Tithe an Oireachtais
Houses of the Oireachtas

Tithe an Oireachtais

An Coiste um Fhormhaoirsiú Buiséid

Tuarascáil Deiridh Réamh-Bhuiséid 2020

Houses of the Oireachtas

Committee on Budgetary Oversight

Final Pre-Budget Report 2020

September 2019

32CBO016

Contents

Foreword

The Committee on Budgetary Oversight was established to enhance parliament's scrutiny of the budget. It does this by holding a wide range of pre-budget scrutiny sessions throughout the year, and by engaging with the Minister for Finance, and other stakeholders including the Irish Fiscal Advisory Council and the Parliamentary Budget Office at key milestones throughout the budget cycle.

Over the year, the Committee has looked at a number of different areas that have helped to improve parliament's engagement with the budget. These include examination of control of health spending; macro-economic risks and the economic threats posed by Brexit; the sustainability of Corporation Tax; and the need to ensure that Tax Expenditures are regularly scrutinised by parliament.

In July, the Committee published an interim report. This final pre-budget report was produced as an addendum to the interim report. In each of the reports, the Committee has encouraged government to improve the quality of budget information. It sought to make considered recommendations to guide the Minister in his pre-budget decisions, and also to improve the level of parliamentary budget scrutiny in Ireland.

On behalf of the Committee, I would like to acknowledge the detailed submissions and evidence presented to the Committee by a wide range of stakeholders. The participation by the Minister for Finance and Public Expenditure and Reform, and information provided by his officials has significantly enhanced the quality of information and dialogue around fiscal and budgetary issues, and the Stability Programme Update and the Summer Economic Statement.

I am pleased to present this report to the Dáil on behalf of the Select Committee.

____

Colm Brophy T.D.

Committee Chair

Committee's Pre-Budget Scrutiny

In July 2019, the Select Committee laid its Interim Pre-Budget Report before Dáil Éireann. The Interim report was based on a comprehensive engagement process with sectoral representatives, representative bodies, senior civil servants, the Minister for Finance and Public Expenditure & Reform and leading academics. This Final Pre-Budget Report should be viewed as an addendum to the Interim report and takes a more focused approach in its analysis and recommendations.

Therefore, the recommendations proposed in this Report should be considered in tandem with those in the Interim Report (Appendix A), rather than being viewed as an update/substitution for that report.

Context for Budget 2020

As part of its ex-ante scrutiny of Budget 2020, the Committee has taken into consideration the unique macro-economic and political environment that will influence budget policy proposals and decisions. In 2018, real GDP grew at 6.7%, GNP at 5.9% and the level of unemployment fell to below 5%. This was the ninth consecutive year of growth in the Irish economy. Growth is anticipated to remain strong this year, with GDP projected to grow at 3.9%, and moderating slightly to 3.3% in 2020[1]. However, these projections are predicated upon an orderly Brexit, and may be somewhat overshadowed by growing economic risks, both internal and external.

Components of GDP, and other economic indicators, continue to perform strongly. In particular, strong growth is forecast in personal consumption (2.7%), government consumption (3.9%) and investment (6.9%) in 2019[2]. This trend is anticipated to continue in 2020, albeit based on the assumption of an orderly Brexit. The Labour Force Survey results for Quarter 2 2019 show that employment has increased by 2.0% (45,000) in the past 12 months, while the number of people unemployed has decreased by -9.4% (13,600) over the same period. Further, since Quarter 2 2018, the size of the labour force has increased by 1.3% (31,400) and this is welcomed by the Committee in light of its Interim Pre-Budget report recommendation designed to increase the labour force.

[1] Department of Finance, Stability Programme Update, 2019
https://assets.gov.ie/8305/88ffede238074f2cb88fc996854a12b3.pdf
[2] Department of Finance, Stability Programme Update, 2019
https://assets.gov.ie/8305/88ffede238074f2cb88fc996854a12b3.pdf

Developments Post-Interim Report

The Committee's Interim pre-budget report addressed, in detail, a number of the headline risks and issues pertinent to Budget 2020. Subsequently, there have been further developments in some of these areas, as summarised below.

Brexit

The Interim Pre-Budget Report highlighted Brexit as one of the biggest economic challenges for the Irish economy. Research carried out by the Central Bank forecasts a possible 4% drop in growth in the first year following a no-deal Brexit, and a further 2% fall in the second year.[3] A study carried out by the ESRI showed similar results, with GDP in the long-term reducing by 2.6% in a 'deal' scenario and 4.8% in a 'no-deal' scenario. [4]

The Committee met with the Minister for Finance in July 2019 to consider the Summer Economic Statement, and the Minister responded to Committee scrutiny on the budgetary impact of Brexit by stating that:

> *"The summer economic statement has been prepared on the basis of one budget with two budgetary scenarios…the budget 2020 framework involves a budgetary package of €2.8 billion for 2020 with expenditure pre-commitments of €1.9 billion… In the event of an orderly Brexit, given our position in the economic cycle, this is the appropriate budgetary policy and delivers a surplus of 0.4% of GDP. This would allow for capacity to deal with the impact of Brexit. If, as appears increasingly possible, there is a disorderly Brexit, significant pressure will be placed on the public finances. Upon a disorderly Brexit, the Government will adopt a holding position and allow the automatic stabilisers to provide countercyclical support. We will then put in place temporary, targeted Brexit supports to help our citizens and those sectors and parts of our country that will be most affected. A disorderly Brexit scenario could involve a headline deficit of between -0.5% and -1.5% of GDP for next year. This or the outer end of that spectrum would involve a negative swing in the headline balance of up to €6 billion".*[5]

---

[3] Central Bank of Ireland, Quarterly Bulletin QB1 January 2019
https://www.centralbank.ie/docs/default-source/publications/quarterly-bulletins/qb-archive/2019/quarterly-bulletin---q1-2019.pdf?sfvrsn=12

[4] ESRI, Ireland and Brexit: Modelling the impact of deal and no-deal scenarios
https://www.esri.ie/system/files/publications/QEC2019SPR_SA_Bergin.pdf

[5] Transcript, Committee meeting of 3rd July 2019
https://data.oireachtas.ie/ie/oireachtas/debateRecord/committee_on_budgetary_oversight/2019-07-03/debate/mul@/main.pdf

The Central Bank of Ireland's (CBI) most recent Quarterly Bulletin (July 2019), contained an analysis of the implications of Brexit on short term economic forecasts. In the event of a disorderly Brexit on the 31st of October, CBI estimated that Real GDP will be 3.4 percentage points (pp) lower in 2020 than in the baseline case of an orderly agreement. Similarly, employment growth will be 1.3 pp lower, translating to 34,000 fewer jobs being created.[6]

Since the publication of the Committee's Interim Pre-Budget Report, political developments, including the results of the UK Conservative Party leadership contest, have increased the likelihood of a 'no-deal' Brexit. A corollary of this has been a further weakening in Sterling and a contraction of 0.2% in UK GDP for Q2 2019. These developments are combining to place significant pressure on companies exporting to the UK, even in advance of a possible 'no-deal' Brexit at the end of October.

Global Economic Slowdown

In the Committee's Interim pre-budget report, the potential for a slowdown in key global markets was highlighted. Subsequent developments have given further credence to these risks.

With regards to Europe, moderate economic growth was recorded across the EU and the Eurozone. However, Germany's year-on-year growth at the end of Q2 2019 was 0.4% and quarter-on-quarter, a contraction of 0.1% was recorded.[7] In response to the 'protracted weakness of the euro area economy', the European Central Bank recently announced further policy measures to support the European economy.[8]

Despite recording reasonable levels of growth in the period since the Brexit referendum, the UK economy contracted by 0.2% in Q2 2019[9]. Brexit uncertainty and the running down of stockpiles accumulated before 29th March 2019 have been cited as the reasons for this contraction; this has happened despite growth in consumer spending driven by employment and wage growth.

---

[6] Central Bank of Ireland, Quarterly Bulletin, QB3, July 2019
https://www.centralbank.ie/docs/default-source/publications/quarterly-bulletins/qb-archive/2019/quarterly-bulletin-q3-2019.pdf?sfvrsn=14
[7] Eurostat, Quarterly National Account data, 2019
https://ec.europa.eu/eurostat/databrowser/view/teina011/default/table?lang=en
[8] European Central Bank, Press Conference, 2019
https://www.ecb.europa.eu/press/pressconf/2019/html/ecb.is190912~658eb51d68.en.html
[9] Eurostat, Quarterly National Account data, 2019
https://ec.europa.eu/eurostat/databrowser/view/teina011/default/table?lang=en

Table 1: Growth in selected trading economies at Q1 2019

	Q-o-Q	Y-o-Y
EU28	0.2	1.3
Eurozone	0.2	1.1
Germany	-0.1	0.4
UK	-0.2	1.2

Source: *Eurostat Quarterly National Account data*

Further afield, the Committee notes that uncertainties abound in the US economy. In March 2019, the yield on ten-year United States bonds dropped below that of three-month bonds, giving rise to an "inversion of the yield curve". This is commonly considered a predictor of an oncoming recession and has recently been accompanied by an inversion in the two-year/ten-year curve. Allied to this, a widening US deficit, and increasing trade tensions with China, should also indicate the need for caution in fiscal policy. Nonetheless, the US economy continues to grow strongly, expanding by 2% during Q2 2019. The recent interest rate cut by the Federal Reserve, the first in a decade, will provide a boost to the US economy.

Budget Strategy

Budget Parameters

The Summer Economic Statement (SES) sets out two different parameters from which Budget 2020 will be designed, depending on whether there is an orderly UK exit (scenario A), or a disorderly 'no-deal' scenario (scenario B). Currently, the base case is that there will be a deal (scenario A) and projects that this will result in a General Government Balance (GGB) of 0.4% of GDP in 2020. This allows for a total budgetary package of €2.8 billion, of which €2.1 billion is already pre-committed as follows:

- Capital Expenditure (€0.7bn)
- Carryover Costs from measures introduced in Budget 2019 (€0.3 bn)
- Public sector pay increases (€0.4 bn)
- Demographic costs (€0.5 bn)
- Expenditure reserve (€0.2bn)

Unless the Government takes measures to reduce expenditure, or introduce other revenue raising measures, this leaves €0.7 bn in Budget 2020 for either reductions in taxation or increases in current expenditure. Looking further forward, annual expenditure growth of 3.5% is anticipated in the years to 2024.

Scenario B, contrastingly, sets out the broad budget strategy that will be pursued in the case of a 'hard Brexit'. This estimates that the General Government Balance (GGB) will decrease by approximately €6.5 bn in 2020, relative to scenario A. Should a 'hard Brexit' materialise, the SES does not forecast a return to surplus in the GGB until 2023 at the earliest.

In the light of recent political developments, the Minister for Finance and Public Expenditure & Reform has stated that he is preparing Budget 2020 on the assumption of a "no-deal" Brexit (Scenario B). While €0.7 bn will still remain to be allocated, the nature of this allocation will be altered to target sectors and areas of the economy that will need specific support measures in the event that the UK exits the EU.

While the Committee notes that there is a budget day package of €0.7bn, the Summer Economic Statement appears to outline a further €0.2bn in net fiscal space for 2020 (Table A1) in addition to the €0.7bn of budget day measures. It is not clear to the Committee as to whether this is the case. The Committee will be writing to the Department to request a detailed breakdown of the Fiscal Space calculation, and an explanation as to how the additional €0.2bn of net fiscal space will be used.

Brexit Preparedness

Particularly in the light of recent developments in the UK Parliament, the Committee recognises that Brexit makes Budget 2020 considerably more complex, but also underlines the critical need to set out the national budgetary response. The Summer Economic Statement forecasts that a 'hard-Brexit' would reduce the GGB from a surplus equivalent to 0.4% of GDP, to a deficit of between -0.5 and -1.5% of GDP. The potential nominal reduction in the GGB is estimated to be approximately €6 billion.

As noted above, the Central Bank of Ireland has estimated that a disorderly Brexit will reduce economic growth by 3.4 percentage points next year.[10] The effect of this would fall disproportionately on certain vulnerable sectors of the economy and the community, which will be the most adversely impacted. While scenario B does not allow for any additional discretionary expenditure on Budget day, unless accompanied by commensurate revenue increases, the Committee recognises that, in this instance, certain critical sectors and cohorts of the population would require support measures. During a meeting with the Committee, Mr. Colm McCarthy and Dr. Stephen Kinsella both highlighted the fact that specific sectors of the economy would be particularly adversely affected by Brexit, and that sectoral specific mitigation plans should be developed. This was echoed by IBEC who also called for more clarity around the Brexit support measures that will be implemented.

> *"The Government must also do more in order to provide clarity on meaningful mitigation and support measures that would be implemented in order to preserve jobs and enterprises in the event that there is a disorderly Brexit. These measures must be timely and substantive."*[11]

Recommendation: The Committee supports the view that scenario B should be the context within which Budget 2020 is developed. The Committee recommends that specific measures designed to mitigate against negative impacts of Brexit, which cannot be met by existing Budget allocation, should be financed by the €0.7 bn remaining to be allocated.

The Committee also supports the call from witnesses for clarity with regard to what these supports will be, and information as to their cost to the Exchequer.

---

[10] It should be noted that in its pre-Budget letter to the Minister for Finance, the Central Bank of Ireland subsequently updated the projections to 4%.

[11] Transcript, Committee meeting of Wednesday 19th June 2019 https://data.oireachtas.ie/ie/oireachtas/debateRecord/committee_on_budgetary_oversight/2019-06-19/debate/mul@/main.pdf

Recommendation: The Committee recommends that any targeted Brexit support measures should be both timely and pro-active, and should be implemented before sectors become distressed. This will serve to protect these high-risk sectors and areas of the economy as much as possible.

When meeting the Minister for Finance and Public Expenditure & Reform, the Committee discussed the Rainy Day Fund (RDF), and in particular, the circumstances in which it could be used. The Committee noted that the funds will not be deposited to the RDF until the end of 2019, and that, in evidence to the Committee, the Minister stated that his interpretation of the legislation is that the RDF may be used to fund certain Brexit related expenditure. However, at this point, the exact scenarios in which the RDF can be used in a Brexit context are not clear to the Committee, and further clarity would be welcomed.

Recommendation: The Committee recommends that the Minister for Finance and Public Expenditure & Reform provide the Committee with clarity, in writing, with regard to how exactly the Rainy Day Fund can be utilised in the case of a hard-Brexit.

Recommendation: The Committee recommends the establishment of a Brexit Stabilisation Fund with the ability to withdraw funding for the purpose of supporting affected sectors, businesses and communities in all Brexit scenarios.

The Committee has also considered issues that may arise following a *"hard-Brexit"*, and/or the erection of physical border infrastructure. It is important that there is some broad alignment between tax regimes to limit the movement of people across jurisdictions for the purchase of consumer goods. Failure to do so may lead to revenue leakage and erode the competitiveness of small businesses in the border area, an area that is already susceptible to the shock of a hard-Brexit. To this end the Committee wishes to highlight the importance of continued good relations between the Revenue Commissioners and Her Majesty's Revenue and Customs post-Brexit.

Recommendation: Given the current uncertainty in the border area, the Minister for Finance and Public Expenditure & Reform should be mindful of any unintended consequences that fiscal policy decisions may have in the border area.

In-Year Fiscal Position (to end of August 2019)

The Mid-Year Expenditure Report highlights the need to keep overall expenditure for this year within the boundaries set out in the Revised Estimates Volume 2019. The Report states that:

> *"The Government's ability to deliver the budgetary package of €2.8 billion for next year requires that overall expenditure for this year is managed within the parameters set out in the Revised Estimates Volume 2019".* [12]

The Committee notes that the in-year Exchequer deficit is €625 million (to end of August), an improvement of €1.2 billion on the same period in 2018. Currently, tax revenues are €233 million ahead of profile, and total net voted expenditure is €365 million lower than anticipated at this point.[13]

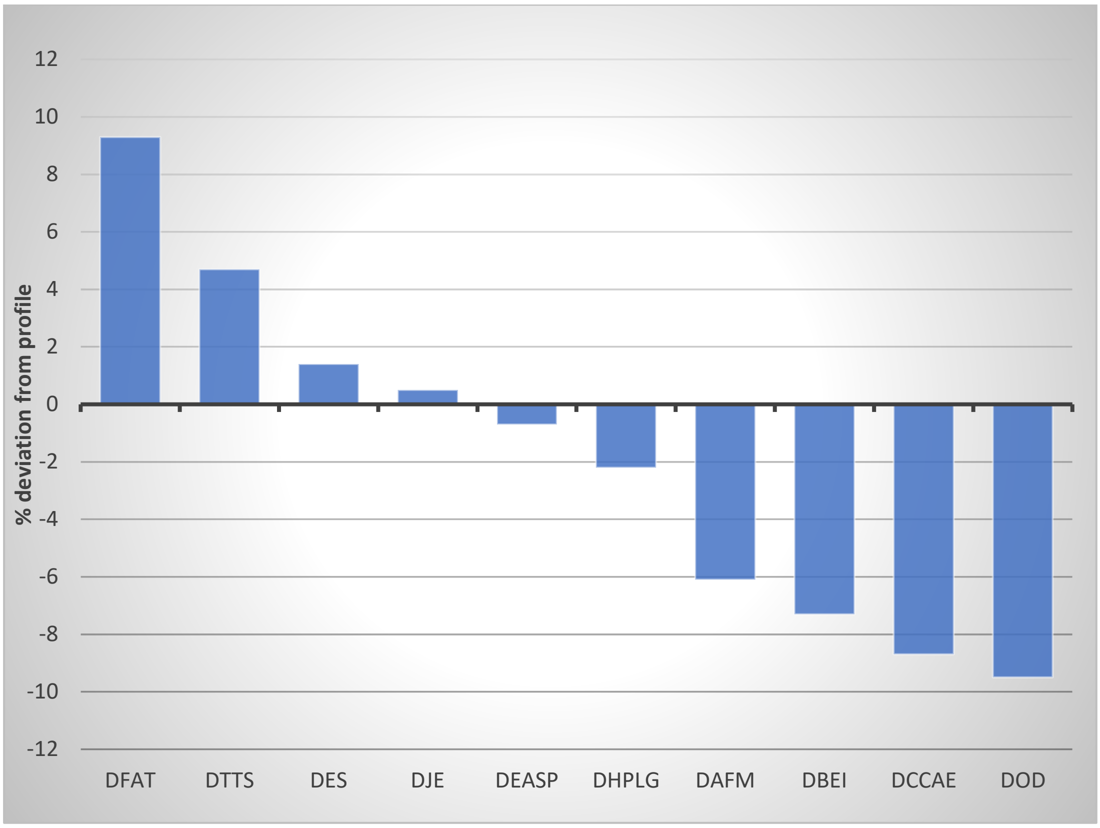
A high-level analysis carried out by the PBO shows that the performance of gross voted expenditure against profile has remained static, neither declining nor improving significantly over the course of the year to date. At the end of July total gross current expenditure is 56.8% of its profile for the year. At the same point last year total gross current expenditure stood at 57.3%.[14]

While, at an aggregate level, this is welcome, the Committee acknowledges that certain Votes are subject to budgetary pressures and may require supplementary estimates later in the year. As shown in figure 1 below, expenditure levels by the majority of Ministerial Vote Groups are currently below profile, but the Foreign of Affairs, the Transport, Tourism and Sport, Education and Skills and Justice and Equality are all ahead of profile.

---

[12] Department of Public Expenditure and Reform (July 2019), Mid-Year Expenditure Report https://assets.gov.ie/19199/c9f962c411d54df68117069deb520184.pdf
[13] Department of Finance Fiscal Monitor August 2019 https://assets.gov.ie/27632/f22257dcbefd494d8c6444afa3f0be4c.pdf
[14] Parliamentary Budget Office Gross Expenditure Monitor: January to August 2019 (2019) https://data.oireachtas.ie/ie/oireachtas/parliamentaryBudgetOffice/2019/2019-09-09_gross-expenditure-monitor-january-to-august-2019_en.pdf

Figure 1: Selected Ministerial Vote Groups Deviation from Expenditure Profile



Source: August 2019 Fiscal Monitor, Department of Finance

The Committee notes with concern the Irish Fiscal Advisory Council's estimation that supplementary estimates in 2019 could be as large as €1.3 billion. As stated earlier, next year's budget package is predicated upon their being no spending slippages this year.[15]

Recommendation: The Committee recommends that, before Budget 2020, the Minister for Finance and Public Expenditure & Reform provides the Committee on Budgetary Oversight with clarity with regard to the likelihood of any supplementary estimates for 2019, and also on how these will impact on the unallocated €0.7 billion.

Expenditure under the Health Vote

A considerable portion of the Committee's pre-budget scrutiny work focused on expenditure pressures in Health, which was identified by numerous witnesses to the Committee as being of significant concern. The Revised Estimates for 2019 represent an 12% increase on the Revised Estimates for 2018, and a 18% increase on those for 2017. It also represents a €1.06bn (6.6%) increase on the 2018 outturn (post supplementary estimate).[16] The

[15] IFAC Pre-Budget 2020 Statement https://www.fiscalcouncil.ie/wp-content/uploads/2019/09/Pre-Budget-2020-Statement.pdf
[16] Revised Estimates 2019 https://www.gov.ie/pdf/?file=https://assets.gov.ie/5035/201218100533-227c552da63d401ca85493a67c93e5de.pdf#page=1

Committee further notes that Health is the second largest area of Government expenditure, and last year's Supplementary Estimate (€655million) was larger than the total voted expenditure in 32 of the other 41 expenditure Votes for 2019.

To date in 2019, the Department of Health appears to be below profile with regard to Exchequer expenditure, as set out in data presented in the Fiscal Monitor. However, this is not fully reflective of the actual financial position of the Health sector, due to the accrual accounting process used by the HSE. In a response to the Committee's formal request for information, the Department of Health stated that as at 31 May 2019, the HSE has a deficit for the first five months of €169.4m and states that while significant savings are profiled for the remainder of the year, the HSE is projected to have a deficit for 2019.[17] In discussion with representatives from the Department of Health and the HSE, the Committee also queried the likelihood of projected savings materialising, based on historic experience.

Recommendation: The Committee is of the view that there needs to be a much stronger link between published Exchequer figures (i.e. the Fiscal Monitor) and the HSE's financial reporting, to allow the Oireachtas to carry out proper monitoring and scrutiny of expenditure in Health. There should not be a big element of estimation surrounding expenditure levels in Health at this stage in the budget cycle.

Recommendation: The Committee also requests that the minutes of the Health Budget Oversight Group be published on the DPER website.

Supplementary Estimates

In 2018 sixteen Votes requested a Supplementary Estimate for a total allocation of €1.3bn. This was an increase on twelve Votes in 2017 and was 2.6 times higher than the amount requested in 2017.[18] The impact of these Supplementary Estimates on the global budget was that government spending breached the limits set out in the Stability Programme Update 2018, presented to the Dáil by €2.3 billion.[19]

Given the increased likelihood of a *'no-deal'* Brexit and the adverse impact that this would have on the Irish economy, it is essential that in-year expenditure remains within the parameters set out in the SPU in 2019. There is very little room to accommodate overspending to the same degree as 2018 and 2017. Keeping within expenditure

[17] Letter from Department of Health attached in Appendix 2.
[18] Parliamentary Budget Office, Supplementary Estimates 2018. https://data.oireachtas.ie/ie/oireachtas/parliamentaryBudgetOffice/2018/2018-12-06_supplementary-estimates-2018_en.pdf
[19] IFAC, Fiscal Assessment Report November 2018 https://www.fiscalcouncil.ie/wp-content/uploads/2018/11/Fiscal-Assessment-Report-November-2018-Final.pdf

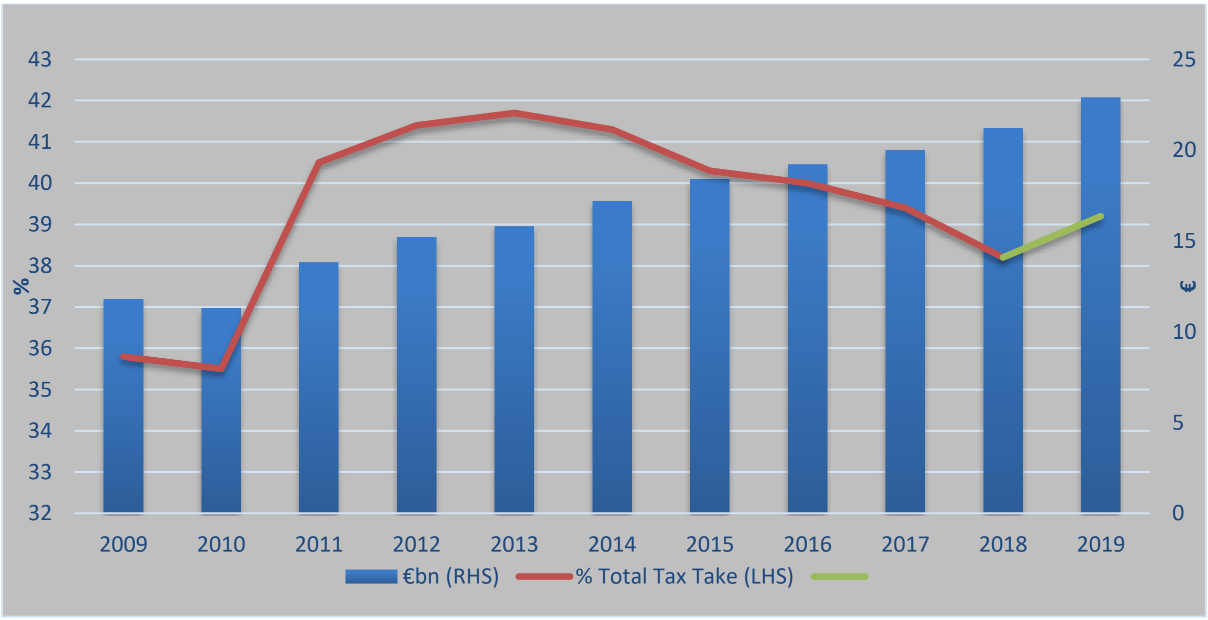
parameters would help to ensure a relatively strong fiscal position, which will in turn help to alleviate the adverse effects of a no-deal Brexit. Nonetheless, in light of the above analysis, the Committee recognises the likelihood that a Supplementary estimate(s) will be needed this year in certain Votes, and almost certainly in Health.

During its pre-Budget scrutiny process, the Committee discussed a number of potential budget measures. The measures selected for discussion, were, in so much as was possible, based upon the public discourse and published material[20] relating to potential discretionary budgetary measures.

Changes to the Income Tax system

The Committee recognises that, combined, income tax and the Universal Social Charge (USC) are the largest revenue stream for the Exchequer, and represented 38% of total tax revenue in 2018 (€21.2bn). Since 2010, total income tax revenue has more than doubled, aided by both policy changes, and in later years, a rapidly growing economy. Figure 2 below shows income tax revenue trends from 2009 to 2019.

Figure 2: Income tax trends 2009 - 2019



Source: TSG Paper 10/03

The Committee also notes that over the past number of years, a number of policy changes have been made to tax code. These are summarised in Table 2 below.

[20] This includes a review of the key Budget 2020 documents: the Tax Strategy Group papers; the Mid-Year Expenditure Report, and the Spending Review Papers.

Table 2: Income tax/USC Rates, Credits and Cut-off thresholds 2013 – 2019

	2013	2014	2015	2016	2017	2018	2019
SR Cut off single	€32,800	€32,800	€33,800	€33,800	€33,800	€34,550	€35,300
SR Cut off couple (1 income)	€41,800	€41,800	€42,800	€42,800	€42,800	€43,500	€44,300
SR Cut off Couple (2 incomes)	€65,600	€65,600	€67,600	€67,600	€67,600	€69,100	€71,600
Tax Credit Single	€1,650	€1,650	€1,650	€1,650	€1,650	€1,650	€1,650
Tax Credit couple	€3,300	€3,300	€3,300	€3,300	€3,300	€3,300	€3,300
USC Rate 1	2	2	1.5	1.5	1	0.5	0.5
USC Rate 2 threshold	€10,036	€10,036	€12,012	€12,012	€12,012	€12,012	€12,012
USC Rate 2	4	4	3.5	3	3	2	2
USC Rate 3 threshold	€16,016	€16,016	€17,576	€18,668	€18,668	€19,372	€19,874
USC Rate 3	7	7	7	5.5	5.5	4.75	4.5
USC Rate 4 Threshold	n/a	n/a	€70,044	€70,044	€70,044	€70,044	€70,044

Source: Secretariat analysis of Budget 2013 – Budget 2019

The Committee acknowledges that by international standards, Ireland's income tax system is considered progressive but also recognises that the entry point to the higher rate is relatively low. The Committee also recognises that high levels of income tax can become a threat to competitiveness, making Ireland relatively less attractive for Foreign Direct Investment.

In its pre-Budget scrutiny, the Committee considered the merits of indexing the tax system, allowing tax credits and standard rate cut-off points to increase in line with inflation. While the Committee generally supports indications from the Minister that he does not propose to introduce cuts in personal taxation in Budget 2020, the Committee also recognises the importance of protecting citizens' purchasing power. Therefore, Committee recommends that the Minister give consideration to increasing tax credits and standard rate cut-off points in line with price inflation in the economy. However, rates and the other structures of the tax code should not be changed in light of the current uncertainty.

Recommendation: The Committee recommends that consideration be given by the Minister for Finance and Public Expenditure & Reform to increasing tax credits and standard rate cut-off points in line with price inflation, in order to protect purchasing power.

Social Protection Measures

The Committee considered a range of policy change options in social protection. In its totality, DEASP expenditure is estimated to be €20.5bn, which equates to 30.8% of total government expenditure in 2019.[21] While intuitively, a significant decrease in social protection expenditure might be expected in light of strong economic growth and job creation, demographic pressures and discretionary policy changes have in fact resulted in a marginal increase in expenditure since 2013. A summary of selected policy changes in recent years is displayed below:

Table 3: Summary of Social Protection Budget measures from 2015 to 2019

	Budget 2015	**Budget 2016**	**Budget 2017**	**Budget 2018**	**Budget 2019**
Changes to weekly rates for pensioners	None	€3 increase	€5 increase	€5 increase	€5 increase
Changes to weekly rates for working age recipients	None	None	€5 increase	€5 increase	€5 increase
Child Benefit	€5 increase	€5 increase	No change	€2 increase in qualified child dependent weekly payment	€2.20 increase in qualified payments for children under 12; €5.20 in qualified payments increase for children over 12

Source: TSG Paper 19/07 p. 5 and 6

The Committee acknowledges the importance of these social payments in protecting people from slipping close to or below the poverty line and to this end, notes that, relative to other European countries, the impact of social transfers in reducing poverty in Ireland is considerable. In 2017, the at-risk of poverty rate fell from 32.83% to 15.7% because of social transfers (excluding pensions).[22]

[21] PBO, Employment Affairs & Social Protection Expenditure: Performance Budgeting and the Consistent Poverty Rate, Publication 40 of 2019. https://data.oireachtas.ie/ie/oireachtas/parliamentaryBudgetOffice/2019/2019-07-11_employment-affairs-social-protection-expenditure-performance-budgeting-and-the-consistent-poverty-rate_en.pdf
[22] Tax Strategy Group Paper 19/07 Social Protection Package – Budget 2020 Issues, p. 2.

As with income tax, the Committee is aware of the impact that inflation can have in eroding the purchasing power of social welfare recipients, if payments do not increase at a commensurate rate. While social welfare payments have increased at a faster rate than price inflation in the last number of years, the Committee is concerned that wage inflation is projected to grow by 3.2% in 2020; if payments do not keep pace with inflation, this will make social welfare recipients relatively worse off. However, the Committee is equally aware of budgetary constraints arising from the current political uncertainty caused by Brexit, and the significant cost of increasing welfare payments across the board by 3.2%. While it will not be without Exchequer implication, considering the importance of protecting vulnerable households from slipping towards, or further into, poverty, the Committee is of the view that the purchasing power of social welfare recipients should be protected in so far as is possible in Budget 2020.

Recommendation: The Committee recommends that consideration is given by the Minister for Finance and Public Expenditure & Reform to protecting the purchasing power of social welfare recipients from inflationary pressures in the economy.

---

https://assets.gov.ie/19121/f159b8f277e248faa996ccee040ee5df.pdf

Budget Oversight

Data/Engagement

In order to satisfactorily execute its budget scrutiny remit, the Committee is somewhat dependent on the availability of quality budget information, data and reports from various Government Departments. While for the most part, this information has been made available in a timely manner, the Committee wishes to highlight its dissatisfaction with the delay in the publication of the 2019 Spending Review Papers, which were published on 15 August 2019, during the parliamentary recess.[23]

In overall terms, the Committee views the publication of the Spending Review papers as a positive step in allowing the Oireachtas, and other interested parties, to better evaluate how public monies are spent. However, the absence of any indicative publication date prior to their publication limits the ability of the Oireachtas to engage in the spending review process. The Committee also notes that the titles of these papers are not communicated publicly until the date of publication, which does not ally with full transparency.

Recommendation: The Committee recommends that the titles of the Spending Review papers be published in a given year, and that their indicative release date, be communicated to the Committee in the first quarter of said year. This approach should also be extended to the Tax Steering Group papers.

Multi-annual budgeting

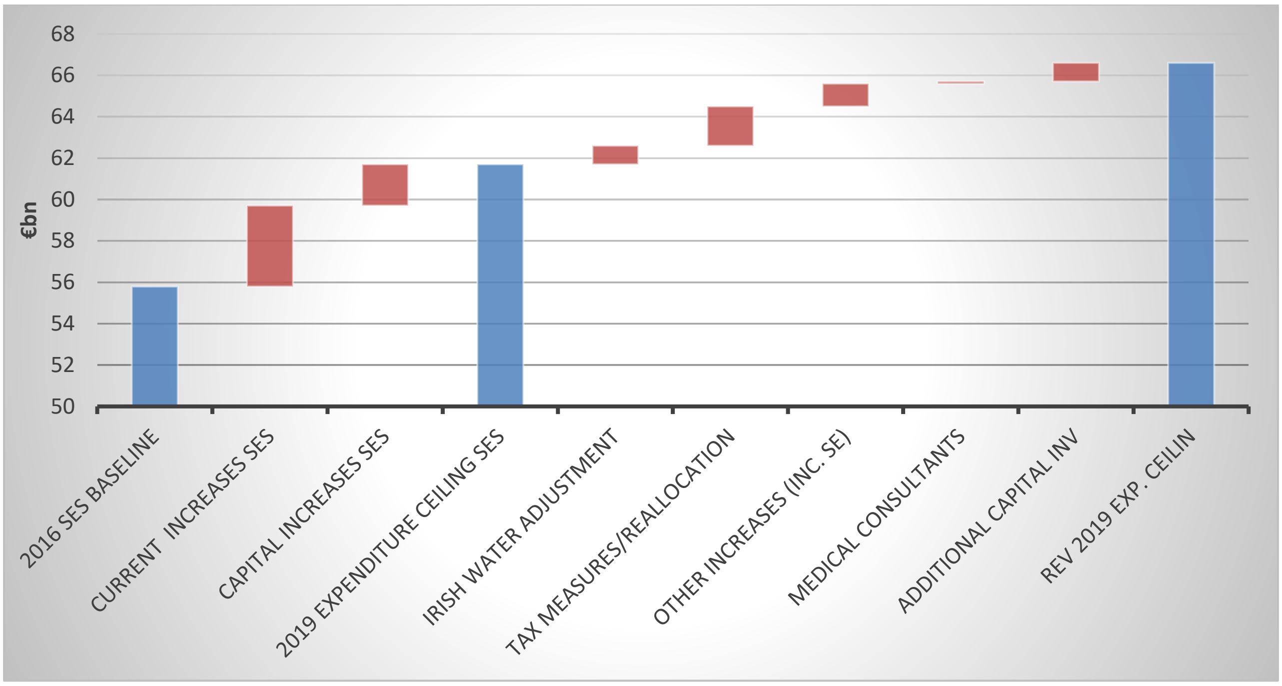
Witnesses before the Committee, in particular Dr. Stephen Kinsella, discussed the benefits of multi-annual budgeting. The Committee will be examining the best approach to multi-annual budgeting in more detail post-Budget 2020. However, if this approach is to be implemented, more robust budgetary projections and constraints will be required.

While the Committee notes and acknowledges the argument made by the Minister for Finance and Public Expenditure and Reform, that publishing expenditure ceilings for future years risks the possibility that these ceilings will, in actual fact, become 'floors' for budgetary planning. Nevertheless, the Committee's belief is that these proposals may have merit in attempting to implement a more robust medium-term budgetary strategy, as consistently recommended by IFAC. As shown in Figure 3, the expenditure ceiling for 2019 has experienced significant revision since originally laid out in the 2016 Summer Economic Statement. As part of it work programme, the Committee intends examining whether

[23] The Spending Review Papers 2019
https://www.gov.ie/en/collection/5915ad-spending-review/

disaggregation of expenditure ceilings to Ministerial level, based on robust projections, may allow for a more effective medium-term fiscal strategy to emerge.[24]

Figure 3: Evolution of 2019 Expenditure Ceiling from SES 2016 to REV 2019



Source: Mid-Year Expenditure Report 2019, *Department of Public Expenditure and Reform,*

The Committee recognises that increased expenditure is required in certain circumstances. However, it is important that where there are significant increases in budget allocation and expenditure, this is accompanied by evidence of a commensurate increase in output, in a manner than targets the needs of citizens. This budget information should be readily available to this Committee, and also to sectoral Committees, in a pro-active manner by respective Government Departments.

[24] Mid-Year Expenditure Report 2019 https://assets.gov.ie/19199/c9f962c411d54df68117069deb520184.pdf

Performance Budgeting

The Committee has previously supported the requirement for a robust performance budgeting framework. According to Department of Public Expenditure and Reform's *Guidance Note to Enhance the Quality of Performance Information presented under the Performance Budgeting Initiative:*

> *"A fundamental aim of the performance budgeting initiative is to increasingly focus on what is being delivered with public resources and to build this information into the policy-making and accountability processes. At its core it is concerned with ensuring that policy development and resource allocation decisions are better informed. The performance budgeting initiative also serves or supports another important aim: transparency and accountability to the Houses of the Oireachtas and to facilitate budget oversight by the Oireachtas in line with the OECD recommendations it its Review of Budget Oversight by Parliament: Ireland."*[25]

While the Committee commends the work of DPER in compiling the Public Service Performance Report in recent years, and acknowledges the willingness of Departments' officials to engage on the same, there are a number of improvements that would be welcomed by the Committee should they materialise.

Information on the budget allocation for individual services should be available at a more granular level, and this should also be accompanied by a key performance indicator (KPI). Currently, each programme in the Revised Estimates is accompanied by a number of KPIs, but these KPIs do not necessarily map directly onto a programme or subhead. Ideally, to make budget scrutiny more effective, these KPIs should be directly linked to the provision of a service.

The Committee is of the view that this would provide a platform from which to build a scrutiny framework that would allow proper monitoring and oversight by the respective Oireachtas Committees. These metrics should be agreed, or at the least be the subject of initial consultation, between the line Department and the respective Committee. However, the Committee is of the view that support should be made available to Committees generally, whether from the PBO or otherwise, to assist them in their consideration of the use of KPIs by Government Departments. The Committee does recognise that providing support in this way will have resource implications for the Houses of the Oireachtas Service.

---

[25] Cited in PBO publication from unpublished DPER document.
Employment Affairs & Social Protection Expenditure: Performance Budgeting and the Consistent Poverty Rate, Publication 40 of 2019
https://data.oireachtas.ie/ie/oireachtas/parliamentaryBudgetOffice/2019/2019-07-11_employment-affairs-social-protection-expenditure-performance-budgeting-and-the-consistent-poverty-rate_en.pdf

Recommendation: More detailed information should be available in relation to budget sub-heads, allowing for a KPI to be attached to the budget allocation of individual services. KPIs should also take account of the service demand and citizen requirement of expenditure. This will allow for year-on-year expenditure pressures to be monitored more accurately.

Recommendation: The Committee endorses the use of effective KPIs, for example, as set out in *Best Practice for Performance Budgeting* (2018) as published by the OECD and believes that these should underpin the development of suitable KPIs by Departments in consultation with Oireachtas sectoral Committees.

Budget Cycle 2021 - Committee Work Programme

Since its establishment, the work of the Select Committee on Budgetary Oversight's has primarily been centred on the Budget, laying interim and pre-budget reports before the Dáil.

The Committee recognises that there are other milestones in the pre-budget cycle. In reviewing its Work Programme and future approach to pre-budget scrutiny, the Committee intends placing greater emphasis on the SPU in April and the Summer Economic Statement in June. To allow for effective engagement in relation to both documents, and for the Committee to have a strong role in their development, the Committee's intention will be to explore the opportunity to make a pre-SPU report to the Dáil in March, and a pre-SES report to the Dáil in May.

The Committee would also welcome engagement on said reports with the Minister for Finance and Public Expenditure and Reform, both before and after their completion, and anticipates that relevant Departments will be willing to make any necessary data or budget information available to the Committee that is required in order to facilitate the preparation of each report.

While the parliamentary budget scrutiny process will be enhanced by the Committee's increased engagement with the SPU and SES, the Committee also believes that certain witness engagements should act as focal points in the Committee's calendar. In particular, engagements with the Minister for Finance and Public Expenditure & Reform and IFAC should be arranged based on a fixed calendar of meetings, aligned with key budget milestones, allowing for informed engagement that adds value to the scrutiny process. The actions outlined above are intended to allow the Committee to adopt a more structured role in the budgetary process, with appropriate opportunities to input at an earlier point in each of the key stages of the budget cycle.

The Committee also acknowledges the severity of the challenge that climate change poses, and also the implications this will have going forward on sustainable economic growth. To this end, the Committee recognises the important role that fiscal policy can play in addressing climate action, both through direct investment in sustainable infrastructure, and by using taxation policy as a lever through which unsustainable behaviour can be influenced. Considering this, in the coming months the Committee will undertake scrutiny of budget information on public spending in sectors that are the largest contributors to climate change. This will allow the Committee to garner a more detailed picture as to what extent budgeted allocations are being targeted towards sustainable investment.

Following the publication of Budget 2020, the Committee will review its approach to pre-Budget scrutiny, and agree a new Work Programme for 2020 - 2021.

Appendix One: Recommendations taken from the Committee's Interim Pre-Budget Report

The recommendations included in the Committee's Interim Pre-Budget Report (July 2019) are set out below:

1. Over the coming months, the Committee will review its current budget scrutiny framework, in particular against the recommendations of the OECD's 2015 report *Review of Budget Oversight by Parliament: Ireland*. This review will assess how the Committee's work programme can be expanded to better incorporate the findings of the OECD report.

2. The Committee recommends that the Minister for Finance and Public Expenditure and Reform commits to publishing a formal and detailed response to the bi-annual IFAC Fiscal Assessment Report in order to address significant issues raised in the report.

3. Considering the inaccuracy of real time OG measurements, there is a possibility that the Irish economy may already be over-heating. In consideration of this, the Committee recommends that the government be particularly mindful of this risk in preparing Budget 2020.

4. Given the deficit of public capital investment since the economic recession a decade ago, the Committee recommends that the committed capital infrastructure projects, as set out in the National Development Plan, should proceed on budget and on time, and subject to rigorous cost management measures and detailed fiscal assessments.

5. The Committee recommends that, no later than September 13th 2019, the Minister for Finance and Public Expenditure & Reform provides a detailed update on the Budget strategy being pursued for 2020 and in doing so allows sufficient time for this to be incorporated into the Committee's Final Pre-Budget Report in September 2019.
6. The Committee fully acknowledges the importance of Brexit preparedness and the need to implement prudent precautionary measures. Nonetheless, the Committee recommends that the Government provides detailed costings regarding the cost of Brexit support measures to date and provides further clarity on costs to be incurred in the medium term.

7. The Committee endorses the recommendation of IFAC that the target debt ratio should be re-stated as a percentage of GNI*, with a clear timeframe for meeting said target.

8. The Committee recommends that the Department of Finance engage with them in relation to the internal review of Corporation Tax receipts, and that this review should be concluded as soon as possible.

9. Given volatility of CT receipts, and the role they have played in facilitating increased current expenditure in recent years, the Committee believes that this study should be brought forward and published in advance of Budget 2020. This will allow for its findings to be incorporated into the Budget, reducing the likelihood of unsustainable expenditure increases based on temporarily inflated CT revenue.

10. The Committee notes the view expressed to the Committee by independent experts that above profile Corporation Tax receipts should not be used to meet current expenditure needs. The Committee recommends that the government provides it with an analysis as to its view on how the Corporation Tax receipts revenue can best be used.

11. The Committee recommends that the cost and quality of childcare be examined by the Government, with a view towards reducing costs for working families, increasing the labour force participation rate and easing the skills shortage.

12. The Committee recommends that the Government assess options with regards to how workplaces can be made more accessible and disability-friendly in order to increase the labour force participation rate.

13. The Department of Finance include options and recommendations within the Tax Strategy Group Papers for Budget 2020, to adjust or amend the R&D tax credit in order to remove the administrative burden for SMEs and incentivise greater use of this tax credit within the indigenous SME sector. This will work to close the productivity gap between frontier and laggard firms.
14. The Committee recommends that the Government should provide clarity on the direction it intends to take with regard to carbon tax, so allowing for it to be incorporated into medium term projections.

15. Given the advice received from numerous stakeholders that there is a requirement for the tax base to be widened, the Committee recommends that a portion of the yield from

the increase in carbon tax be ring-fenced for specific climate action investment that will be required in the medium term.

16. The Committee requests that the Department of Finance, and other relevant bodies, provide a detailed analysis of the total revenue implications of climate change activity, including the implications for other fuel-based revenue sources. Details should also be provided with regard to how the Government will replace the depletion of other revenue streams.

17. The Minister for Finance and Public Expenditure and Reform should consider establishing a standing Commission on Taxation to review and evaluate tax expenditure measures on a regular basis. The Commission should report to the Committee on an annual basis.

18. The Committee is in agreement that the current situation, whereby homes built in 2013 are exempt from LPT, while homes built subsequently are outside the net altogether, is inequitable and should not continue as part of the planned reform of the Local Property Tax. However, the Committee recommends that other exemptions currently in the LPT code such as, for example, those relating to properties with pyrite damage, and those owned by a charity or public body, should be retained.

19. The Committee recommends that due consideration be given to the LPT options proposed by the Review Group to ensure that they are future proofed and will not result in revaluation or deferrals etc. in the future.

20. The Department of Public Expenditure and Reform should publish an updated list of NDP projects for the next five years, outlining the annual budgeted expenditure alongside the most up to date required funding, should be published alongside Budget 2020.

21. In an instance where the cost of a specific capital projects increases, such as in the case of the National Children’s Hospital and the NBP, the source of the additional funding should be clearly stated.

22. The Committee notes that a programme of work examining innovation in the construction sector is being undertaken by the Department of Public Expenditure and Reform in partnership with the Construction Sector Group. The Committee recommends that it meets with members of the Group to discuss the findings of the study in due course.

23. The Committee recommends that further clarity is provided regarding the Exchequer expenditure requirements of implementing the All of Government Climate Action Plan.

24. The Committee recommends that DCCAE and the Department of Finance produce a robust estimate of the annual cost of ETS credits, which will allow for them to be prudently incorporated in medium term expenditure projections.

25. At this point, the Committee recommends that a prudent approach is taken to Budget 2020 that will allow sufficient scope for the Government to implement targeted support policies in the case of a hard Brexit, while also taking account of the possible call on resources arising from automatic stabilisers being triggered.

26. The Committee would welcome further linkage between the performance metrics provided in the PSPR and the budgetary allowance for said activity.

27. That a Supplementary Climate Change report be published alongside the budget, addressing issues such as identification of the main budget allocations and tax measures that will have a significant impact on climate change targets and quantifying the impact of these measures on greenhouse gas emissions.

28. The Tax Strategy Group papers include in-depth analysis on the climate impact of proposed tax measures.

29. The performance-based budgeting framework be strengthened and improved, in particular to address data gaps in climate-related data currently apparent in the REV.

30. The Committee recommends that an annual Equality Budget Statement (EBS) be prepared by the Department of Finance and read by the Minister for Finance and Public Expenditure and Reform alongside the Budget Statement. The EBS should set out broad and ambitious strategic gender equality goals. These strategic goals should be linked to the gender equality performance indicators, objectives and targets chosen by Government Departments for inclusion in the Equality Budgeting Initiative. This would

advance the integration of gender (and in due course other aspects of equality budgeting) into the annual budget process and the delivery of public services.

31. The Committee recommends that the Department of Finance utilise the SWITCH model to carry out ex-ante gender impact assessments of budget options for inclusion in the Tax Strategy Group Papers which will inform budget decisions in Budget 2020.

32. The Committee recommends that the Department of Public Expenditure and Reform (DPER) provide it with the *ex-ante* analysis that was carried out by the participating Departments which informed decisions to select specific spending programmes, indicators (or metrics), targets and high-level goals for the pilot. This information would help the Committee to evaluate the pilot and to assess its usefulness in gender budgeting.

33. While the Committee welcomes the improvements that have been made to the presentation of the Equality Budgeting themes and high-level goals within the Public Service Performance Report and the REV 2019, it recognises that further works needs to be carried out to enhance and refine the key high-level metrics and indicators. The Committee recommends that the Parliamentary Budget Office's (PBO) analysis of the Equality Budgeting Pilot Programme (PBO Briefing Paper 4 of 2018), and constructive feedback contained therein, be taken into account by the Department of Public Expenditure and Reform (and the nine Departments involved in the pilot).

34. The Committee recommends that DPER commissions a research paper on the role and contribution of women in the Irish economy, similar to that commissioned by the Scottish government. This research would aid the various Departments in choosing and refining gender equality indicators and objectives and would progress the collection of disaggregated data. Such a report, if commissioned, should be published by the end of 2020.

Appendix Two: Correspondence from the Department of Health

26 August 2019 CB-i-331-2019

Select Committee on
Budgetary Oversight
Leinster House
Dublin 2
D02 XR20

Re: Information Request

Dear Committee,

In regard to the Budgetary Oversight Committee held on July 9th, please find attached our responses in relation to your information request on the 15 July 2019.

Should you have any queries in relation to the information provided please do not hesitate to contact me by email financial_performance_unit@health.gov.ie.

Yours sincerely

Fiona Prendergast
Principal Officer
Financial Performance Unit
Department of Health

Information requested

1. A note on the impact of budget control measures on rehabilitative training in disability services (Dep. Jonathan O' Brien raised the issue in the context of training for disabled school leavers.)

The payment of the Rehabilitative Training (RT) Bonus came into place on the transition of Rehabilitative \Training Programmes to the Health Service Executive following the dissolution of the National Rehabilitation Board in June 2000. The Rehabilitative Training Bonus payment relates to those on Rehabilitative Training Programmes for a period of up to 4 years. Currently a rate of €31.80 is paid weekly on attendance (5 days equates €31.80 thereafter on pro-rata basis) by the Health Service Executive.

The agreed rate of payment was aligned with FAS Training Bonus however during 2011 the FAS Training Bonus was reduced to €20.00 and then eliminated the following year. The HSE continues to pay €31.80 weekly pro rata to over 2200 people each year.

Since 2012, the HSE has not been aligned with mainstream training services that had discontinued the payment of a training allowance. The ongoing payment of the RT Bonus has added to service inequities that already exist in the provision of day services to adults with disabilities: -

- Many of the day services provided to adults in day services are very similar to the content of the RT programmes as all day services, including RT, are progressing the day service policy – *New Directions*. People that attend a day service do not receive a bonus payment.
- There are some people that are only in receipt of a part time day service placement whilst their preference would be to have a full-time day service placement.

Those currently in RT programmes will retain the bonus payment until they finish their RT programme, therefore the decision to discontinue the RT Bonus will not impact negatively on any individual.

The discontinuation of the RT Bonus will yield €3.7m over a four-year period and this funding will be reinvested in disability day services. Depending on the priority need in each CHO, the savings will be used to enhance part time day service placements to full time placements or to provide a day service for people that acquire a disability and are not eligible to receive funding allocated for school leaver day services each year.

The €3.7m will provide 370 enhanced placements nationally or 148 new day placements to address priority unmet need.

2. **A note updating the Committee on the latest figures available to the Health Budget Oversight Group in relation to the potential deficit in respect of the health budget.**

The HSE's latest income and expenditure position at 31 May 2019 shows a revenue deficit of €169.4m which represents 2.6% of the budget for the same period. The main drivers of the deficit are acute hospitals, PCRS and demand led schemes, disability services, and the treatment abroad scheme.

Significant savings are profiled later in the year in line with the targets set out in the National Service Plan to deliver the agreed service levels within the funding allocated. However, on present trends, taking account of the pressure in certain areas, the HSE would have a deficit at the end of 2019. This is a matter of concern for the Government. The Department of Health is working with the HSE to gain further clarity on the projected year end position, working to mitigate the deficit in so far as is possible and strengthen performance accountability. The Health Budgetary Oversight Group receives regular updates in relation to this engagement.

The establishment of a new HSE Board governance structure, with strong competencies across key areas, will further contribute to strengthening the oversight and performance of the HSE pending its further reorganisation. The CEO to the Health Service Executive has also committed to strengthening the HSE's leadership and focus on performance, in line with the Minister's identification of an effective performance management and accountability system for the HSE as one of the priority issues for the new Board.

The National Service Plan requires the HSE to protect and promote the health and well-being of the population, having regard to the resources available to it, and making the most efficient and effective use of those resources. Implementation of the Service Plan is on-going, and the Department understands that the position of the HSE is that protection of front-line service delivery is its priority. The Minister has emphasised the need for the Executive to meet its service targets in line with the National Service Plan.

In addition, outside of the National Service Plan there are other financial commitments which will have an impact in 2019, including costs associated with contingency Brexit planning; costs of the Cervical Check ex-gratia scheme; and the recent nursing agreement.

3. A note reconciling the differences between published Exchequer figures (e.g. the Fiscal Monitor) and health service figures in relation to the deficit (Deputy McGrath).

The HSE's financial performance reporting is prepared on an accruals basis. This is the internationally recognised methodology applied by all business, recording income when earned and expenses when incurred, rather than when the cash is received or paid out, so a transaction committed to in a period is recognised in that period regardless of when the cash settlement occurs.

The Exchequer figures are prepared on a cash basis, this means that the income or expenditure is recognised in the period in which it is received or paid, not in the period in which the original transaction commitment was created.

To April 2019 the HSE's cash expenditure is on profile while the income and expenditure performance for the same period is reporting a deficit of €116.2m. The reason the HSE is not requiring any additional cash ahead of profile as a result of reported deficit is due to the size of the deficit relative to the overall operation of the HSE. Set out in the HSE's National Service Plan is an opening budget for 2019 of €15,849.1m, this equates to a daily budget of €43.4m.

Within this context the deficit to April equates to less than 3 days of average daily expenditure by the HSE and therefore well within the capacity of the HSE to manage the associated cash demands within the working capital of the organisation.

4. A note on the breakdown of extra capital funding required for the National Children's Hospital (the Committee sought clarity in relation to the estimated €200m provided by the Minister for Finance and Public Expenditure and Reform), and it was agreed to provide a note giving a breakdown of the additional funding.

The construction allocation for 2019 is €642m. This includes an additional €75m allocated by the Government in February 2019 towards the increased cost of the new Children's Hospital. The revised 2019 allocation represents an overall increase of €204m or 46% on the 2018 capital allocation.

The Government's recent Summer Economic Statement (June 2019) states that an expenditure reserve of €200 million is being established in 2020 to accommodate funding requirements for the new Children's Hospital and the National Broadband Project. The additional capital funding to be provided in respect of the costs of the new Children's Hospital will be finalised in the context of the Budget 2020 estimates process reflecting the most up to date position relating to health capital spending at that time.

5. The Capital Plan

a) clarity on the year when the last Capital Plan formally approved / agreed by the Department of Health

b) clarity on when the updated Capital Plan will be published

c) submission of a copy of the updated Capital Plan to the Committee.

The Health Service Executive's Capital Plan 2016 was approved.

In 2017, the Department and the HSE prepared a draft capital plan in the context of the mid-term review of the Capital Plan which provided for an increase in capital expenditure by the State.

Similarly, in 2018 a draft capital plan was prepared by the HSE in the context of the Department's contribution to the National Development Plan 2018-2027 which sets out the capital investment priorities that will underpin the implementation of Project Ireland 2040.

In 2017 and 2018 the Department allocated capital funding to the HSE, received sanction from the Department of Public Expenditure and Reform and monitored capital expenditure by the HSE on a weekly/monthly basis. There was a balanced capital spend in both years.

The Department and the Health Service Executive maintain close contact regarding the capital funds available each year and the progress of major capital projects and programmes. Capital expenditure in 2017 and 2018 was used to plan and fund progress in the strategic capital investment priorities for the public Health sector including the Government's major investment projects and programmes along with the on-going need to maintain and update healthcare facilities and equipment.

The Health Service Executive has submitted the 2019 Capital Plan to the Department of Health for consideration and approval of the Minster in accordance with the Health Acts.

The Health Service Executive Capital Plan 2019 will be published once it is approved by the Minster and a copy will be provided to the Committee as requested.

6. Operation and Maintenance costs for the National Children's Hospital:

a) Initial estimate that the Department of Health / HSE received in relation to the running costs for the hospital

b) The latest estimate of running costs for the hospital.

In the April 2017 Definitive Business Case, operating costs for the new children's hospital and urgent care centres when open was estimated at €324.9m for 2022 (including MES, ICT operational costs, increased activity and the new hospital operating model).

The most recent updated operating expenditure forecast for 2023 is €366m. Main changes relate to the pay costs, additional wholetime equivalents and a non pay inflation factor of 5% has been applied to 2018 non-pay.

This expenditure forecast is in line with a 3% increase in the allocation of funding to Children's Health Ireland year on year in the period up to 2023.

Children's Health Ireland are currently completing a review of these figures. The data capture and modelling work required is expected to take 8-9 weeks and began on August 5. The estimated completion date is the end of October.

Appendix Three: References

Central Bank of Ireland, *Quarterly Bulletin QB1,* January 2019. Available here

Central Bank of Ireland, *Quarterly Bulletin QB3,* July 2019. Available here

Economic Social Research Institute (ESRI), *Ireland and Brexit; Modelling the impact of deal and no-deal scenarios,* 2019. Available here

European Central Bank, *Press Conference,* 2019. Available here

Department of Public Expenditure and Reform, *Mid-Year Expenditure Report,* July 2019. Available here

Department of Finance, *Fiscal Monitor,* August 2019. Available here

Department of Finance, *Stability Programme Update*, 2019 Available here

Department of Public Expenditure and Reform, *Revised Estimates for Public Services,* 2019. Available here

Department of Employment Affairs and Social Protection, *Tax Strategy Group Paper 19/07 Social Protection Package – Budget 2020 Issues,* 2019. Available here

Eurostat, *Quarterly National Account data,* 2019. Available here

Parliamentary Budget Office (PBO), *Gross Expenditure Monitor: January to August 2019,* 2019. Available here

Department of Public Expenditure and Reform, *The Spending Review Papers,* 2019. Available here

Department of Finance, *TSG Paper 10/03,* July 2019. Available here

Parliamentary Budget Office (PBO), *Supplementary Estimates 2018*, 2018. Available here

Parliamentary Budget Office (PBO), *Employment Affairs & Social Protection Expenditure: Performance Budgeting and the Consistent Poverty Rate,* 2019. Available here

Irish Fiscal Advisory Council (IFAC), *Fiscal Assessment Report,* November 2018. Available here

Irish Fiscal Advisory Council (IFAC), *Pre-Budget 2020 Statement,* 2019. Available here

Appendix Four: Links to Transcripts

27th February 2019 – Central Bank

Transcript

13th March 2019 – European Commission

Transcript

18th April 2019 – Minister for Finance Public Expenditure and Reform

Transcript

8th May 2019 – National Competitiveness Council

Transcript

11th June 2019 – Irish Fiscal Advisory Council (IFAC) and Minister for Finance Public Expenditure and Reform

Transcript

18th June 2018 – Climate Change Advisory Council, Department of Communications, Climate Action and Environment and Economic and Social Research Institute (ESRI)

Transcript

19th June 2019 – Nevin Economic Research Institute (NERI), Irish Congress of Trade Unions (ICTU), Social Justice Ireland (SJI), Ibec and Construction Industry Federation (CIF)

Transcript

25th June 2019 – Dr Stephen Kinsella, Associate Professor of Economics, University of Limerick and Mr Colm McCarthy, Economist, University College Dublin

Transcript

3rd July 2019 – Minister for Finance, Public Expenditure and Reform

Transcript

9th July 2019 – Department of Health and HSE

Transcript

11th September 2019 – Irish Tax Institute and Irish Fiscal Advisory Council

Transcript

17th September 2019 – Irish Universities Association and Minister for Finance Public Expenditure and Reform

Transcript

Appendix Five: Terms and 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

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

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;

(*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

Services where significant variations from the expenditure profile could potentially impact on the overall fiscal position;

(*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) 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);

(*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.'

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*) 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 Six: 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

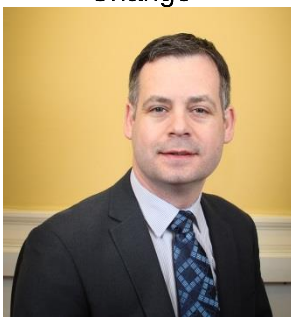
Labour


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.