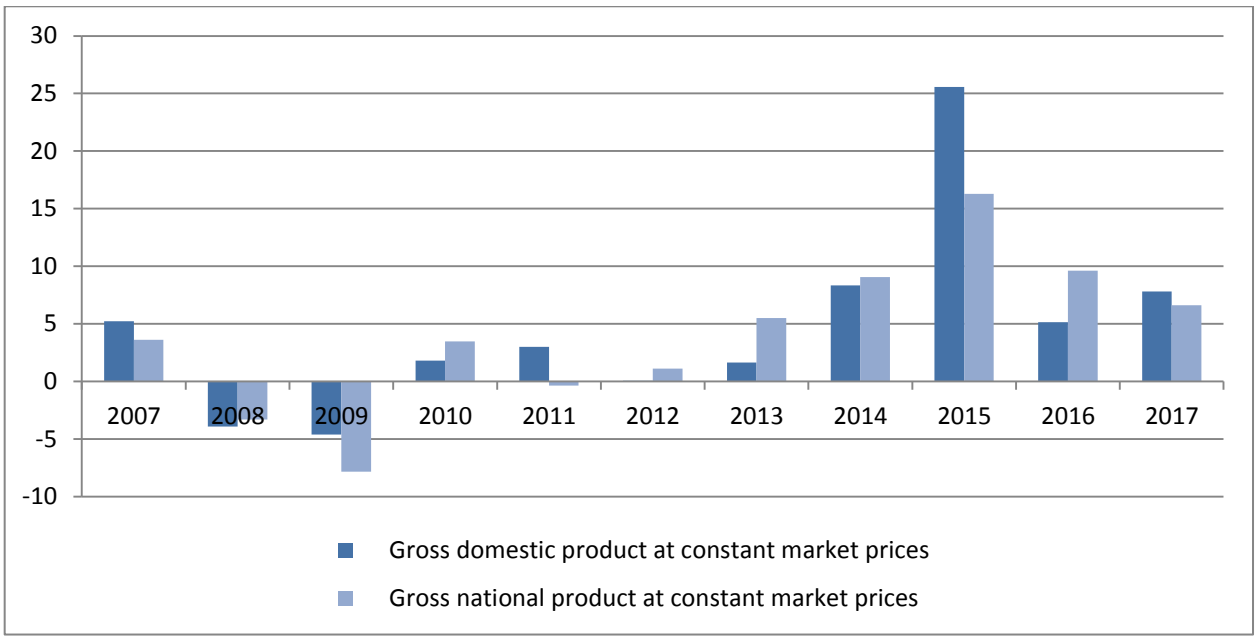
- **Section 3:** Budget Process and Reform: This section gives an overview of the budget timeline and the relationship between the domestic and EU budget cycles. It also considers key issues relating to the quality of budget information, transparency and timeliness of published budget data that arose from the Committee's examination of various budget and issues including:
    - The Stability Programme Update (SPU)
    - The Summer Economic Statement (SES)
    - The EU Budget and Multiannual Financial Framework (MFF)
    - The Country Specific Recommendations (CSR)
    - The Public Sector Performance Report 2017
    - Gender Budgeting
    - Equality proofing and disability proofing budgetary decisions
    - Tax Relief on Trade Union Membership
    - Climate Change
    - Demographics
- **Section 4:** Conclusions: The final section sets out conclusions reached by the Committee based on macroeconomic analysis and consideration of evidence presented by various witnesses during its work programme.

Macroeconomic and Fiscal Analysis

Economic performance

According to the latest CSO economic growth figures, Gross Domestic Product (GDP), the main indicator of economic performance, grew by 7.8% in 2017.

Figure 1: Economic growth 2007-2017



Source: CSO National Accounts Table:
https://www.cso.ie/en/releasesandpublications/er/na/quarterlynationalaccountsquarter42017/

The main driver of economic growth in 2017 was the increase in net exports, which was largely due to the activities of foreign-owned multinational companies (MNCs). This is reflected in a 6.9% growth in total Irish exports in 2017, and a 6.2% fall in imports.[9]

Personal consumption and government expenditure also grew by 1.9% and 1.8%, respectively, in 2017. Over the same period, capital investment fell by 22.3%. However, the CSO produces a modified capital investment figure, which excludes certain tangible assets and leased aircraft which better reflects underlying investment: this *grew* by 10% in 2017.

The Committee recognises that headline GDP growth does not always reflect growth in the domestic economy due to the distortionary impact of MNC activity. However, the alternative measures of Ireland's economic output also grew at a significant pace: for example modified domestic demand grew by 3.9%.[10]As of the date of publication of this report there are no first

[9] ESRI Quarterly Economic Commentary Summer 2018: 5.

[10] CSO, (2018) National Accounts Quarter 4 2017 and Year 2017 (Preliminary)

quarter figures for economic growth for 2018. However, other economic indicators that are produced more frequently such as employment, retail sales, the Services index, and Exchequer returns point to continued strong economic growth in the early part of 2018.

The fall in the unemployment rate to 5.1 % in June, the lowest it has been since 2007, also reflects the strong underlying performance of the economy.

Forecasts

The Government's forecast of economic growth for 2018 and 2019, which underpin future Government expenditure, are 5.6% and 4.0% respectively. These are broadly consistent with recent ESRI projections which state that GDP is expected to grow by 4.7 per cent in 2018, followed by 2.9 per cent in 2019.[11]

The Committee also notes that the Irish Fiscal Advisory Council (IFAC) has endorsed "as within the range of appropriate forecasts the set of macroeconomic of projections prepared by the Department of Finance for the SPU."[12]

Summary

In summary, economic performance is currently strong and the recovery from the recession is continuing apace. Notwithstanding the fact that much of this growth is based around the activities of MNCs, domestic economic growth is also strong and unemployment is almost back to pre-crisis levels.

[11] ESRI Quarterly Economic Commentary (June 2018).

[12] Government of Ireland (2018) Stability Programme Update 2018, Annex 4.

Risks to the economy

Domestic

Despite the positive economic performance the Committee heard evidence from the IFAC and ESRI that there are a number of significant domestic and global downside risks to the economy. The main internal risks as identified by the Government in its recent Stability Programme Update were:

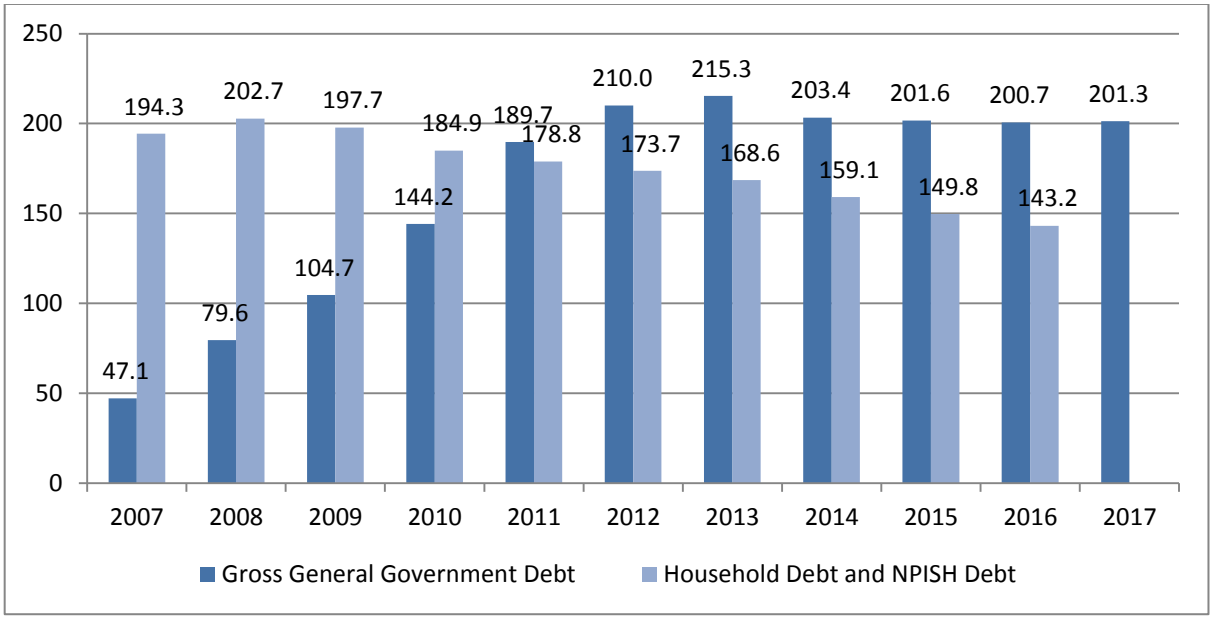
- That the production base in Ireland is concentrated in a small number of sectors,
- A loss of competitiveness, and
- Housing supply pressures.

The Committee notes that others, including the OECD[13] and the European Commission[14] highlight the high level of private and public sector indebtedness. Chart 2 (below) shows the level of debt of the Government and private households from 2007 to 2017. Total debt peaked collectively at €384 billion in 2013, but has fallen slightly since. The European Central Bank is likely to increase interest rates in the medium term. High levels of private, and to a lesser extent public debt, will mean that interest rate rises could have a negative impact on households and businesses, and ultimately on Ireland's economic growth.

[13] OECD, Economic Outlook 2018.

[14] Evidence by Mr. Carlos Martinez-Mongay, European Commission, to the Committee on May 30 2018:

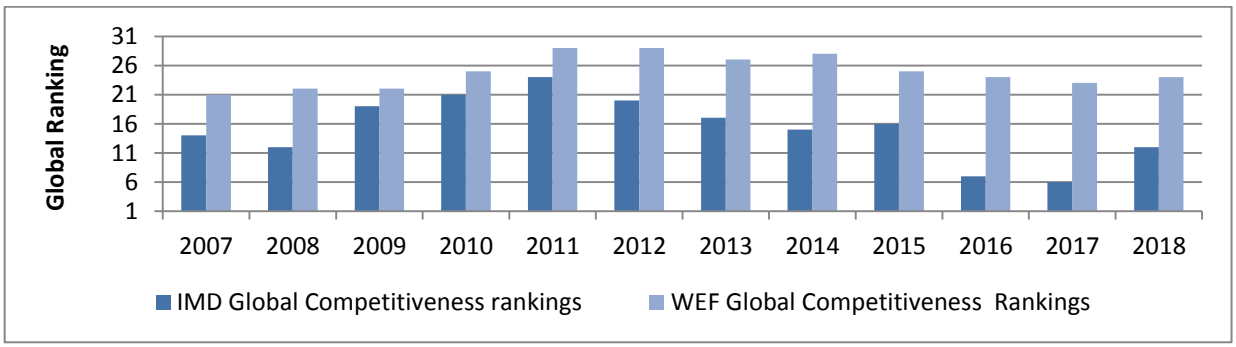
Graph 2: General Government and Household Debt 2007-2017 (€ billion)



Source: CSO[15]

According to the National Competitiveness Council, Ireland has fallen to 12th from 6th in the Institute for Management Development's (IMD) 2018 World Competitiveness Yearbook.[16] Ireland is ranked 24th on the World Economic Forum competitiveness ranking (see Graph 3). Ireland's rankings on both lists began improving in 2012. However, Ireland ranking on both lists fell in 2018.

Graph 3: Ireland Competitiveness ranking (Lower is better)



Source: World Economic Forum and Institute for Management Development.

[15] CSO Institutional Sector Accounts, Non-Financial and Financial-Annual Land CSO Government Finance Statistics "NPISH". Household Debt statistics for 2017 are unavailable at present.

[16] National Competitiveness Council Bulletin 181: http://www.competitiveness.ie/Publications/2018/IMD%20Results%20Bulletin.pdf

In its submission, IBEC signalled the need to deal with competitiveness issues. These include tackling quality of life issues to attract and retain key talent, but also involve strategic investment in the future by incentivising growth areas, such as robotics and data centres.[17]

The Committee also notes that the lack of affordable housing is seen as a critical issue by all stakeholders, including social justice and business interest groups, as it will impact on quality of life, and may hurt Ireland's competitiveness. In its submission to the Committee, ICTU argued that Budget 2019 needs to prioritise the building of social and affordable housing as a critical priority, with a new local authority house-building programme to build at least 10,000 houses each year.[18]

However, the Committee also heard evidence from Seamus Coffey and Dr Martina Lawless, from Irish Fiscal Advisory Council (IFAC) on the need for a balanced approach as increasing construction activity to address housing shortages could in fact overheat the economy. This is because increasing housing output, at a time when the economy has little slack, will increase pressure on wages, with knock-on effects on prices in both the construction sector and the broader economy. Overheating is also considered a 'medium' risk in the Government's Stability Programme Update.

Global

The main external risks to the Irish economy as identified in the Stability Programme Update were:

- An external demand shock,
- Geopolitical risks,
- Disruption to world trade, and
- A 'Hard Brexit'.

The European Commission, the OECD, and IFAC are in agreement that these are the major international risks to the Irish economy, demonstrating a degree of consensus that if such risks materialise they could lower economic growth. All of the stakeholders who discussed the macro-economic position with the Committee emphasised the need to be aware of, and

[17] Link to IBEC submission.
https://data.oireachtas.ie/ie/oireachtas/committee/dail/32/committee_on_budgetary_oversight/submissions/2018/2018-07-03_opening-statement-fergal-o-brien-director-of-policy-and-chief-economist-ibec_en.pdf

[18] Link to ICTU submission.
https://data.oireachtas.ie/ie/oireachtas/committee/dail/32/committee_on_budgetary_oversight/submissions/2018/2018-06-19_opening-statement-patricia-king-general-secretary-ictu_en.pdf

responsive to the internal and external risks that are present. For example, Dublin Chamber of Commerce stated that:

> *"Internal risk factors include high government debt, the inadequacy of economic infrastructure, the productivity gap between Irish and multinational firms, and reliance upon a narrow segment of tax receipts. These weaknesses leave Ireland's globalised economy highly vulnerable to external shocks."*[19]

And ISME suggested that; *"there are arguably more internal and external risks to the health of the state than there were in the run-up to the 2008 recession".*[20]

Brexit

Brexit has the potential to significantly reduce trade between Ireland and the United Kingdom. In the event of a 'hard Brexit', where the UK leaves the EU without a free trade agreement in place, trade with the UK will take place under WTO rules. This would impose significant barriers to trade, with serious implications for Irish and UK growth. The nature and severity of Brexit would depend on the nature of the agreement between the EU and the UK.

Department of Finance analysis[21] shows that while some sectors have a relatively low exposure to Brexit, the Food and Live Animals sector, the Services and Manufactured Goods sectors are heavily reliant on the UK market.

In February 2018, the Department of Business, Enterprise and Innovation published a study by Copenhagen Economics on the impact of Brexit on Ireland.[22]

---

[19] Link to Dublin Chamber of Commerce submission.
https://data.oireachtas.ie/ie/oireachtas/committee/dail/32/committee_on_budgetary_oversight/submissions/2018/2018-06-19_opening-statement-mary-rose-burke-ceo-dublin-chambers-of-commerce_en.pdf

[20] Link to ISME submission.
https://data.oireachtas.ie/ie/oireachtas/committee/dail/32/committee_on_budgetary_oversight/submissions/2018/2018-06-19_opening-statement-neil-mcdonnell-chief-executive-officer-isme_en.pdf

[21] Smith, Donal, et al. (2017) *UK EU Exit: Trade Exposures of Sectors of the Irish Economy in a European Context* Department of Finance/IGEES.

[22] Copenhagen Economics (2018) *Ireland and the Impacts of Brexit,* Commissioned on behalf of the Department of Business, Enterprise and Innovation, and the Government of Ireland.

Table 1: Impact of Brexit on Irish Gross Domestic Place (GDP) in 2030 relative to a non-Brexit scenario

	European Economic Area	Customs Union	Free Trade Agreement	WTO Rules
GDP Impact	-2.8%	-4.3%	-4.3%	-7%

Source: *Ireland and the impacts of Brexit*, Copenhagen Economics

The analysis highlights agri-food, pharma-chemicals, electrical machinery, wholesale and retail, and air transport as the sectors which account for most of the impact of Brexit on Ireland.

While the scale of the fall in output due to Brexit is contested, there is broad consensus that Irish output would fall as a result. This would be driven by the direct impact of Irish exports becoming less competitive, with lower demand as a result of damage to the British economy and increased competition from the UK's other trading partners. Such a scenario would negatively impact employment, wages and the General Government Balance.

Analysis of the Stability Programme Update (SPU)

The SPU is a key document in the Budget process – it sets out the most up-to-date Government macroeconomic forecasts and their implications for medium-term fiscal forecasts.

The Government published the draft SPU 2018 (SPU) on 17 April 2018. The Minister for Finance and Public Expenditure and Reform appeared before the Committee on 18 April 2018 to discuss it prior to submission to the European Commission on 30 April.

The Minister subsequently published a note, responding to queries from Oireachtas members to clarify voted expenditure commitments in the SPU, particularly in relation to demographics, capital expenditure and public pay.[23]

The Committee acknowledges that the Minister and his officials have always accepted invitations of the Committee to attend and to discuss costing and forecasting issues. This level of positive engagement is invaluable to the Committee's work.

[23] https://www.finance.gov.ie/updates/response-from-minister-donohoe-to-budgetary-oversight-committee/

In future, the Committee recommends that consideration be given to publishing the draft Stability Programme Update at an early stage to allow the Committee more time to meaningfully examine and comment, where appropriate, on the document. The Committee also recommends that, where feasible, the level of detail in relation to pre-committed expenditure be included as an appendix to the SPU document.

Table 2 (below) shows the SPU projections of general government revenue and expenditure. It also shows the projected deficit in 2018 and 2019, which is projected to become a surplus in 2020 and 2021.

Table 2: General Government Position € million (SPU)

	2018	2019	2020	2021
General Government Revenue	79,295	82,615	85,415	89,370
General Government Expenditure	80,080	82,965	84,520	87,925
General Government Balance	**-780**	**-350**	**895**	**1,445**

Source: Stability Programme Update 2018[24]

The main fiscal risks (identified as high likelihood and/or high impact) outlined in the SPU[25] (p. 36) include:

- Corporation tax concentration risks;
- EU climate change and renewable energy targets; and,
- Budgetary pressures - including public expectations and demographic pressures.

The Committee notes that the only material change from the fiscal risks outlined in Budget 2018 is the addition of a new risk of 'statistical classifications'. This reflects the risk that any changes in classifications of National Accounts will impact on Government expenditure / revenue figures, and therefore, also impact on compliance with EU fiscal rules.

[24] Stability Programme Update 2018, Department of Finance: https://www.finance.gov.ie/wp-content/uploads/2018/04/spu-final-final.pdf

[25] Stability Programme Update 2018, p, 36. https://www.finance.gov.ie/wp-content/uploads/2018/04/spu-final-final.pdf

Current Fiscal Developments

Ahead of the Summer Economic Statement, the Fiscal Monitor May 2018 contained the most up-to-date Exchequer revenue and expenditure outturns.

In terms of revenue the May Monitor shows that:

- Overall tax revenue is slightly ahead of profile by €77 million or 0.4%.
- Corporation tax was €247 million or 13.5% above profile.
- Income tax and PRSI were in line with expectations.
- With the exception of Capital Gains Tax, all of the other main tax heads were under profile.
- VAT was €105 million (or 1.5%) under profile, with excise duties €68 million (3.2%) under profile.

A more detailed examination of Corporation Tax is set out in a later section of this report.

In terms of other duties, Excise Duties were 3.2% lower than expected, and down 7.8% on the same period in 2017. Duty on tobacco was increased in Budget 2018, yet the amount collected in excise is well down from 2017. This suggests that the yield from the increase in tobacco duty may not meet the amount required to meet Government's Budget 2018 targets in this area.

Commercial Stamp Duty (CSD)

The out-turn on Stamp Duty for non-residential property the early part of the year indicates that receipts are currently under profile.

The Committee's report on CSD previously highlighted[26] issues regarding the revenue projections for this revenue source. The Committee sought an update on CSD revenues by mid-year.

The Department of Finance provided this update on June 15th 2018 which included up-to-date information on CSD receipts. This confirmed that stamp duty receipts from property doubled from €71.5m to €167.01m to-end May. Although the Department of Finance points out that it is too early to reach any final conclusion regarding the full year, it acknowledged that CSD receipts are under forecast to date in 2018[27].

[26] https://data.oireachtas.ie/ie/oireachtas/committee/dail/32/committee_on_budgetary_oversight/reports/2018/2018-04-24_report-ex-post-scrutiny-of-budget-2018-commercial-stamp-duty_en.pdf

[27] Update on CSD from Department of Finance

In summary, the Committee found the mid-year update and level of engagement from the Minister very helpful. The Committee notes that CSD receipts are currently approximately 12% behind profile. On this basis the mid-year out-turn figures have not allayed the Committee's concerns.

The Committee is of the view that:

- The response in relation to the production of longer-term budget forecasts is constructive; nevertheless, the Committee believes that there is a need to consider extending medium term budget forecasts out to a five year timeframe, where possible;
- The Minister's request, that his officials examine how to provide a greater level of detailed information around costing / assumptions in relation to significant budget measures is to be welcomed; the Committee fully recognises the need to balance such requests against resource and other considerations;

Trends in Expenditure

In terms of expenditure, the Committee notes that the Monitor shows that:

- Overall current voted expenditure (gross) was in line with expectations at end May.
- However, over profile expenditure in Health (+€67 million) and Employment Affairs and Social Protection (+ €25 million) is offset by under profile expenditure across other Departments.
- There is significant under profile capital expenditure (€285 million or 16.6%) in the period to end May. Much of this is due to the timing of payments to Irish Water. However excluding the Department of Housing, Planning and Local Government (which includes payments to Irish Water), capital expenditure is still €127 million or 10% below profile.
- While acknowledging that capital expenditure is difficult to profile, the Committee is concerned with the significant under profile expenditure in this area. Given that there is due to be a significant increase in capital expenditure in 2019 (and in subsequent years) under the National Development Plan, the Committee is concerned that the under profile expenditure could reflect a lack of capacity within and across Government to cope with increased capital requirements and address the many infrastructure deficits that Ireland faces.

Additional Costs

The typical pattern in previous years is that many Departments have under profile expenditure early in the year, before coming on profile by the end of the year. In spite of persistent over-spending in areas such as Health, the Committee notes that current budget projections for 2018 do not include any provision for this.

The Committee is concerned that the Departments of Health and Employment Affairs and Social Protection may require substantial supplementary estimates in 2018. The Committee also notes that additional costs for equalising pay in 2019 for 'new entrants' (under negotiation at present) could cost in the region of €200m.

The Quality of Macro-Economic Indicators

The Committee notes that up-to-date and accurate information on economic performance is a key input into budgetary policy. Basing policy on unreliable or distorted indicators increases the risk of policy errors, which could potentially harm the economy. The strength of MNC activity in Ireland reduces the power of a number of key indicators that are conventionally used to inform budgetary policy.[28] The Committee welcomes the Central Statistics Office's (CSO) progress in improving Ireland's macro-economic statistics, as outlined to the Committee in 2017.[29] The Committee recommends that the CSO's efforts continue in this area.

Output Gap and Common Agreed Methodology

The Output Gap is the difference between actual and potential GDP: it is a key component of the fiscal rules that apply to Ireland, as it is used to estimate the Structural Budget balance. A *positive output gap* would signal that the economy is operating above its potential, and therefore, decreases the structural budget balance. If there is a balanced budget in nominal terms (i.e. a deficit of zero) but a positive output gap, this would imply a deficit in the structural balance.

One of Ireland's key fiscal targets under EU fiscal rules is to have a structural budget deficit of less than 0.5% of GDP. Therefore, if estimates of the Output Gap are positive, it makes it

[28] PBO's *Quarterly Economic and Fiscal Commentary Q1 2018*. https://data.oireachtas.ie/ie/oireachtas/parliamentaryBudgetOffice/2018/2018-04-16_quarterly-economic-and-fiscal-commentary-q1-2018_en.pdf

[29] https://www.oireachtas.ie/en/debates/debate/committee_on_budgetary_oversight/2017-02-28/2/

harder to achieve this target, as under fiscal rules, the nominal deficit is required to be lower, or the budget should be in surplus.

The Committee heard evidence of well-documented problems with the current methodology used to calculate the Output Gap (known as the EU Common Agreed Methodology) for Ireland. IFAC and PBO have also shown that the CAM can incorrectly indicate the position in the economic cycle. As a result, it is difficult to accurately gauge whether the economy is over-heating.

Such problems with calculating the Output Gap, which feeds into the EU fiscal rules, can cause uncertainty for policy-makers when trying to decide on a prudent fiscal stance. The Output Gap measure could also potentially give a false sense of security regarding fiscal policy. This is because a country could be in full compliance with the rules, but the fiscal policy stance may not be optimal, or could store up issues for the future. The experience of Ireland before the financial crisis illustrates this.

The Committee notes that IFAC and the Department of Finance made significant efforts and achieved progress this year in devising alternative models to estimate the Output Gap. The results can be seen in adjusted measures of the Output Gap detailed in the SPU 2018.

The European Commission also made some adjustments to their CAM estimates for Ireland in 2017. These adjustments reduce the distorting impact of Ireland's strong GDP growth rate in 2017. They lower the output gap and, in turn, the structural deficit: as a result, Ireland is compliant with the Medium Term Budget Objective for 2017.

However, the Committee notes that the same adjustments do not seem to have been made for estimates of the output gap in 2018 or beyond. This has implications for achieving the structural deficit in 2018, as the output gap is expected to be positive (and increase) in 2018, making the structural deficit worse.

Furthermore, the Department of Finance's alternative approaches to estimating the cyclical position of the economy provide results which are quite different, depending on the model that is used. Some methods used suggest that the economy is overheating (i.e. a *positive Output Gap*) and others show that the economy is almost at potential.

SPU, Summer Economic Statement, Fiscal Space and Fiscal Stance

Although the Stability Programme Update 2018 did not give revised figures for the 'fiscal space' for 2019, did show that, based on current policies, General Government expenditure is expected to rise by 3.6% in 2019. General Government Revenue is expected to rise by

4.2% in 2019. This implies that the General Government deficit will narrow to €350 million (or -0.1% of GDP) in 2019.

The Summer Economic Statement does give revised figures for the 'fiscal space' or the amount which Ireland could potentially spend under the fiscal rules. According to the SES[30] net fiscal space under the Expenditure Benchmark is €1.4 billion after an additional €2.6 billion in pre-commitment measures as follows:

- €1.5 billion for additional capital spending
- €0.4 billion to provide for demographic-related costs
- €0.4 billion for public sector pay and
- €0.3 billion for carry-over costs associated with measures introduced this year.

Due to the smoothing of capital expenditure under the fiscal rules, this €2.6 billion only uses up €2.1 billion in gross fiscal space. The €1.4 billion net fiscal space figure is also after €800 million of unallocated fiscal space that will be announced as tax and expenditure measures in Budget 2019.

Table 3: Fiscal Space 2019

	SES 2018	Comment
	€ billion	
Gross fiscal space under Expenditure Benchmark	**3.9**	
Discretionary revenue raising measures	0.6	Non indexing of tax
Adjusted fiscal space	**4.5**	
Pre-committed fiscal space for expenditure	2.1	This represents €2.6 billion in actual expenditure due to the smoothing of Capital expenditure
Other	1.0	This includes €800 million in unallocated tax and expenditure measures
Net fiscal space	**1.4**	

[30] Government of Ireland (2018) Summer Economic Statement, p.18. https://www.finance.gov.ie/wp-content/uploads/2018/06/180619-Summer-Economic-Statement-2018.pdf

The SES sets out the Government's strategy with regard to the use of the €1.4 billion net fiscal space. The Government has, in essence, stated that using all of this net fiscal space would be pro-cyclical and counter to prudent fiscal policy. The reasons for this, as set out in the SES, are:

- *"Difficulty in measuring the cycle and the general pro-cyclicality of potential GDP estimates gives rise to inappropriate increases in spending being permitted under the fiscal rules. In other words, a full application of the fiscal rules would amplify the economic cycle."*
- Ireland's elevated debt burden – with debt-to-GNI* at 100 per cent last year – needs to be addressed. The focus must be on balancing the books and reducing nominal debt.
- Risks to the global economy are increasingly titled to the downside. In this context, the priority must be to rebuild fiscal buffers.(Summer Economic Statement 2018)[31]

Fiscal Stance

The overall fiscal stance set out by the Government is to be achieved with a small nominal deficit in 2019 of €350 million.[32] As stated in the Summer Economic Statement, using all of the permitted fiscal space for additional expenditure would increase the budget deficit.

The Committee heard evidence from the ESRI and IFAC outlining their views on the appropriate fiscal stance for Budget 2019.

The ESRI emphasised "*that fiscal policy should not risk overheating the economy*" and that "*given the clear need for increases in capital expenditure and on-going pressures on current spending, it is difficult to see scope for significant tax cuts without adding to the risk of overheating*". The ESRI also warned that links between the housing market and the credit market, offered a further reason to "*exercise caution in the formulation of fiscal policy*."[33]

[31] Department of Finance (2018) Summer Economic Statement, p4. https://www.finance.gov.ie/wp-content/uploads/2018/06/180619-Summer-Economic-Statement-2018.pdf

[32] As set out in the Stability Programme Update. https://www.finance.gov.ie/wp-content/uploads/2018/04/spu-final-final.pdf

[33] https://www.oireachtas.ie/en/debates/debate/committee_on_budgetary_oversight/2018-06-13/4/?highlight%5B0%5D=esri

Mr. Seamus Coffey, Chairperson of IFAC stated in his evidence to the Committee on 13th June 2018 that:

- [While the economy has recovered strongly] *"this has not translated into any notable improvement in the underlying budget balance", and that the "structural position would appear to have deteriorated since 2015",*
- *"The Council welcomes the fiscal stance adopted by the Government in SPU 2018, but the Council notes that the Government should at least stick to its existing budgetary plans for 2019. The Council assesses that there is no case for additional fiscal stimulus in 2019 beyond these plans and that anything more expansionary is not likely to be appropriate."*
- *"It would be desirable for the Government to improve the budget balance by more than planned, especially given the risks of overheating and the opportunity provided by favourable times. … The window of opportunity should be used to return debt to safer levels and to make the economy and public finances more resilient to shocks"*[34].

IFAC also strongly recommended that any unexpected increase in tax revenues should be used to build fiscal buffers by paying down debt, or by increasing contributions to the Rainy Day Fund. IFAC also stated that the fiscal stance over the medium term should be more cautious than fiscal rules allow.

IFAC also recommended that the Government:

- Make an explicit commitment to stick to what it sees as a sensible medium-term path for spending growth (net of tax increase).
- Strengthen the Rainy Day Fund by making it a "truly" counter-cyclical fund.
- The Government's forecast horizon should return to giving five year projections.
- The Government's medium-term debt target should be strengthened.

Despite slightly different calculations of the gross fiscal space between IFAC (€3.5 billion) and the Government (€3.9 billion), the Government indicated in the SES that it does not plan to use the additional fiscal space, as this would stimulate the economy beyond desired levels.

[34] https://data.oireachtas.ie/ie/oireachtas/debateRecord/committee_on_budgetary_oversight/2018-06-13/debate/mul@/main.pdf

The Committee notes that current fiscal projections include a rise in the Government Expenditure Ceiling of 4.5%. This is below the nominal increase in GDP expected of 5.4%. However, the advice given by the ESRI and IFAC suggests that the Government should be wary of increasing expenditure or cutting taxes over and above current plans, without off-setting the result with revenue- raising measures in other areas.

Engagement on Fiscal Stance

The SES shows that the Minister for Finance appears to have adopted a prudent fiscal stance, based on this advice. The Committee met the Minister for Finance after the publication of the Stability Programme Update. The Minister subsequently wrote to the Committee to clarify the amount of fiscal space not accounted for - based on the *SPU 2018*. The Minister's note showed that some of the €2.6 billion was already accounted for in the fiscal space.

The Committee recommends that the additional analysis contained in the letter from the Minister be included in future SPUs as a matter of course.

Proper scrutiny of the budget process involves making this type of information available as it allows for better informed debate allows the pre-budget position to be examined in a consistent manner.

The Committee notes that the Government's fiscal stance as set out in the SES is unchanged from the SPU, even with the increase in fiscal space allowed under the fiscal rules.

Conclusion

Every Budget involves important tax and spending choices. There is a need to carefully consider the fiscal stance, as budget decisions have an impact on the availability of resources to tackle spending priorities in future years.

Given the range of risks facing the economy including overheating, international trade developments and Brexit, as well as obvious expenditure pressures in health and housing, Budget 2019 is a particularly important one. Even given the fiscal stance as set out in the SES, fiscal choices still have to be made. These include:

- The choices around the allocation of the €800 million available for unallocated expenditure and tax measures.
- The choices around whether to increase the €800 million through additional discretionary revenue raising measures.

Public Expenditure through Revenue Raising Measures

On budget planning, the general advice given to Government has been that if it wishes to increase expenditure beyond current plans, additional expenditure measures need to be off-set by revenue-raising measures in other areas.

This section examines a number of revenue-raising measures considered during the course of the Committee's meetings to date with stakeholders. It also covers some of the fiscal policy priorities that the Committee considered over the course of the year, and reflects on discussion with stakeholders.

Consultation with Stakeholders on Fiscal Stance

The Committee consulted with a number of national stakeholders who offered different and often competing views on the fiscal stance which Government should adopt, and on the different budget choices available to it.

For example, Dublin Chamber of Commerce emphasised global risks to the economy, and the need to invest in infrastructure and supports for SMEs to counter these risks:

> *"Ireland's economic position is more precarious than positive headline indicators suggest. Internal structural weaknesses, including a high level of Government debt, inadequate economic infrastructure, underperformance in the indigenous sector, and strong reliance on a limited segment of tax receipts, make Ireland's globalised economy acutely vulnerable to external shocks in a high-risk international environment."* (Dublin Chamber of Commerce, 19 June 2018)[35]

ICTU made the case that tax cuts are not viable in the context of current demands for services. They advocate increasing VAT on the hospitality sector and prioritising a small number of revenue-raising measures to improve childcare in line with country specific recommendations, and setting aside the proposed Rainy Day Fund to prioritise investment in areas such as social and affordable housing and the implementation of Sláintecare.

In contrast, IBEC broadly supports the Government's fiscal approach, but they also advocate setting aside the Rainy Day Fund, in favour of ring-fencing these monies for strategic investment in upgrading third level education facilities.

[35] https://data.oireachtas.ie/ie/oireachtas/debateRecord/committee_on_budgetary_oversight/2018-06-19/debate/mul@/main.pdf

Social Justice Ireland argues against the fiscal approach set out in the Summer Economic Statement. They argue that there is an opportunity at this point in time to adopt a different fiscal stance. They offered a costed alternative budgetary approach, and recommended the introduction of targeted increases in taxes and reductions in tax reliefs to fund a range of measures to would bridge gaps in equality and to address infrastructural deficits:

> *"It seems as though there is never a right time for a Government to make substantial social investment commitments. When things are bad, we don't have the resources; whereas when things are good, the mantra is that we shouldn't squander them or over-heat the economy. This paradoxical thinking means that the momentum of recent successive budgets has been in the direction of exacerbating inequality and providing inadequate resources for infrastructure and social services."*
> (Social Justice Ireland, 19 June 2018)[36]

Similarly, TASC advocates investing increased spending in priority areas such as social housing, and the public funding of childcare.

9% VAT on Hospitality / Tourism Sector

The Programme for a Partnership Government indicated that the Government intends to retain the 9% rate of VAT for services related to tourism providing that prices remain competitive in the industry. The Revenue Commissioners has estimated that, had VAT on hospitality reverted to the 13.5% rate in Budget 2018, this measure would be expected to bring in €491 million. The lifetime cost of the 9% rate between its introduction in 2011 and end-2016 is €2.2 billion.[37]

The Committee believes that the impact of increasing the 9% rate must be considered in the context of wider trends and challenges that impact the industry. If the rate was increased to 13.5%, a bill which had previously been €100, including the 9% VAT rate, would now be €104.13. While this is not insignificant, it must be viewed in the proper context.

For instance, volatility in the Euro – Sterling exchange rate meant that in 2017 a tourist from the UK could have paid between £83.53GBP and £93.04GPB for a €100 bill. A tourist from the USA could have paid between$103.85USD and $120.60USD for the same bill.

[36] https://data.oireachtas.ie/ie/oireachtas/debateRecord/committee_on_budgetary_oversight/2018-06-19/debate/mul@/main.pdf

[37] Selected VAT Issues, Tax Strategy Group, 25 July 2017.

The Committee notes that there are conflicting views on the retention of the 9% VAT rate. Tourism industry and stakeholders, including ISME and Dublin Chambers of Commerce maintain that the retention of the 9% VAT rate is necessary to maintain the industries competitiveness, particularly in light of a weaker Sterling and the uncertainty surrounding Brexit.

However, other commentators including the Irish Congress of Trade Unions, TASC and Social Justice Ireland maintain that the support provided through the lower tax rate is no longer required. The removal of the 9% rate, in some capacity, has been proposed in the 2019 pre-budget statements/alternative budgets of a number of stakeholders.

ICTU point to the increased profitability of the hotel sector, and argue that additional funds from applying a higher rate could be used to invest in priority areas such as social housing, or childcare.

Tax Relief for Trade Union Subscription

On March 21st 2018, the Committee met with representatives from the Fórsa Trade Union to discuss the issue of tax relief for trade union subscriptions. Members noted that the tax relief was abolished in 2011 during a review of all tax reliefs, as part of the Government's response to the financial emergency.

Members further noted that:

- Prior to its abolition, the tax relief was €350 at the standard rate of tax, and in effect provided a tax credit of €70 for each trade union member;
- Tax relief on trade union membership is available in a number of countries which include Norway, Australia, Canada, Belgium and Holland, and in Germany, trade union membership can be written off as a business expense.
- Tax relief on membership of professional bodies was not abolished, and on this basis, Fórsa argued that there was a need for equity in treatment of different employees;

On the issue of costings, Members noted that a Department of Finance study estimated that it would cost approximately €40m to re-introduce the relief, and that the study did not find sufficient evidence to support its reintroduction.

Although Fórsa was not in a position to provide alternative costings for the measure, or to dispute the estimate, they pointed out that the cost cited was based on 100% of members

claiming the tax relief. Therefore, there was a likelihood that the cost would be less than €40m on an annual basis.[38]

Members highlighted the need to consider the key question about the best use of available resources. Members were also concerned about the need to cater for budget demands, including future pay agreements and requests to prioritise investment in social infrastructure, and social and affordable housing and affordable childcare.

Petrol – Diesel Excise Duties

Equalise Petrol and Diesel Excise Duty

Petrol-Diesel excise duties

The 2017 Tax Strategy Group Paper on Environmental Taxes (TSG 17/08) considered the issue of the excise gap between petrol and diesel. It highlighted the fact that reduced excise duties on diesel fail to take account of the health and climate issues caused by diesel use.

As the paper noted "*Diesel has traditionally be viewed as the fuel of business, and for that reason has enjoyed a reduced rate of excise…The logical behind broadening the excise gap at the time was to limit, as far as possible, the impact on the competitiveness of business. However… the move towards diesel powered private vehicles has negated the once targeted nature of the excise gap*." (Tax Strategy Group 17/08: 12).

The Committee considered evidence from Professor Morgenroth, DCU, and the Irish Road Hauliers' Association in relation to the Gap in Excise Duty for Petrol / Diesel.

An ESRI report prepared by Professor Morgenroth et al, included recommendations that for environmental reasons, Government should consider equalising the excise duty on petrol and diesel, and that tax revenue could increase by €500m.

In his evidence to the Committee, Professor Morgenroth also emphasised the relative dependence on motor taxes in Ireland, and the need to carefully assess the impact of any changes to transport taxes.[39]

The Committee also noted proposals by Social Justice Ireland for Budget 2019 to decrease petrol by 6c, and to simultaneously increase diesel by 6 cent, which would yield €88m.

In contrast, the Irish Road Haulage Association highlighted strong concerns by members on the serious detrimental impact that an increase in diesel duties could have on the commercial haulage industry.

[38] https://www.oireachtas.ie/en/debates/debate/committee_on_budgetary_oversight/2018-03-21/3/

[39] https://www.oireachtas.ie/en/debates/debate/committee_on_budgetary_oversight/2018-05-08/3/

Conclusion

The Committee notes that the Irish tax take from transportation taxes is much higher than in other European countries.

- The evidence provided to the Committee highlights the importance of carefully considering changes to the Irish motor tax system in to ensure there are no unintended consequences of any policy decisions
- The Committee is of the view that the evidence also highlighted the important implications of long-term trends which are predicted to move away from diesel fleets, and towards an increase in electric car vehicles, which will also have long-term revenue consequences for Ireland.
- On this basis, the Committee recommends that the Department of Finance consider preparing a Paper focusing on the future of motor vehicle taxation in Ireland, in the context of emerging technical trends, and climate change targets.

Policy Priorities

The Sustainability of Corporation Tax

This section considers trends in relation to Corporation Tax, and the medium term sustainability of CT receipts. The Committee examined analysis of Corporation Tax receipts by the Department of Finance; the Revenue Commissioners; the Irish Fiscal Advisory Council, the Parliamentary Budget Office, and evidence provided by stakeholders.

Such analysis helped to inform a view on the appropriate policies for Budget 2019.

Department of Finance: Annual Taxation Report 2018

In January 2018, the Department of Finance Annual Taxation Report provided an overview of trends in Irish tax receipts[40].

The Committee notes that CT receipts have effectively doubled since 2015 and are now the third biggest revenue stream for the State, exceeding excise duty receipts. (Annual Taxation Report 2018: 1)

A key emphasis in the Department of Finance report is the need to learn from policy failures which contributed to the financial crisis. These stemmed from a narrowing of the tax base, and an over-dependence on unsustainable windfall taxes.[41]

The Committee notes three key messages from this report:

- The extreme concentration and volatile nature of CT receipts means that *"public finances are therefore, exposed to firm – and sector-specific shocks, as well as to potential policy changes elsewhere."*[42]
- *"Tail risks"* have the potential to cause a significant shock to the CT base;[43]
- CT revenues are not guaranteed beyond a very short timeframe i.e. 2020. Informed by the above analysis, the report recommends avoiding the use of windfall tax receipts to fund new public expenditure, or a narrowing of the tax base elsewhere.

[40] Annual Taxation Report 2018

[41] Annual Taxation Report 2018 p.2

[42] Annual Taxation Report 2018 p.ii.

[43] Annual Taxation Report 2018 p. 11.

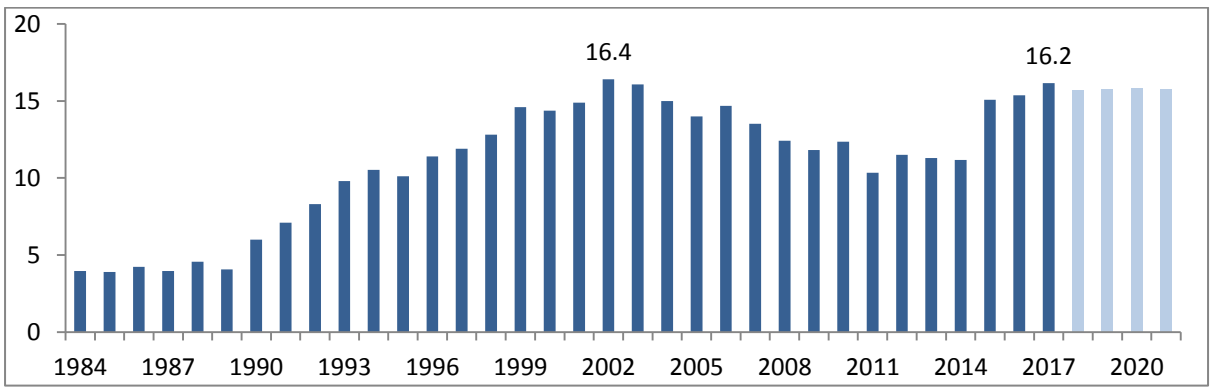
Revenue Commissioners

In April 2018, the Revenue Commissioners published a detailed profile of Corporation Tax receipts. The Committee welcomes this analysis which improves the quality of budget information

Corporation Tax: General Trends

The key trends contained in this report are the significant increase in CT income over recent years, and its volatility over time. CT receipts were €8.2bn in 2017. This is a historic peak in nominal terms, and close to historic peak levels, and represents a 94% increase on CT receipts in 2012, or a 23% increase on average CT levels.[44]

Figure 4: Corporation Tax Close to the Peak of Tax Revenue Share in 2017



Source: IFAC Fig 3.13 FAR Report June 2018

Revenue's analysis further underscores the highly concentrated nature of this revenue source:

- The 10 largest payers account for €3.32bn (approximately 39 per cent) of CT receipts;[45]
- The top 100 companies account for 71 per cent of net receipts (Table 4 below);
- Out of the top 100 companies paying CT, foreign owned multi-nationals account for 80% of all CT receipts, with US companies accounting for almost 52% of all CT receipts
- In comparison Irish companies in this category paid just 4%, or €370 million.[46]

[44] Corporation Tax 2017 Payments and 2016 Returns: Median average for 2003 – 2017.

[45] Corporation Tax 2017 Payments and 2016 Returns p. 9

[46] Ibid: 11.

Table 4: Corporation Tax Receipts from Top 100 Companies

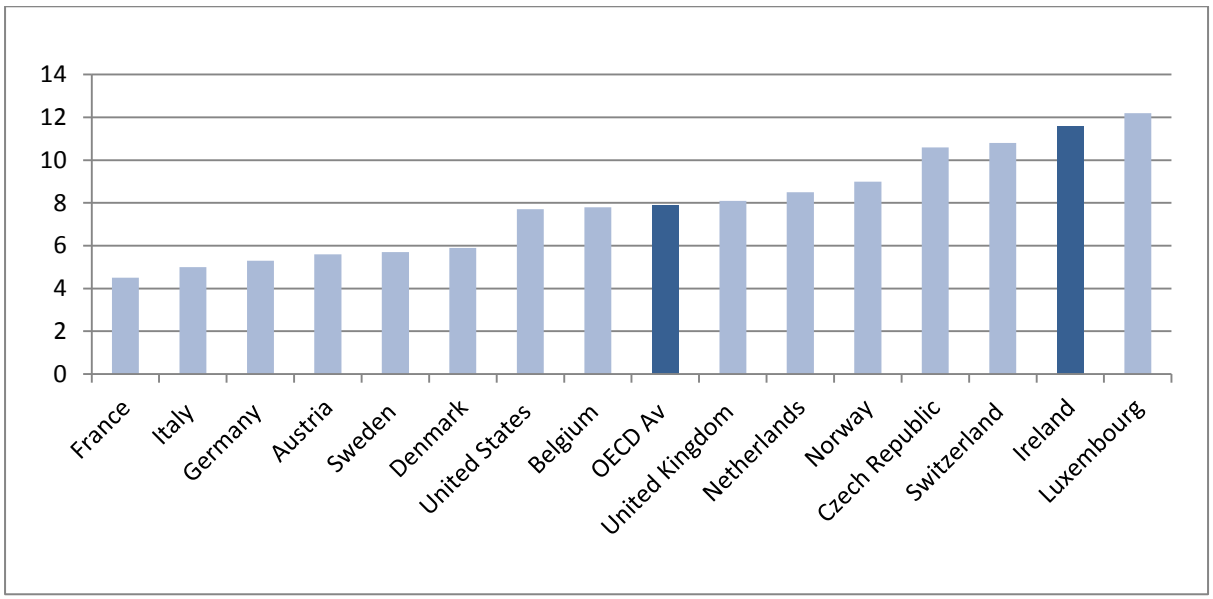
Year	Gross Receipts €m	% of total Gross Receipts	Net Receipts €m	% of total Net Receipts
2015	4,973	64.9%	4,943	71.9%
2016	5,260	64.1%	5,226	71.1%
2017	6,013	64.3%	5,863	71.5%

Source: Revenue: "Corporation Tax 2017 Payments and 2016 Returns" page 11

Revenue Analysis April 2018

Graph below shows that Ireland's % tax take from Corporation Tax is one of the highest in the OECD.[47] The Committee is of the view that this further emphasises Ireland's vulnerability to any sudden or unexpected reduction in this revenue source.

Figure 5: Corporation Tax revenue as a % of total tax revenue 2017 (selected countries)



Source: L, McCarthy and G. McGuinness. Corporation Tax 2017 Payments and 2016 Returns. (April 2018) p. 5.

[47] https://www.revenue.ie/en/corporate/documents/research/ct-analysis-2018.pdf

IFAC Fiscal Assessment Report

IFAC's June Fiscal Assessment Report used data from the Revenue Commissioners to estimate the impact of a shock, if one of the large multi-nationals stopped paying CT. This indicated that the exit of a large MNC would result in the direct loss of approximately €276m, with a further loss of substantial revenue from employee income, PRSI and indirect value to the economy.

Table 5: Direct Effects on Taxes, Earnings and Economic Activity in Ireland

€ million unless otherwise stated	Typical Large Firm[a]	Total	Large Firm Share (per cent of Total)
Taxes and Earnings			
Corporation Tax	276	7,353	3.7
Employee Taxes/PRSI	62	15,997	0.4
Employee Net Earnings	79	30,419	0.3
Economic Activity			
Gross Value Added	4,975	255,294	1.9
Employment (thousands)	2	2,133	0.1

Sources: CSO; Revenue Commissioners; and internal IFAC calculations.

Notes: The direct impacts of a typical large foreign-owned multinational firm on GVA, employment and employee taxes/PRSI and net earnings are estimated using the relative size of tax payments for a top ten firm compared to a foreign-owned firm ranked by corporate tax payments made in 2016.

The Committee discussed the sustainability of Corporation Tax with Mr. Seamus Coffey, of UCC, who cautioned that CT receipts would inevitably reduce in future. Therefore, he recommended that parliamentarians encourage Government to adopt an appropriate fiscal stance to mitigate this risk:

> *"The concentration and volatility of Corporation Tax receipts mean that a year where they fall is inevitable. We should not be surprised, or taken by surprise, when this happens. In the near term the reason for the fall is likely to be the inherent volatility which is a feature of our Corporation Tax receipts rather than any structural shift or change…I trust that the careful deliberations of this Committee on this matter will ensure that the value for such caution will be impressed by the Members here on their colleagues in both Houses of the Oireachtas."* [48]

[48] https://data.oireachtas.ie/ie/oireachtas/debateRecord/committee_on_budgetary_oversight/2018-05-16/debate/mul@/main.pdf

Rainy Day Fund

The Committee examined initial proposals by the Minister for Finance and Public Expenditure & Reform to establish a Rainy Day Fund (RDF). In October 2017, the Department of Finance published a consultation paper to seek the views of the Oireachtas on its design. Committee scrutiny included consideration of the Department of Finance paper, submissions by IFAC[49] and analysis by the PBO.

On 31 January 2018, the Minister met with the Committee to discuss its design, operation and purpose. On May 23, the Minister announced further details of the RDF, and an intention to publish the Heads of the Bill.

Although it is not possible to achieve consensus on an all-party basis on the policy merits of establishing a RDF, nevertheless, the Committee recognises that the objective and scope of any RDF needs to be well designed and very clearly defined in legislation.

With an initial sum of €1.5bn and €500m per annum, the Committee notes that it would take approximately 20 years to deliver a fund of €11.5bn. For comparison purposes, the nominal deficit in 2013 was approximately €11bn, and the National Pension Reserve Fund was €25bn at its peak.

Having examined the proposals, the Committee identified a number of areas where there is a need for greater clarity on the purpose and design of a RDF. Below, the Committee sets out some general principles which should apply if a Rainy Day Fund is being set up. In particular, the Committee is of the opinion that greater flexibility will be needed at EU level to ensure that monies committed to a RDF could be spent when needed to counter a future economic shock.

[49] Link to IFAC evidence to Oireachtas Committee meeting on June 13, 2018 and IFAC Working Paper on RDF design.

IFAC

The Committee notes that IFAC is an advocate of a RDF. In one of a number of submissions to the Committee, IFAC highlighted the useful role that a RDF could play in Ireland:

> *"While not a necessity, a RDF could play a useful role in running counter-cyclical policy in Ireland. The fiscal rules cannot entirely be relied upon to guide fiscal policy in an appropriately countercyclical direction. An additional tool, such as an RDF, may be useful to set savings aside in good times providing room for fiscal stimulus when needed".*

IFAC also emphasised the importance of ensuring that RDF is well designed explaining that using the RDF in a counter-cyclical manner could help to ensure that the appropriate fiscal stance is applied rather than simply using up all available fiscal space.

The Committee notes that the original proposals, as set out in the consultation document, and Dáil debates on the matter, appear to envisage two main roles for a RDF.

- Counter-cyclical tool
- Contingency Fund:

Finally, the original proposal also refers to a third option of using an "*in-year contingency reserve"*. This is where limited monies are set aside from expenditure at the start of a budget year, and are used to meet unexpected expenditure needs arising during the same year.

Analysis

As already noted, the policy statements outlining the rationale for a RDF consistently indicate that its primary role would be for use as a counter-cyclical tool. However, the Department of Finance consultation paper was unclear about its purpose.

For example, in places, it refers to the RDF's possible role as a counter-cyclical tool, but the main focus of the initial proposal also suggested that it would be much more limited in scope, and would only act as a Contingency Fund to address specific events, or one-off economic shocks.

Analyses provided by IFAC and the PBO highlight the ambiguity in the consultation paper on the RDF's structure and intended role. IFAC pointed out that "*the design of an RDF requires careful consideration if it is to act as a potentially useful tool. In particular it should be*

designed in an appropriately countercyclical manner", but that the *"current proposals do not achieve this"*[50] (IFAC, Note on the Proposed Rainy Day Fund, January 2018).

The Parliamentary Budget Office also suggests that the proposal leads to some confusion as it *"both discounts and considers the possibility of the fund being used for counter-cyclical purposes"*[51].

Engagement with Minister

During the Committee's engagement with the Minister, he initially referred to its use as a Contingency Fund to address one-off events, as follows:

> *"Broadly speaking, the current proposal is to design a rainy day fund that will primarily meet budgetary demands which may arise from a specific, one-off shock. As set out in the third section of the consultation paper, a natural question arises as to whether the rainy day fund should be used in the first instance as a contingency reserve….. Force majeure events which might necessitate access to the contingency fund may include a natural disaster or a public emergency"*[52].

The Minister also suggested the possibility of diverting unused contingency funds from a particular year into a separate RDF, which would have a legislative basis.

Demographics

Context

The issue of how Ireland's changing demographic profile will impact on the budget, was identified as a key theme by the Committee. The two main questions the Committee is interested in are as follows:

- Are current budget allocations adequate to cater for demographic issues?
- What additional information do we need in order to be able to improve our budget planning, to incorporate demographic change?

The Committee notes that demographic projections involve varying degrees of uncertainty. In general, the more distant a projection, population projections become more complex and

[50] https://www.fiscalcouncil.ie/wp-content/uploads/2018/01/IFAC

[51] PBO Paper on Rainy Day Fund https://data.oireachtas.ie/ie/oireachtas/parliamentaryBudgetOffice/2017/2017-12-20_rainy-day-fund_en.pdf

[52] https://data.oireachtas.ie/ie/oireachtas/debateRecord/committee_on_budgetary_oversight/2018-01-31/debate/mul@/main.pdf

less reliable. Short-term population projections are generally more reliable and therefore, provide a more robust base for budget planning.

In relation to public expenditure, it is possible in some cases to distinguish policy decisions from pure demographic factors. The most comprehensive attempt to estimate the cost of demographic factors was in an IGEES paper (2016)[53]. The approach taken was to confine the analysis to the three largest areas of expenditure, i.e. Health, Education and Social Protection, and to examine the pure demographic cost over the period 2017 to 2027. The paper also outlined the key assumptions used in relation to the expenditure programmes analysed.

Although this analysis is an important contribution, the Committee recognises that isolating the full cost impact of demographic change on public expenditure is a challenge.

The Committee acknowledges that measuring and projecting future demographic need is a complex process. The focus therefore should be on identifying areas where additional funding may be needed and where savings can be made rather than on trying to work out precise costs.

The impact of Ireland's demographic profile on the budget and medium term financial planning

In relation to Ireland's demographic profile analysis has clearly shown that the population is also due to age significantly in coming decades. In particular the share of the population aged 65 and over is forecast to grow from 13.4% in 2016 to a peak of 25.9% in 2054 before falling to 24.2% in 2070.[54]

Older people, both in terms of their number and as a proportion of the overall population, will place substantial pressure on a range of services. At the same time the amount of revenue generated to the State will decrease as a result of a larger proportion of the population living past working age.

This combination of rising expenditure and reduced income represent the fundamental demographic challenge facing Ireland. The Committee believes that such changes need to be factored into our medium term budget plans for the future.

---

[53] IGEES Staff Paper 2016: Budgetary Impact of Changing Demographics 2017-2027

[54] Department of Finance, *Stability Programme Update 2018: Incorporating the Department of Finance's Spring Forecasts* (April 2018) p.40

IGEES paper (2016) also identified a range of demographic pressures over the period 2017-2027 For example, the projected decreased numbers of young persons should result in decreasing child benefit expenditure. As opposed to this trend, expenditure in respect of pensions is anticipated to grow substantially over the same period as this cohort expands.

Such analysis sets out cases where demographic change clearly drives additional expenditure in the form of direct payments to individuals/families. However, the impact of demographics on the delivery of broader public services also needs to be considered as part of budget planning across each Government Department.

Demographic need and budget planning:

The overall question that arises in relation to demographic changes in the context of the expenditure ceilings up to 2021 is:

- What proportion of the current allocation can be linked to demographic factors?

In the case of the Social protection Vote, a large proportion relates directly to the size of various population cohorts. There is therefore a pure demographic element to expenditure. In other Votes it is more difficult to separate demographic and policy factors.

The difficulty in assessing demographic need is apparent when considering the fact that there does not appear to be agreement as to how much demographics are expected to impact on costs in the period up to 2023 (see Table 1).

The debate over demographic aspects of increased expenditure should also take account of Value for Money issues. The fact that demographic pressures occur should not automatically lead to additional expenditure. Therefore, the Committee recognises the need to also examine:

- If the present allocation is being used effectively and efficiently; and/or
- If the additional service needs exceed existing capacity.

Quality of demographic information – what additional information do Parliamentarians need to assess budget provision?

CSO data is the single most important source of data. More timely publication of CSO data allows it to be used more effectively for short and medium term budget projections.

From a budget scrutiny perspective, it is difficult to assess additional budget allocations being proposed in each Budget or in expenditure ceilings, without relevant information on the underlying drivers of costs, such as demographic factors, additional services, or policy changes. For example, if the Budget includes a proposed increase of €X to be spent in the area of housing, it should clearly state that €X is to address demographic factors.

Projections of demographic costs 2019 – 2023

IGEES and IFAC have conducted some analysis on demographic need. Current provisions in the budget use the IGEES analysis as the baseline for the underlying demographic cost captured within the expenditure ceilings. The table below illustrates the various projections and provisions for demographic need. IFAC suggest that these may understate the expenditure that may be needed to address demographic need.

Table 1 - Projections of, and Provision for, Demographic Costs 2019-2023

	2019	2020	2021	2022	2023
Projections					
IGEES (2016)[55]	€0.428bn	€0.435bn	€0.148bn	€0.148bn	€0.401bn
IFAC (2018)[56]	€0.55bn	€0.67bn	€0.67bn	€0.44bn	€0.47bn
Provision for Demographics in Gross Current Expenditure Ceilings[57]	€0.50bn*	€0.48bn			

* Includes amounts in respect of the Rural Development Programme (RDP). Source: DPER, 2018 Expenditure Report (2017), p.41, footnote 3 to Table 9.

* IFAC calculation – see Table 1 of *Stand-Still Scenario for Government Spending in the Medium-Term, 2019-2023* (May 2018)

[55] IGEES, Budgetary Impact of Changing Demographics 2017 - 2027 (2016) p.14

[56] Irish Fiscal Advisory Council, Stand-Still Scenario for Government Spending in the Medium Term, 2019-2023 (May 2018)

[57] DPER, 2018 Expenditure Report (2017) p.41

ESRI findings about implications for Health Service

These are among the main findings:

- Between 2015 and 2030, the population of Ireland is projected to grow by between 14 to 23 per cent adding 640,000 to 1.1 million people[58]
- The share of population aged 65 and over is projected to increase from one in eight to one in six
- The number of people aged 85 and over is projected to almost double
- Demand for health and social care is projected to increase across all sectors, with the greatest increases for services for older people
- Demand for home help hours is projected to increase by between 38 to 54 per cent
- Demand for residential and intermediate care places in nursing homes and other settings is projected to increase by between 40 to 54 per cent
- Demand for public hospital services is projected to increase by between 32 to 37 per cent for inpatient bed days and between 24 to 30 per cent for inpatient cases.
- Demand for GP visits is projected to increase by between 20 to 27 per cent while demand for practice nurse visits is projected to increase by between 26 to 32 per cent. (ESRI Research Series No. 67 October 2017, Projections of Demand for Healthcare in Ireland, 2015 - 2030).

The report assumes no change in models of care. However, further research is examining the potential effects of policy developments which could reduce projected demand in some sectors but which could increase projected demand in others.

The report also provides projections of demand for inpatient and day cases in public and private hospitals, maternity services, public hospital Emergency Department and Outpatient services, pharmaceuticals, pharmacy consultations, home care packages, public health nursing, and public community therapy services. The report also includes the effects of unmet need and demand where possible.

There are important policy implications from this report's findings, many of which mirror and complement the implications of the Slaintecare report. The projected increases in the demand for health services, arising from the increases in the population generally and in the older population in particular, come after two decades of rapid population growth, a decade

[58] ESRI Research Series No. 67 October 2017, Projections of Demand for Healthcare in Ireland, 2015 - 2030

of cutbacks in public provision of care and a consequent build-up of unmet need and demand for care.

Conclusions on Demographic Need

While demographic analysis may form part of budgeting processes, its influence may be hidden when included with other drivers of expenditure. If there is a failure to adequately consider demographic factors in budgeting and policy-making, then the response to demographic change is likely to be unplanned, unfocused, and less effective. It also makes it difficult for parliamentarians to prepare alternative budgets.

The Committee believes that there is a need for more clarity on the role of demographic analysis, and more specific information on how demographic factors are addressed in budget planning. Without information on the quality of demographic information, it is difficult to assess the overall quality of budget projections.

Gender Budgeting

Gender budgeting has been a significant part of the Committee's work programme since 2017. A Committee report on Gender Budgeting was published in May 2018 which sets out the benefits of challenges involved in implementing gender budgeting processes.

The key recommendation of the Committee's report on Gender Budgeting was the establishment of an Equality Budget Statement to be prepared by the Department of Public Expenditure and Reform and read by the Minister for Finance and Public Expenditure and Reform alongside the Budget Statement. The EBS should be ambitious and should set out broad strategic gender equality goals.

This report is a significant one for the Committee as gender budgeting has been a part of the Committee's work programme since 2017. The recommendations contained within the report demonstrate the proactive and positive role that the Committee has played in budgetary reform and the improvement of budget policy formulation. Please see the attached link for the full report. (Committee on Budgetary Oversight, Report on Gender Budgeting, 2018)[59].

[59] Committee on Budgetary Oversight Report on Gender Budgeting

Climate Proofing

Climate change is one of the most important policy issues of the day. It is defined as long lasting significant changes to the mean temperature and/or variability of climate. Research has shown that over recent decades climate change has been mostly driven by increases in greenhouse gases (GHG) which have been generated by human activity

In recent years many countries have strengthened their budget processes by introducing initiatives such as performance-based budgeting and gender budgeting. Ireland has not been immune to these changes as many of these reforms are now part of its budgetary architecture.

Recently, there has been a great deal of debate on how to better incorporate climate change considerations into the budget process in Ireland. In this regard, the Committee on Budgetary Oversight requested guidance from the Parliamentary Budget Office on possible approaches to climate proofing budgets. The Parliamentary Budget Office is currently looking into these issues and will be publishing a paper this summer investigating possible approaches.

Ireland is subject to EU 2020 and EU 2030 commitments (implementing international agreements such as the Paris agreement) establishing binding emission and energy efficiency targets. The latest EPA projections indicate that Ireland is unlikely to meet EU targets without introducing new major policies. Fines associated with breaching emission targets and costs of purchasing allowances from the other Member States in surplus are likely to have a negative impact on the Irish public finances in the medium-term. The Department of Finance indicates (FN 1) that Ireland is at risk of being subject to fines of €600 million annually from 2021 if targets are not to be met.

This suggests that Ireland could be subject to €6 billion in fines between 2021 and 2030. Previous work done by the IIEA (FN2) estimated costs in the range of €2.9 to €6.1 billion over the same period. Agriculture and Transport make up the lion's share of GHG generated in Ireland and this will still be the case by 2030.

While sectoral initiatives and plans led by the Department of Communications, Climate Change & Environment exist and which also involve the work of other relevant Departments, the Committee notes that Ireland does not have an overall institutional framework for climate change policy incorporated into the conventional Budget process.

As such, it is important to progress further on this aspect and to gather information on global best practices. Specifically, the PBO's paper will seek to identify approaches to climate-proofing the Budget by answering the following questions:

- Do other countries adopt budgetary approaches which better incorporate climate change considerations;
- If they do, what strategies do they adopt?
- What is the impact of Budget measures on climate change objectives?
- Are climate change objectives sufficiently addressed by Budget measures?
- Are the environmental impacts of these measures quantified ex-ante and monitored ex-post?
- How do different countries compare in terms of levels of climate change-related tax revenues and expenditure?
- Which tax and expenditure policies are the most significant, in terms of Exchequer impact? Is it possible to identify an idealised approach?

The Committee on Budgetary Oversight is supportive of the broad aims of this project, and will continue to monitor progress as part of its Work Programme.

The Health Vote (Vote 38)

Vote 38 contains approved expenditure for the Department of Health. The funding for the HSE is then granted by the Department of Health under a 'Letter of Determination'. In 2018, the Gross Expenditure allocation of Vote 38 is €15.3 billion. On the basis of this, the Department of Health provided €14.5 billion for Current Expenditure and €478 million in Capital Expenditure to the HSE.

In the Department of Public Expenditure and Reform's *Fiscal Monitor* May 2018, the Gross Voted Expenditure under Vote 38 was €63 million *above* profile. This compares negatively to the same period in 2017, when Vote 38 was €27 million *under* profile. In short, expenditure in the Health Vote at this point in 2018 is €90 million higher compared to profile than it was at the same point last year.

Vote 38 required a Supplementary Estimate of €195 million in November 2017. Given the comparative trend, the Committee is of the view that a request for a Supplementary Estimate is likely for Vote 38 in 2018. This is important in relation to the overall budgetary oversight

role of the Committee as when the *Revised Estimates* for 2019 are presented; any Supplementary Estimate approved this year will appear within the baseline figures for 2018.

As such, the Budget of the Health Service in 2018 needs to be monitored. If the HSE is unable to stay within its overall expenditure ceiling for 2018, the additional funding will have to be provided through a Supplementary Estimate for Vote 38. The overrun of €63 million noted above suggests that this scenario is likely.

Budget Scrutiny Process

The Committee's Budget 2018 Report considered how budget scrutiny could be enhanced over time. It highlighted the fact that in order for the Committee's pre-budget scrutiny to be more effective it should start its pre-budget scrutiny of proposed measures for Budget 2019 at an earlier stage in the year. Taking this recommendation on board the Committee began it pre-budget scrutiny in January 2018.

The Committee's expanded work programme for January 2018 to July 2018 included examination of the following themes:

- Re-valuation of Local Property Tax and its implications for Budget 2019;
- Ex-post scrutiny of Commercial Stamp Duty receipts;
- Proposal to establish a Rainy Day Fund;
- The Stability Programme Update 2018,
- Public Service Performance Report 2017,
- Gender Budgeting;
- Corporation Tax;
- The EU Budget and Multiannual Financial Framework.

During the scrutiny sessions regarding these issues a number of key points were repeatedly raised with the Committee, and can be categorised as follows:

Quality of Budget Information

Perhaps the most important area where the Committee can enhance budget scrutiny is by improving the quality of budget information. This information forms the basis for proposed budget measures and policy decisions. In order for parliamentarians to be able to evaluate proposed budget measures properly, it is imperative that budget information is readily available and reliable.

The Committee's approach is to effect incremental improvements, building on budget reform each year. For example, in some instances, Committee scrutiny sessions are followed by requests for additional information that is made public, or published with the next budget document. The Committee raised this issue on a number of occasions during its examination of the Stability Programme Update, the Department of Finance proposals for the establishment of a Rainy Day Fund, the Equality Budgeting Initiative, Commercial Stamp Duty and the Public Service Performance Report.

During 2018, the Committee raised a number of issues regarding the quality of budget information. The Committee also acknowledges and welcomes the fact that there have been a number of improvements over the past two years, with a greater level of information being published in advance of budget day.

For example; in 2019 on foot of recommendations made by the Committee, the Department of Finance published its Summer Economic Statement well in advance of the summer recess thus giving the Committee and broader sufficient opportunity to analyse and assess the document.

The Minister for Finance and Public Expenditure and Reform also published a note clarifying aspects of the Stability Programme Update following discussion with the Committee; the Department of Public Expenditure and Reform changed the format of its Public Sector Performance Report 2017 to take account of issues raised by the Budget Oversight Committee; the Department of Public Expenditure and Reform also had positive engagement with the Committee to discuss how its pilot equality budget programme can be improved; subsequent to a Committee report on Commercial Stamp Duty, the Department of Finance provided the Committee with additional analysis in this area.

The Committee acknowledges positive engagement with the Department of Finance and Public Expenditure and Reform and its timely responses to information requests that have allowed the Committee to scrutinise different budget areas in detail. The Committee also welcomes the work that has been done by the Department, as acknowledged by IFAC, to improve the measurement of key economic indicators such as the output gap.

The need for a credible medium term plan

A sensible and well developed medium term plan, based on accurate and reliable measurements of key economic indicators, is key to the adoption of an appropriate fiscal stance. As stated by IFAC in the FAR June 2018 *"negative future shocks will inevitably occur*". They argue that *the adoption of* the correct fiscal and budgetary stance will help to protect the economy and avoid the boom bust cycles of the past. (Fiscal Assessment Report June 2018, p.6)

In its discussion with the Irish Fiscal Advisory Council regarding the Fiscal Assessment Report June 2018 and the Stability Programme Update, the Committee discussed concerns regarding the shortening of the horizon in the projections contained within the SPU from 5 to 3 years ahead and the impact this would have on the Government's medium term plans. In response to questions from the Committee regarding the shortening of medium term

horizons IFAC explained the importance of developing a credible medium term plan stating that:

> *"One thing that is of concern is that even within the horizon out to 2021, if one looks at what is implied for spending in the later years, spending growth slows quite a lot. That is going to be very hard to reconcile if the Government's forecasts turn out to be right and the economy is still doing well, employment is high and wages are going up. There is a concern about spending growth in those later years."*

This issue is also highlighted in IFAC's recent fiscal assessment report which states that:

> *"The shortening of the horizon in the Government's most recent projections from five to three years ahead is not compatible with the aim of achieving medium-term fiscal stability"* (IFAC, Fiscal Assessment Report, June 2018). This point is further illustrated by figure 1.10 of the Fiscal Assessment report set out below.

Table 7: The Department narrows its Outlook

Forecast Horizon in Years	Department's Forecast Horizon	Minimum 3-Year Legal Requirement
SPU 2006	3	3
SPU 2007	3	3
Budget 2009 - Oct	3	3
Budget 2009 - Apr	4	3
Budget 2010	5	3
Budget 2011	4	3
SPU 2011	4	3
Budget 2012	4	3
SPU 2012	3	3
Budget 2013	3	3
SPU 2013	3	3
Budget 2014	3	3
SPU 2014	4	3
Budget 2015	4	3
SPU 2015	5	3
Budget 2016	6	3
SPU 2016	5	3
Budget 2017	5	3
SPU 2017	4	3
Budget 2018	4	3
SPU 2018	3	3

Source: IFAC Fiscal Assessment Report June 2018 Figure 1:10

Public Service Performance Report 2017

The PSPR report is designed to implement a 'performance budgeting' approach in Ireland. A more detailed examination of Committee discussions and conclusions on the Public Service Performance Report, the EU Budget and MFF and the link between domestic and EU budgets are set out in the next sections of this report.

The PSPR report is intended to provide an accessible report to measure how government has delivered public services in the previous year. The report presents expenditure at Programme Group level alongside a number of key performance metrics.

The Committee engaged with officials from the Department of Public Expenditure and Reform on 5 May 2017 to discuss the PSPR 2017. The Department of Public Expenditure and Reform set out the report's purpose as follows:

> *"The Performance Report is a key element of a suite of expenditure reform measures implemented in Ireland. The objective of this report is to create a space in the budget process for performance dialogue, focusing on results delivered from public expenditure in terms of outputs and impacts".* (PSPR 2017, p.1)[60]

In a notable progression from the 2016 report, the 2017 report presents statistics on Government services that were delivered, using an attractive and user-friendly dashboard format.

The Committee is of the view that:

- The Public Service Performance Report 2017 provided a good 'bird's eye view' of services being delivered by different areas of the Public Sector in 2017, and this summary information is useful for parliamentarians;
- The report does not contain details of the original targets set for services, and lacks time series data to allow comparative analysis of service provision;
- The focus of the report is on activity reporting rather than performance reporting, and this limits its use as a management tool.

[60] Public Service Performance Report 2017

Conclusions on the Public Sector Performance Report

Level of Engagement

The Committee acknowledges the level of engagement and assistance by Department of Public Expenditure officials, and the significant work involved in compiling data for inclusion in the report. The Committee welcomes the publication of the Public Service Report 2017, which can assist the Oireachtas to scrutinise Government performance in relation to voted public expenditure.

PBO Note on PSPR 2017

The Committee also agreed to endorse the recommendations contained in the PBO note;[61] and agreed to forward it to the Minister for consideration. The Committee is of the view that the suggested enhancements, if implemented, would make it easier to use and to navigate in the next version of the report.

Format

As reflected in discussion with the Department, the report's dashboard format is accessible and provides a significant amount of quantitative performance information in a format that is easy to read.

The Committee agrees with the PBO assessment that *"… the performance report can therefore be used by members and committees to get a 'bird's eye' overview of the range of services provided as a result of Government expenditure…"* (PBO, Note 9 of 2018 Public Performance Report 2017).

Performance Measurement

However, the Committee notes that the focus of the PSPR is to report on *activity*, and does not compare the output for a particular year with original targets. As the Parliamentary Budget Office notes, "*this undermines the concept that this is a performance report*" (PBO, Note 9 of 2018 Public Performance Report 2017).

The Committee notes that financial information is presented in the report at programme level, and this is not aligned with outputs at a sub-programme level, which would be of more interest to parliamentarians. The Committee also notes that the Revised Estimates are presented at sub-programme level, and therefore it would be useful to have greater linkage between the report and the REV data.

[61] https://data.oireachtas.ie/ie/oireachtas/parliamentaryBudgetOffice/2018/2018-05-14_public-service-performance-report-2017_en.pdf

Key Performance Indicators

The Committee is of the view that the quality of the metrics and performance indicators used has not improved significantly since the Public Service Performance Report 2016.
The Committee is in agreement with the PBO assessment that there is no clear linkage between the metrics included in the PSPR and Departmental strategic plans and annual reports.

Linkages between EU and Domestic Budget Cycles

The Committee's Budget 2018 report emphasised the importance of linking the domestic budget cycle to the EU budget cycle/EU semester. The PBO, in its first Briefing Paper of 2018, explains the importance of the EU Semester, and how it impacts on the domestic budgetary cycle.

The European Semester is the annual budgetary cycle of EU level economic and fiscal policy co-ordination. It determines the goals to be pursued for the whole of the EU in the forthcoming year, and also makes a set of country specific recommendations that address key socio-economic challenges in each Member State.

The European Semester and the national budgetary cycle are explicitly linked because the Semester shapes the draft budgetary plan, which is submitted to the Commission for approval by 15 October each year. It is important, therefore, that the Committee continues to monitor the EU Semester.

The 2018 Semester began in November 2017 when the Commission compiled its broad budgetary, economic and social policy priorities for the EU in the Annual Growth Survey (AGS).

The Committee notes that, in the AMR 2018, the Commission identified five indicators of Macro-economic Imbalance in the Irish economy. Four of the five indicators are relevant to the Committee's remit.

- The level of Private Sector Debt;
- The level of Public Sector Debt;
- The negative Net International Investment Position (NIIP) is an issue but detailing its severity is difficult; and,
- The change in the House Prices Index was also highlighted as an imbalance.

Following publication of the AMR in November, the Country Reports are published in February. Each Country Report contains an in-depth review of the macro-economic and social trends in Ireland and its conclusions are used as the basis for negotiating the Country Specific Recommendations (CSRs) that are published in May. The Member State is expected to incorporate these Recommendations into its policy priorities for the coming Budget.[62]

The Committee notes that, in general, the Country Report 2018 found that Ireland has made some progress in addressing the 2017 CSRs. However, within CSR 1, the Commission raised concerns about limited efforts to broaden the tax base and taxation changes which have focussed on cuts and reliefs. The Commission stated that Budget 2018 also featured a growing reliance on pro-cyclical taxes, including Corporation Tax and Commercial Stamp Duty.

The PBO analysed the draft CSRs for Ireland which set out the following key points:

- (a)The Commission states that the macroeconomic scenario underpinning Ireland's budgetary projections is plausible but notes that the measures needed to support the planned deficit targets from 2019 onwards have not been sufficiently specified.
- (b) The Commission points out that limiting the scope and the number of tax expenditures, and broadening the tax base would improve revenue stability in the face of such risks. The Commission, however, states that some recent tax measures have focused on cuts and reliefs, and seem to have further increased reliance on highly pro-cyclical sources of revenue.

  This is therefore an example of where the Commission does not believe that progress has been made in implementing CSR1 of 2017. It also stresses that Ireland could improve the way its tax system can support environmental objectives.
- (c) The draft CSRs acknowledge significant efficiency measures which have been introduced in relation to the Irish healthcare system but notes that it is "costly and faces many challenges, which are compounded by a rapidly ageing population."

[62] For a detailed explanation of the European Semester process, please see the Oireachtas Library & Research Service Note, *EU Economy and Fiscal Policy Coordination (European Semester and the Two-Pack/Six-Pack measures)* of 24 September 2015. The Parliamentary Budget Office has published an infographic (1 of 2018) which provides a calendar view of the key budgetary documents that will be published in 2018. This includes each of the European Semester documents, starting with the country assessments in February.

The CSRs also emphasise the need to implement the NDP and progress decarbonisation measures. (PBO Note 11 of 2018: 2018 European Semester: Draft Country Specific Recommendations for Ireland)[63]

EU Budget and MFF

In May 2018 the European Commission also published its proposal the next Multiannual Financial Framework (MFF) 2021-2027 as the current MFF is due to conclude in the year 2020.

The Multiannual Financial Framework (MFF) is a Regulation which sets out a 7 year budget framework for the European Union Budget.

The Committee recognises that the formulation of the future MFF beyond 2020 marks an important point in the EU budget cycle both from an economic and a social perspective

The Commission's proposal puts forward ambitions to simplify the structure of the EU budget and to bring it more closely into line with political priorities.

The Committee met with the EU Parliament Budgets Committee, attended the EU Parliamentary conference in Brussels and met with EU Commissioner for Budgets Gunther Oettinger and participated in discussions regarding the proposals for the next MFF. The Committee also produced a report on the future of the MFF and the EU budget. The key points raised by the Committee are set out below:

- Both the EU Parliament and Commission have stated that Member States need to recognise that the EU budget is getting smaller as a result of Brexit.
- Europe needs to collectively decide how to bridge the Brexit Gap. The decision facing Member States is whether to make cuts to Cohesion and CAP spending or to introduce tax measures to increase own resources, for example a plastics tax. The Brexit Gap must be filled and there are a limited number of options available to achieve this.

As part of its budget scrutiny role the Committee has considered the budget implications of the MFF for Ireland. These are set out in its report (Committee on Budgetary Oversight, Report on the EU Budget and Multiannual Financial Framework, 2018) [64]

Since the publication of the Committee's report the Commission published its proposals for the MFF beyond 2020. The element of the proposals that will have the biggest impact on

[63] PBO Note 11 of 2018: 2018 European Semester: Draft Country Specific Recommendations for Ireland
[64] Committee on Budgetary Oversight, Report on the EU Budget and Multiannual Financial Framework, 2018

the Irish economy, and is of concern to the Committee, is a 5% reduction in the total allocation for CAP and Cohesion Policy.

Conclusion

This interim report provides feedback and conclusions based on evidence heard by the Committee from January – July 2018. It should be noted that the Minister for Finance and Public Expenditure and Reform met with the Committee on July 11th. A number of issues included in this report were discussed, and will form part of the evidence to be addressed in the Committee's final pre-budget report in October 2018.

Appendix One: Bibliography

Committee on Budgetary Oversight, *Report on Ex-Post Scrutiny of Budget 2018: Commercial Stamp Duty,* 2018. Available here

Committee on Budgetary Oversight, *Report on Gender Budgeting,* 2018. Available here

Committee on Budgetary Oversight, *Report of the Committee Pre Budget 2018, 2017* Available here

CSO, *National Accounts Quarter 4 2017 and Year 2017,* 2018. Available here

Department of Public Expenditure and Reform, *Expenditure Report 2018.* Available here

Department of Finance, *Stability Programme Update 2018: Incorporating the Department of Finance's Spring Forecasts,* April 2018. Available here

Department of Finance, *Summer Economic Statement,* 2018. Available here

Department of Public Expenditure and Reform, *Fiscal Monitor,* June 2018. Available here

Department of Public Expenditure and Reform, *Fiscal Monitor,* June 2017. Available here

ESRI, *Quarterly Economic Commentary,* June 2018. Available here

European Council, *Country Specific Recommendations.* Available here

E. Casey, IFAC, *Estimating Irelands Output Gap,* 2018. Available here

ESRI, Research Series No. 67, *Projections of Demand for Health Care in Ireland, 2015-2030,* October 2017. Available here

Government of Ireland, *Stability Programme Update 2018, Annex 4,* 2018. Available here

IFAC, *Fiscal Assessment Report,* June 2018. Available here

IGEES, *Budgetary Impact of Changing Demographics 2017-2027,* 2016. Available here

IFAC, *Stand Still Scenario for Government Spending in the Medium Term, 2019-2023,* May 2018. Available here

L, McCarthy and G. McGuinness. *Corporation Tax 2017 Payments and 2016 Returns*. April 2018. Available here

Minister for Finance, Public Expenditure and Reform, *Correspondence: Re an update on Commercial Stamp Duty receipts,* 2018. Available here

OECD, *Review of budget oversight by parliament: Ireland,* 2016. Available here

Parliamentary Budget Office, Briefing Paper 6, *Potential Output, the Output Gap and Associated Key Issues for Fiscal Policy making in Ireland,* 2018. Available here

Parliamentary Budget Office, *Quarterly Economic and Fiscal Commentary Q1,* 2018. Available here

Parliamentary Budget Office, Note 11 of 2018, *2018 European Semester: Draft Country Specific Recommendations for Ireland.* Available here

Selected VAT Issues, Tax Strategy Group, 25 July 2017. Available here

Tax Strategy Group Papers, Budget 2018. Available here

Appendix Two: Terms of Reference

Go ndéanfar, de réir mholadh an Fhochoiste ar Athleasú na Dála faoi Bhuan Ordú 107(1)(*a*), Buan-Orduithe Dháil Éireann i dtaobh Gnó Phoiblí a leasú tríd an mBuan-Ordú seo a leanas a ghlacadh:

'186A. (1) Beidh arna bhunú, a luaithe is féidir i ndiaidh ationól na Dála tar éis Olltoghcháin, Buanchoiste, dá ngairfear an Coiste um Fhormhaoirsiú Buiséid, chun scrúdú a dhéanamh agus, más cuí leis é, chun tuarascáil a thabhairt don Dáil—

(*a*) ar an staid fhioscach fhoriomlán, lena n áirítear—

(i) an staid chomhiomlánaithe maidir le hioncam agus caiteachas agus Iarmhéid Ginearálta an Rialtais, lena n-áirítear spriocanna struchtúracha;

(ii) réamh-mheastacháin mheántéarma don airgeadas poiblí;

(iii) réamhaisnéisí agus forbairtí maicreacnamaíocha; agus

(iv) rialachas fioscach ginearálta, lena n-áirítear rialacha agus priacail fhioscacha a fheidhmiú maidir leis an staid fhioscach;

(*b*) ar an mbeartas maidir le caiteachas poiblí, lena n-áirítear—

(i) an staid chaiteachais ag féachaint don Uasteorainn Caiteachais Rialtais agus don tslat tomhais chaiteachais faoin gComhaontú Cobhsaíochta agus Fáis; agus

(ii) na hUasteorainneacha Caiteachais Aireachta a bhfuil feidhm acu maidir le Meastacháin ar leith nó grúpaí Meastachán i gcomhair Seirbhísí Poiblí i gcás go bhféadfadh athruithe suntasacha ar an bpróifíl chaiteachais tionchar a bheith acu ar an staid fhioscach fhoriomlán;

That, in accordance with the recommendation of the sub-Committee on Dáil Reform under Standing Order 107(1)(*a*), the Standing Orders of Dáil Éireann relative to Public Business be amended by the adoption of the following Standing Order:

'186A. (1) There shall stand established as soon as may be, following the reassembly of the Dáil subsequent to a General Election, a Standing Committee, to be known as the Committee on Budgetary Oversight, to examine and, where it considers it appropriate, report to the Dáil on—

(*a*) the overall fiscal position, including—

(i) the aggregated position on revenue and expenditure and the General Government Balance, including structural targets;

(ii) medium-term projections for the public finances;

(iii) macro-economic forecasts and developments; and

(iv) general fiscal governance including the application of fiscal rules and risks to the fiscal position;

(*b*) public expenditure policy, including—

(i) the expenditure position having regard to the Government Expenditure Ceiling and the expenditure benchmark under the Stability and Growth Pact; and

(ii) Ministerial Expenditure Ceilings applying to individual Estimates or groups of Estimates for the Public Services where significant variations from the expenditure profile could potentially impact on the overall fiscal position;

(*c*) ar an mbeartas maidir le fáltais an Státchiste.

(2) Féadfaidh an Coiste breithniú a dhéanamh ar ní a bhaineann le beartas poiblí agus a bhfuil tionchar suntasach aige ar an staid bhuiséid nó ar an staid fhioscach fhoriomlán: Ar choinníoll go rachaidh Cathaoirleach an Choiste, roimh thosach an bhreithnithe sin, i gcomhairle leis an gCoiste earnála iomchuí arna bhunú de bhun Bhuan-Ordú 84A.

(3) Féadfaidh an Coiste freisin breithniú a dhéanamh ar an gcreat foriomlán do rannpháirtíocht pharlaiminte le linn an timthrialla buiséid agus féadfaidh sé moltaí i ndáil leis an gcéanna a dhéanamh don Fhochoiste ar Athleasú na Dála, is moltaí a bheidh le breithniú ag an gCoiste sin faoi Bhuan-Ordú 107(1)(*b*): Ar choinníoll, le linn dó é sin a dhéanamh, go rachaidh an Coiste i gcomhairle—

(*a*) leis na Coistí arna mbunú de bhun Bhuan-Ordú 84A maidir le haon mholtaí a bhfuil tionchar acu, i dtuairim an Choiste, ar ról nó ar chúram na gCoistí sin; agus

(*b*) leis an Aire nó leis na hAirí iomchuí maidir le haon mholtaí a bhfuil tionchar acu, i dtuairim an Choiste, ar ról nó ar chúram Roinne nó Ranna,

agus tabharfaidh sé fógra i dtaobh thorthaí na gcomhairliúchán sin don Fhochoiste ar Athleasú na Dála.

(4) Beidh na cumhachtaí seo a leanas ag an gCoiste:

(*a*) an chumhacht chun fios a chur ar dhaoine, ar pháipéir agus ar thaifid mar a mhínítear i mBuan-Orduithe 85(2A) agus 88;

(*b*) an chumhacht chun fianaise béil agus fianaise scríofa a ghlacadh agus chun aighneachtaí a ghlacadh mar a mhínítear i mBuan-Ordú 85(1) agus (2);

(*c*) an chumhacht chun Fochoistí a cheapadh mar a mhínítear i mBuan-Ordú 85(3);

(*d*) an chumhacht chun sainchomhairleoirí a fhostú mar a mhínítear i mBuan-Ordú 85(8);

(*c*) Exchequer receipts policy.

(2) The Committee may consider a matter of public policy with significant impact on the budgetary position or on the overall fiscal position: Provided that prior to the commencement of such consideration, the Chairman of the Committee shall consult with the relevant sectoral Committee established pursuant to Standing Order 84A.

(3) The Committee may also consider the overall framework for parliamentary engagement throughout the course of the budgetary cycle and may make recommendations thereon to the sub Committee on Dáil Reform for that Committee's consideration under Standing Order 107(1)(*b*): Provided that, in so doing, the Committee shall consult with—

(*a*) the Committees established pursuant to Standing Order 84A on any recommendations which, in the opinion of the Committee, impact on their role or remit; and

(*b*) the relevant Minister or Ministers on any recommendations which, in the opinion of the Committee, impact on the role or remit of a Department or Departments,

and shall notify the results of such consultations to the sub-Committee on Dáil Reform.

(4) The Committee shall have the following powers:

(*a*) power to send for persons, papers and records as defined in Standing Orders 85(2A) and 88;

(*b*) power to take oral and written evidence and submissions as defined in Standing Order 85(1) and (2);

(*c*) power to appoint sub-Committees as defined in Standing Order 85(3);

(*d*) power to engage consultants as defined in Standing Order 85(8);

(*e*) an chumhacht chun taisteal mar a mhínítear i mBuan-Ordú 85(9).

(5) Déanfar gach tuarascáil a bheartóidh an Coiste a thabhairt, arna glacadh ag an gCoiste, a leagan faoi bhráid na Dála láithreach agus as a aithle sin beidh cumhacht ag an gCoiste an tuarascáil sin, mar aon le cibé doiciméid ghaolmhara is cuí leis, a chlóbhualadh agus a fhoilsiú.

(6) Maidir leis an gCoiste cúig Chomhalta dhéag a bheidh air, nach comhalta den Rialtas ná Aire Stáit aon duine acu, agus ceathrar acu sin is córam dó: Ar choinníol—

(*a*) go mbeidh an Coiste agus aon Fhochoistí a cheapfaidh sé comhdhéanta ar chuma go ndéanfaidh sé nó siad ionadaíocht chothrom don Dáil; agus

(*b*) go mbeidh feidhm ag forálacha Bhuan Ordú 95 maidir leis an gCoiste.

(7) Go dtí go gcuirfear a mhalairt in iúl sa 32ú Dáil, leanfaidh an Roghchoiste um Fhormhaoirsiú Buiséid, a bunaíodh le hOrdú an 21 Iúil 2016 ón Dáil, ar marthain mar an Buanchoiste um Fhormhaoirsiú Buiséid, agus dá réir sin, bainfidh comhaltas reatha, Cathaoirleach, páipéir agus clár oibre an Roghchoiste leis an mBuanchoiste.'

(*e*) power to travel as defined in Standing Order 85(9).

(5) Every report which the Committee proposes to make shall, on adoption by the Committee, be laid before the Dáil forthwith, whereupon the Committee shall be empowered to print and publish such report, together with such related documents it thinks fit.

(6) The Committee shall consist of fifteen Members, none of whom shall be a member of the Government or a Minister of State, and four of whom shall constitute a quorum: Provided that—

(*a*) the Committee and any sub-Committees which it may appoint shall be constituted so as to be impartially representative of the Dáil; and

(*b*) the provisions of Standing Order 95 shall apply to the Committee.

(7) Until further notice in the 32nd Dáil, the Select Committee on Budgetary Oversight, established by Order of the Dáil of 21st July, 2016, shall continue in being as the Standing Committee on Budgetary Oversight, and accordingly, the current membership, Chairman, papers and work programme of the Select Committee shall be those of the Standing Committee.'.

—Ríona Uí Dhochartaigh, Aire Stáit ag Roinn an Taoisigh

Appendix Three: Links to Transcripts

16th January 2018 – Department of Finance

Transcript

31st January 2018 – Minister for Finance, Public Expenditure and Reform

Transcript

21st February 2018 – Department of Public Expenditure and Reform

Transcript

27th February 2018 – The National Women's Council of Ireland

Transcript

21st March 2018 – Fórsa

Transcript

18th April 2018 - Minister for Finance, Public Expenditure and Reform

Transcript

24th April 2018 – Mental Health Reform, Disability Federation of Ireland and The Irish Wheelchair Association

Transcript

2nd May 2018 - Department of Public Expenditure and Reform

Transcript

8th May 2018 – Professor Edgar Morgenroth

Transcript

16th May 2018 – Seamus Coffey

Transcript

30th May 2018 – Carlos Martinez Mongay, European Commission

Transcript

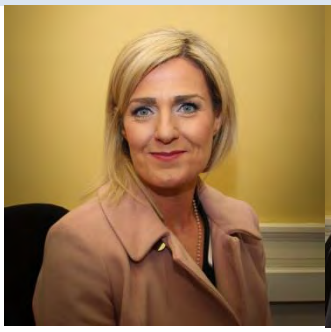
13th June 2018 – Irish Fiscal Advisory Council

Transcript

19th June 2018 - ICTU, Dublin Chamber of Commerce, ISME, Social Justice Ireland and TASC

Transcript

Appendix Four: Committee Membership



Maria Bailey TD

Fine Gael

Richard Boyd-Barrett TD

Solidarity – People Before Profit

Colm Brophy TD

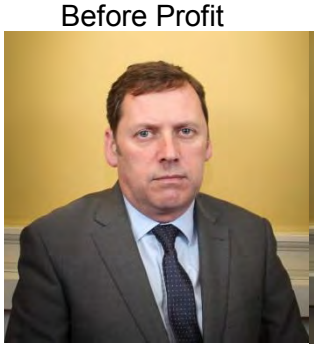
Fine Gael

Thomas P. Broughan TD

Independents 4 Change

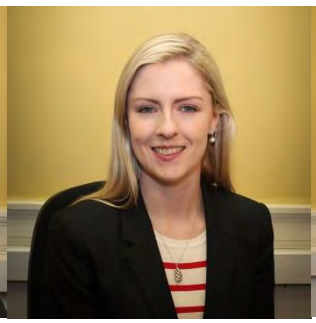
Joan Burton TD

Labour



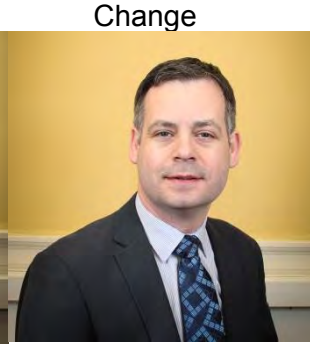
Barry Cowen TD

Fianna Fáil



Lisa Chambers TD

Fianna Fáil



Pearse Doherty TD

Sinn Féin

Declan BreathnachTD

Fianna Fáil

Martin Heydon TD

Fine Gael

John Lahart TD

Fianna Fáil

Michael McGrath TD

Fianna Fáil

Jonathan O'Brien TD

Sinn Féin

Eamon Ryan TD

Green Party

Notes:

1. Committee established by order of the Dáil of 21 July 2016
2. Deputies nominated by the Dáil Committee of Selection and appointed by Order of the Dáil of 21 July 2016.
3. Deputy Marc Mac Sharry was discharged from the Committee and Deputy John Lahart was appointed to Committee in replacement for him by order of the Dáil on 31 January 2017.
4. Deputy Kate O'Connell was discharged from the Committee and Deputy Pat Deering was appointed to Committee in replacement for her by order of the Dáil on 9 February 2017.
5. Deputy John Paul Phelan was discharged from the Committee and Deputy Josepha Madigan was appointed to the Committee in replacement for him by order of the Dáil on 11 July 2017.
6. Deputy Pat Deering was discharged from the Committee and Deputy Martin Heydon was appointed to the Committee in replacement for him by order of the Dáil on 13 July 2017.
7. Deputy David Cullinane was discharged from the Committee and Deputy Jonathan O'Brien was appointed to the Committee in replacement for him by order of the Dáil on 3 October 2017.
8. Deputy Josepha Madigan was discharged from the Committee and Deputy Colm Brophy was appointed as Chairman of the Committee by order of the Dáil on 12 December 2017.
9. Deputy Dara Calleary was discharged from the Committee and Deputy Barry Cowen was appointed to the Committee in replacement for him by order of the Dáil on 17 April 2018.
10. Deputies Seán Barrett and Stephen Donnelly were discharged from the Committee and Deputies Maria Bailey and Declan Breathnach were appointed to the Committee in replacement of them by order of the Dáil on 1 May 2018.