Tithe an Oireachtas
Houses of the Oireachtas

An Coiste um Fhormhaoirsiú Buiséid

Tuarascáil Eatramhach Réamh-Bhuiséid 2022

Iúil 2021

Committee on Budgetary Oversight

Interim Pre-Budget Report 2022

July 2021

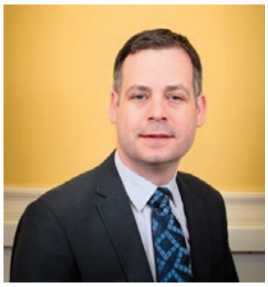
33CBO006

Committee Membership


Richard Boyd-Barrett TD
Solidarity – People Before Profit


Seán Canney TD
Independent


Ciaran Cannon TD
Fine Gael


Pearse Doherty TD
Sinn Féin


Bernard Durkan TD
Fine Gael


Mairéad Farrell TD
Sinn Féin


Michael Healy-Rae TD
Independent

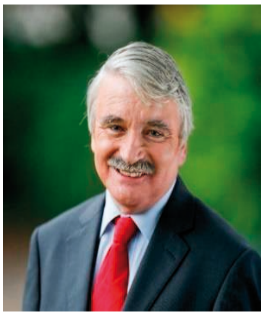

Neasa Hourigan TD
Green Party


John Lahart TD
Fianna Fáil


Brian Leddin TD
Green Party


Aindrias Moynihan TD
Fianna Fáil


Ged Nash TD
Labour


Willie O'Dea TD
Fianna Fáil


Kieran O'Donnell TD
Fine Gael


Patricia Ryan TD
Sinn Féin

Foreword

Pre-Budget scrutiny is a core function of the Select Committee on Budgetary Oversight's work programme. The Committee identified a number of budgetary priorities and decided to hold meetings on three topics, the cost of climate change, tax expenditures and capital investment. The Committee has also identified a number of other issues throughout its recent engagements.

As the economy recovers from the pandemic there will need to be continued support for some sectors, while significant investment is required across a number of areas such as housing, health, climate action, transport etc. The Summer Economic Statement has set out the expenditure ceilings for the coming years.

The Committee has made a number of observations and recommendations that should be considered in Budget 2022 and beyond. The Committee is committed to continuing its scrutiny prior to the publication of the Budget and beyond. The Committee will continue to seek improvements to the budgetary process to improve the transparency and effectiveness of decision making.

The Committee will continue its pre-budget scrutiny in September and publish a Final Pre-Budget 2022 Report in early October.

I would like to express the Committee's thanks to the , the Committee on Disability Matters, the Committee on Environment and Climate Action and the Committee on Social Protection, Community, Rural Development, and the Islands for their submissions and involvement in the process. I hope as we continue to develop budgetary scrutiny in the Oireachtas the role of other Committees will grow,

On behalf of the Committee I would also like to thank the witnesses from the Department of Public Expenditure and Reform, the Irish Fiscal Advisory Council, Social Justice Ireland, the University of Limerick, the OECD, TASC, ESRI and UCD. Their input has enabled the Committee to gain a greater understanding of the budgetary priorities and the factors that will frame budgetary decisions. I would also like to thank Minister of Finance Paschal Donohoe T.D. and Minister for Public Expenditure and Reform Michael McGrath T.D for meeting with the Committee. These engagements are important for the Minsters and the Committee to share views and discuss budgetary issue and priorities.

I would also like to thank the Parliamentary Budget Office for their input into the Committee and their publications which have been very useful to the Committee and the secretariat of the committee who have worked so hard during a challenging year. Finally, I would like to thank the Members of the Committee for their input and insight throughout our engagements leading to this report.

Neasa Hourigan T.D.

Table of Contents

Executive Summary

One of the primary outputs of Select Committee on Budgetary Oversight ("the Committee") is the publication of its annual pre-budget report. The Committee identified a number of budgetary priorities and held a number of meetings to discuss these topics.

After summer recess in September, the Committee will re-engage in its pre-budget scrutiny for Budget 2022. The Committee intends to publish its Final Pre-Budget Report in early October 2022. This report will consider a variety of further publications which are due to be published in the coming months, including the Mid-Year Expenditure Report, Tax Strategy Group papers and Spending Review papers. The Committee also intends to invite the Minister for Finance and the Minister for Public Expenditure and Reform to engage with the Committee in September/ October prior to Budget Day to discuss their objectives for the Budget.

The Committee approached a number of sectoral committees to seek their input on identified priorities. Three committees, the Committee on Disability Matters, the Committee on Environment and Climate Action and the Committee on Social Protection, Community, Rural Development, and the Islands sent submissions to the Committee making a number of budgetary recommendations.

Macroeconomic and Fiscal Outlook

The macroeconomic and fiscal outlook has been dominated by the impact of Covid-19. Economic growth and domestic demand are forecast to grow rapidly over the next years. The unwinding of increased personal savings should have a positive impact on the economy. However, unemployment projections expect higher levels of unemployment than would be expected given the economic recovery.

The global economic outlook also appears favourable for Ireland, particularly given the expected growth in US and UK economies.

Stakeholder Evidence

The Committee met with a number of witnesses to discuss budgetary priorities. The Committee agreed three topics for dedicated meetings: tax expenditures; the cost of climate change; and capital investment. The Committee also held a number of other meetings to examine priorities more generally.

Tax expenditures have been identified by the Committee as a recurring topic in its work programme. The lack of transparency around tax expenditures is a significant issue for the Committee. In particular, the scrutiny of tax expenditures is complicated by the lack of information around the cost of many tax expenditures.

The Committee also discussed specific tax expenditures such as those related to pensions, capital gains tax and capital acquisitions tax.

During its examination of the cost of climate change a number of areas for consideration were raised: managing travel demand; the tax and subsidy system (such as carbon taxes and the electric vehicle strategy); climate investment; the cost of inaction; and a just transition. The importance of investment, taxes and subsidies being well targeted at lowering emissions but also ensuring a just transition and providing economic development across the country was discussed.

Capital investment will be vital to the economy going forward. During its engagement the Committee discussed the capacity for and oversight of capital investment. The review of the National Development Plan will reassess investment priorities and new issues will be taken into account. The oversight of capital spending is an important component of ensuring value for money. The Committee heard that projects undergo rigorous analysis and that the public spending code is regularly adapted and improved.

Capacity constraints and the potential for increased cost were also discussed. The restrictions on activity at the beginning of the year have resulted in some underspending of Department’s capital allocation, however the Committee heard that Departments have indicated that full allocations will be used.

A number of other issues were identified during the Committee's engagements.

The Committee discussed the risk of a fall in corporation tax revenue due to changes in the international environment and heard that while the Department of Finance had allowed for a €2 billion reduction to its forecasts, the impact could be larger.

The Committee also discussed the deficit and debt projections. While Ireland's debt level remains high, which carries risks, it is broadly considered that the debt is currently sustainable. The Committee also noted that the SES incorporates larger deficits than the SPU, allowing for greater investment. The impact of the reintroduction of fiscal rules, expected in 2023, will also have an impact on Ireland's budgetary trajectory.

Changes to the taxation system, including the medium term need for raising additional revenue, and the social welfare system were also raised with the Committee.

The Committee also considered other issues related to the impact of Covid-19 such as the impact of increased household savings, sectoral differences and tackling the increased unemployment.

Performance Management

The Committee examined performance management with the budgetary process through the Public Service Performance Report. The consideration of this report is a key milestone for sectoral committees in the budgetary calendar. The Committee also discussed the selection of indicators, noting that sectoral Committees should have a greater role in their selection.

The lack an overall well-being framework was raised with the Committee, however, it heard that the development of such a framework was at an advanced stage. The framework includes the development of a set of economic and social indicators to see whether Ireland is making progress in improving the lives of citizens, including alternatives to GDP.

Green budgeting was also examined and the Committee notes the importance of their embedding and use to ensure effective outcomes.

Summary of Observations and Recommendations

1. The Committee on Budgetary Oversight welcomes the pre-budget reports published by a number of Committees. However, the Committee notes that the recommendations made by the Committees were not costed and that this requires attention going forward.

2. The Committee notes the economic context appears positive, however, there are significant risks including the trajectory of the virus, inflation, Brexit and corporation tax.

3. The Committee notes that North-South trade has increased significantly in the first four months of 2020 compared to 2019, in part as a consequence of opportunities created by the Protocol, and recommends that trade and enterprise policy be developed to deepen and strengthen North-South trade and the all-island economy.

4. The Committee recommends that tax expenditure reviews be published in advance of the budget to allow proper scrutiny

5. The Committee reaffirms its commitment to examining tax expenditures on a regular basis and will examine the rationale for the introduction of any new tax expenditures in Budget 2022.

6. The Committee is of the opinion that pension-related tax expenditures should be considered as part of the wider reform of the pension system.

7. The Committee has discussed a number of areas where tax expenditures could be better targeted. The Committee will continue to examine this issue as part of its work programme.

8. The Committee recommends that an examination of congestion charges be undertaken.

9. The Committee recommends that EV strategy be reviewed to ensure it represents value for money and is achieving its objectives.

10. The Committee notes the debate around the benefits of tax exemptions on fuel use.

11. The Committee emphasises the need for significant investment in climate-related infrastructure.

12. The Committee recommends that such investment should be structured to maximise sustainable and quality jobs, energy efficiency and lower carbon emissions, while ensuring a just transition, protecting livlihoods and providing economic development across the country.

13. The Committee recommends that increased investment in sustainable public transport and walking and cycling infrastructure be prioritised.

14. The Committee notes that the lack of public and affordable housing and rental accommodation is a result of the under-provision of social and affordable housing by successive Governments, notes that ESRI warned that without a significant scaling up of publicly provided construction we will fall significantly short of meeting the level of demand for accommodation in the absence of such investment, and therefore recommends that capital investment in public housing be doubled in Budget 2022.

15. The Committee notes that the ongoing international discussions could have a significant impact on Ireland's corporation tax revenue.

16. The Committee welcomes the inclusion of a decrease in corporation tax revenue over the coming years in the Government's forecasts. However, the Committee also notes that the impact could be greater.

17. The Committee recommends that any short-term increases in corporation tax revenue should not, in general, be used to fund increases in current expenditure though there may be some exceptions.

18. The Committee is concerned that the concentration of corporation tax in a small number of corporate groups leaves Ireland’s tax revenues vulnerable to a sudden change in policy from a small number of companies.

19. The Committee recognises that the public consultation into the review of EU Fiscal Rules is to be reopened in 2021. The Committee commits to examining as part of work programme some of the different proposals for reform and their compatibility with the Green New Deal, which could assist the government in making in its submission to the public consultation.

20. The Committee notes the commitment in the SES to stick to the expenditure ceilings even in the event of a drop in revenue due to poorer than expected economic performance.

21. The Committee is of the opinion that the deficit should be allowed increase if there is a negative shock to the economy resulting in lower than expected revenue. However, the Committee also emphasises that permanent increases in current expenditure should be matched by increases in revenue.

22. The Committee notes the deficit and debt trajectories set out in the Summer Economic Statement and further notes the allowance for larger deficits to 2025 to fund increased investment.

23. The Committee highlights the importance of investment in re-skilling, in particular for those most disadvantaged by the pandemic such as young people, older workers, women etc.

24. The Committee notes that additional revenue will have to be raised to fund new investment and services.

25. The Committee welcomes the establishment of the Commission on Taxation and Welfare and looks forward to engaging with it.

26. The Committee welcomes developments around a well-being framework and ongoing consultation with various stakeholders.

27. The Committee is of the opinion that their engagement should remain throughout the process of implementing the well-being indicators and not just during the creation of the system.

28. The Committee is of the opinion that sectoral committees should have a greater role in establishing the indicators in the Public Service Performance Report, with the Department of Public Expenditure and Reform, providing a role in ensuring that indicators meet best standards, are consistent with other indicators and best represent the performance of the Department which is measured.

29. The Committee recommends that appropriate stakeholders, such as academics, universities and community groups should be included in discussions regarding equality and well-being indicators and that such consultation should continue throughout the process.

30. The Committee is of the opinion that qualitative indicators, in addition to quantitative indicators, should be included in any framework for equality and well-being indicators.

Section 1: Introduction

1.1 The Role of the Committee on Budgetary Oversight

The Select Committee on Budgetary Oversight was established during the 32nd Dáil to enhance the role of the Oireachtas in scrutinising the budget and to review the macroeconomic and fiscal issues that form part of the budget considerations. Since its establishment, one of the primary outputs of the Committee has been the publication of the annual pre-budget report, based on the Committee's pre-budget scrutiny.

The Select Committee on Budgetary Oversight of the 33rd Dáil ("the Committee") undertook pre-budget scrutiny for Budget 2021, however this was at a condensed level due to scheduling pressures in the Covid-19 environment and the limited time available to the Committee as it was only established in September 2021. This year the Committee's pre-budget scrutiny of Budget 2022 was initiated at an earlier stage and considered the actions recommended in its Final Report on Parliamentary Engagement throughout the Budgetary Cycle.[1]

1.2 Process to date

In March 2021, the Committee undertook ex-ante scrutiny of the Stability Programme Update (SPU) 2022, publishing a pre-SPU report[2] on 1 April 2021 and engaged with the Minister for Finance to discuss the draft SPU in late April 2021.

Following this engagement, the Committee considered expert publications and analysis to further identify pre-budget priorities. The Committee then scheduled a series of meetings to discuss these topics and engage with relevant stakeholders

[1] Committee on Budgetary Oversight, Final Report on Parliamentary Engagement throughout the course of the Budgetary Cycle
https://data.oireachtas.ie/ie/oireachtas/committee/dail/33/committee_on_budgetary_oversight/reports/2021/2021-02-24_final-report-on-the-framework-for-parliamentary-engagement-throughout-the-course-of-the-budgetary-cycle_en.pdf
[2] Committee on Budgetary Oversight, Pre-Stability Programme Update Report, 2021 2021-04-01_pre-stability-programme-update-2021_en.pdf (oireachtas.ie)

(see Appendix A). The evidence heard by the Committee is summarised in Section 3 of this report.

Following the summer recess in September, the Committee will re-engage in its pre-budget scrutiny for Budget 2022. The Committee intends to publish its Final Pre-Budget Report in early October 2022 and this report will consider a variety of further publications which are due to be published in the coming months, including the Mid-Year Expenditure Report, Tax Strategy Group papers and Spending Review papers. The Committee also intends to invite the Minister for Finance and the Minister for Public Expenditure and Reform to engage with the Committee in September/ October prior to Budget Day to discuss their objectives for the Budget.

1.3 Final Report on Parliamentary Engagement in the Budgetary Cycle into Budget 2022

The Committee's Final Report on Parliamentary Engagement in the Budgetary Cycle was published in February 2021 and recommended 18 Actions which are intended to strengthen the framework for budgetary scrutiny within the Oireachtas and to establish an integrated Committee-wide approach to budgetary and performance scrutiny.

Appendix B lists the report's actions which are relevant in the Committee's ex-ante scrutiny of Budget 2022. It is intended that further integration of these actions will be introduced into the Committee's scrutiny framework going forward.

Section 2: Sectoral Committees' Pre-Budget Submissions

The Committee's Final Report on Parliamentary Engagement throughout the Budgetary Cycle recommended an integrated Committee-wide approach to budget and performance scrutiny.

As noted previously, the implementation of the framework is ongoing. The Committee wrote to sectoral committees in advance of the publication of the Public Service Performance Report (PSPR) and its pre-budget scrutiny of Budget 2022. In relation to the latter correspondence, the Committee identified several budget topics which were considered by it to be of considerable importance to Budget 2022 and which lay within the remit of specific committees. These are listed in Table 1 below. The Committee wrote to the listed sectoral committees, inviting them to provide contributions on the topics indicated and to identify work undertaken or due to be undertaken. In addition, to the listed committees, the Committee on Disability Matters and the Committee on Social Protection, Community, Rural Development and the Islands also provided pre-budget submissions. All responses received by the Committee on Budgetary Oversight are listed in Appendix C.

Table 1: Budget Priorities for sectoral committees

Topic	Committee
• Covid Spending • Non-Covid Spending	• Committee on Health
• Reskilling of workers impacted by Covid	• Committee on Education
• The effect of the housing crises on individuals • The potential impact of the housing crises on attracting investment, economic growth, and capital investment	• Committee on Housing

• The cost of Climate Change	• Committee on Climate Action and Environment
• Employment Wage subsidy scheme • Supports and initiatives for sectors impacted by Covid-19	• Committee on Enterprise, Trade and Employment

2.1 Summary of Submissions

Committee on Disability Matters

The Committee on Disability Matters' remit is to consider all disability matters including the monitoring Ireland's implementation of the UN Convention on the Rights of Persons with Disabilities (UNCPRD). That Committee published its pre-budget 2022 report on 7 July 2021[3]. This report makes 38 recommendations covering a range of topics including employment, education, and accessibility.

The report notes that a key measure for ensuring the effective implementation of the provisions of the UNCPRD is the requirement for adequate funding to be allocated in the national budget to the various sectors relevant to the realisation of the rights of people with disabilities.

While the Committee on Budgetary Oversight notes that individual departments will be responsible for implementing many of the report's recommendations, it believes that a central role is required to ensure consistency across departments. It also notes that equality budgeting has the potential to ensure better outcomes for people with disabilities and that the inclusion of disability metrics in the PSPR would be beneficial in implementing these measures.

Committee on Environment and Climate Action

The Committee on Environment and Climate Action's ("CECA") remit is to consider relevant areas under the auspices of the Department of Environment, Climate and Communications. The CECA provided a contribution to the Committee on Budgetary

[3] Joint Committee on Disability Matters Aligning Disability Funding with the United Nations Convention on the Rights of Persons with Disabilities - Budget 2022 Pre-Budget Submission - July 2021 - 33/DM/02 (oireachtas.ie)

Oversight. The CECA was of the opinion “that the framing of future budgets will need to change to take account of climate objectives across all Departments”. The CECA has also published a number of reports including recommendations calling for significant investment on public transport, cycling infrastructure, retrofitting and renewable energy production.

The examination of road user charges was also recommended by the CECA, including the reallocation of the revenue from these charges to sustainable transport alternatives. In addition to Disability/ Equality Budgeting, there is an important role for Green Budgeting to be introduced for all expenditure by Departments. The PSPR has potential to measure and report upon these factors.

Committee on Social Protection, Community, Rural Development, and the Islands

The Committee on Social Protection, Community, Rural Development, and the Islands has published a pre-budget submission for the Department of Social Protection, following three public meetings and the receipt of submissions[4].

The report for the Department Social Protection report makes 76 recommendations covering a wide range of payments, assessments and operations of the Department. The need to focus on anti-poverty measures and indexing social welfare payments to the cost of living were also highlighted in the report.

Observations & Recommendations

1. The Committee on Budgetary Oversight welcomes the pre-budget reports published by a number of Committees. However, the Committee notes that the recommendations made by the Committees were not costed and that this requires attention going forward.

[4] Joint Committee on Social Protection, Community and Rural Development and the Islands – Report: Pre-Budget Submission to the Department of Social Protection(oireachtas.ie)

Section 3: Macroeconomic and Fiscal Outlook

3.1 Economic Outlook

In the years between the Financial Crash and the Covid-19 pandemic, the economy recorded strong growth with Gross Domestic Product (GDP) increasing by an average of 9.8% annually between 2014 and 2019. It is noted that GDP, while an internationally accepted measurement, has limitations in accurately representing domestic activity in an Irish context. Indicators measuring domestic activity also grew during this period, albeit at a more subdued rate.

Covid-19 first impacted Ireland in early 2020. Public measures implemented to address the health crisis resulted in the introduction of restrictions on economic and other activity effectively stalling economic activity, with some sectors of the economy proving resilient and others suffering significantly.

In 2020, GDP grew by 5.9%, making Ireland an outlier in showing strong GDP performance among EU countries. However, this growth was not reflected in domestic activity with modified domestic demand growth falling by 4.2% in the same year, a fall that would have been greater but for significantly increased Government spending.

GDP growth has been primarily generated by the activity of Multi-National Companies (MNCs). The activity of MNCs grew by 23.1%[5] in 2020, principally through strong pharmaceutical and ICT exports. This feature of the economy reflects the growth of MNCs in recent years,[6] and this growth has resulted in increasing Corporation Tax receipts. However, the Committee notes that there are also increased risks, as the economy becomes increasingly vulnerable as a result of its dependence on MNC activity.

[5] Central Statistics Office, Quarterly National Accounts Quarter 1 2021 Final https://www.cso.ie/en/releasesandpublications/ep/p-na/quarterlynationalaccountsquarter12021final/foreignanddomesticgva/
[6] Foreign Multi-Nationals accounted for 15% of total economic activity (Gross Added Value) in Ireland in 2005, rising to 40% in 2015 and over 50% in 2020.

GDP and Modified Domestic Demand (MDD) are both forecast to grow in 2021 although this is on the assumption that an increase in the vaccine rollout will allow for further reduction of restrictions and the continued re-opening of the economy. While MDD continued to fall in Q1 of 2021, Q2 will likely see an increase when compared to the same period of 2020. However, it should be noted Q2 of 2020 had very low activity due to the strong restrictions implemented at the time. The Summer Economic Statement (SES) forecasts MDD to grow by 2.5% in 2021 and 7.5% in 2022, although assumptions are built on several factors such as the speed at which households normalise saving and spending decisions.

The SES also notes that there is some potential upside to the forecast for MDD growth in 2021, but that this is primarily a timing issue (whether some activity is brought forward to 2021); and that the level of activity at end-2022 will be the same.

Recent trends in the labour market and consumer spending also suggest signs of recovery. However, there is still some way to reach the levels of pre-pandemic activity. As shown in table 2, GDP is forecast to continue to grow in 2021 and 2022, with growth reducing in the years following (2023 to 2025).

Table 2: GDP Forecasts

	2021	2022	2023	**2024**	**2025**
SPU (Spring 2021)	**4.5**	**5**			
SES (Summer 2021)	**8.8**	**5.1**	**3.7**	**3.3**	**3.2**
The Fiscal Council (May 2021)	**4.5**	**5**	**3.5**	**3.2**	**3.1**
ESRI (June 2021)		**11.1**	**6.9**		
Central Bank	**3.4**	**5.6**	**4.8**		
EU	**7.2**	**5.1**			

One knock-on effect of the pandemic has been the increase in consumer savings. It is estimated that approximately €29.6 billion was saved by Irish households in 2020, which is double the gross savings of 2019 (the Fiscal Council).

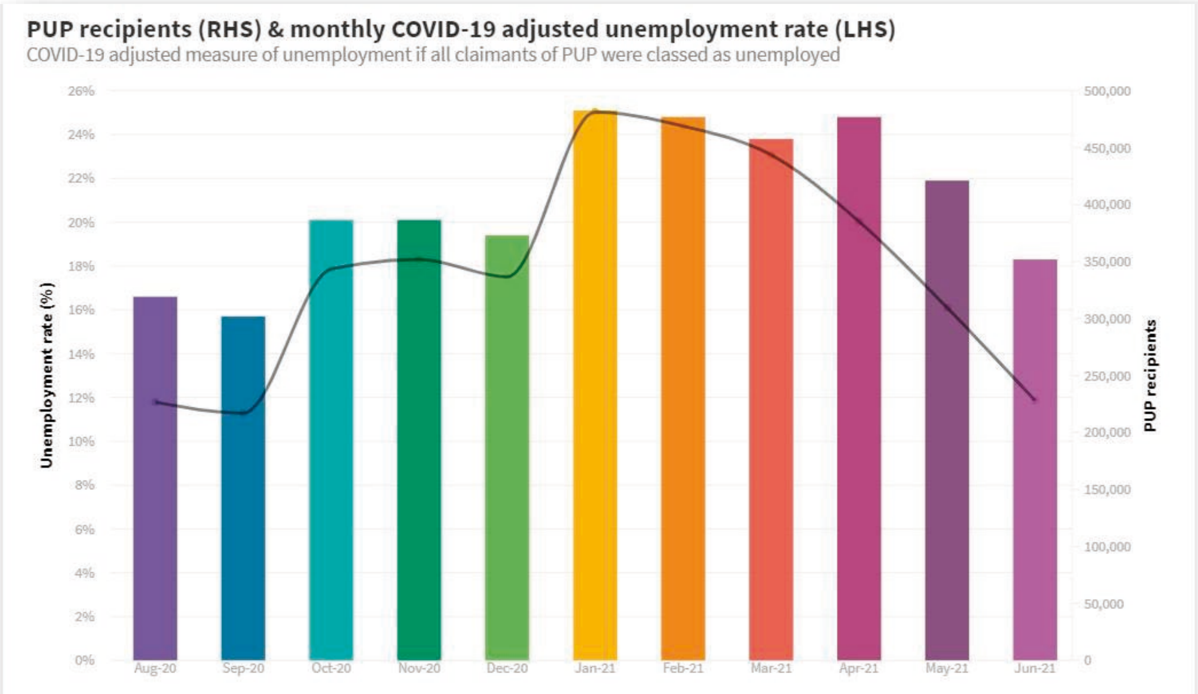
However, a rise in savings was also notable in 2018. While the reason for this is unclear, some may be attributable to precautionary savings following the Brexit referendum. The Fiscal Council noted that it is therefore difficult to assess a “normal” post-Brexit saving level.

The SPU estimates that excess household deposits, generated by the pandemic, were approximately €11.5 billion in February 2021 and assumes that around €2.25 billion of excess savings will be used to fund personal consumption, as part of the rebound of consumption in late 2021 and 2022.

3.2 Unemployment

The labour market has been dramatically affected by the pandemic. The Covid-19 adjusted unemployment rate (which includes Pandemic Unemployment Payment [PUP] recipients) was at 24.2% in March 2021 (CSO). This figure has fluctuated over in the last two years, in response to the various Covid-19 restrictions implemented.

Figure 1: PUP Recipients. Source PBO

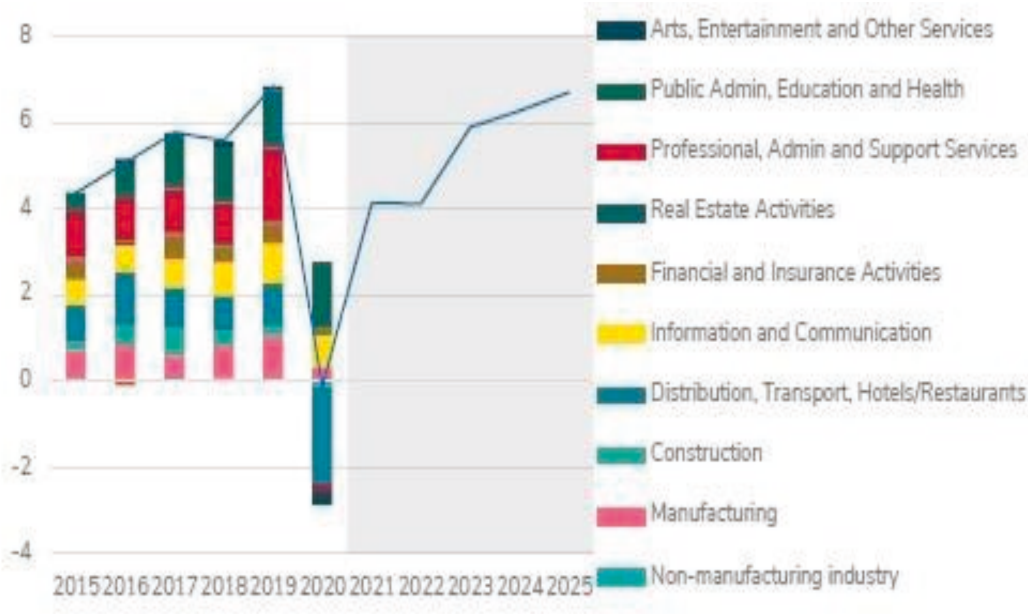


The number of PUP claims continues to fall, with the hospitality and retail sectors continuing to be the source of the highest numbers of recipients. On the 22 July there were still 244,000 claimants, in addition to those seeking Jobseekers benefit/ allowances.

The Committee also notes that the impact of the pandemic has not been consistent across economic sectors or socio-economic groups. For example, younger people have been more adversely affected with unemployment rates higher for the 15 to 24-year-old cohort, reaching over 20%[7] (non-Covid adjusted rate) in the summer of 2020. Further disparity is visible in the impact upon job types, with the number of people employed in high-skilled jobs[8] increasing while the number employed in other sectors fell.

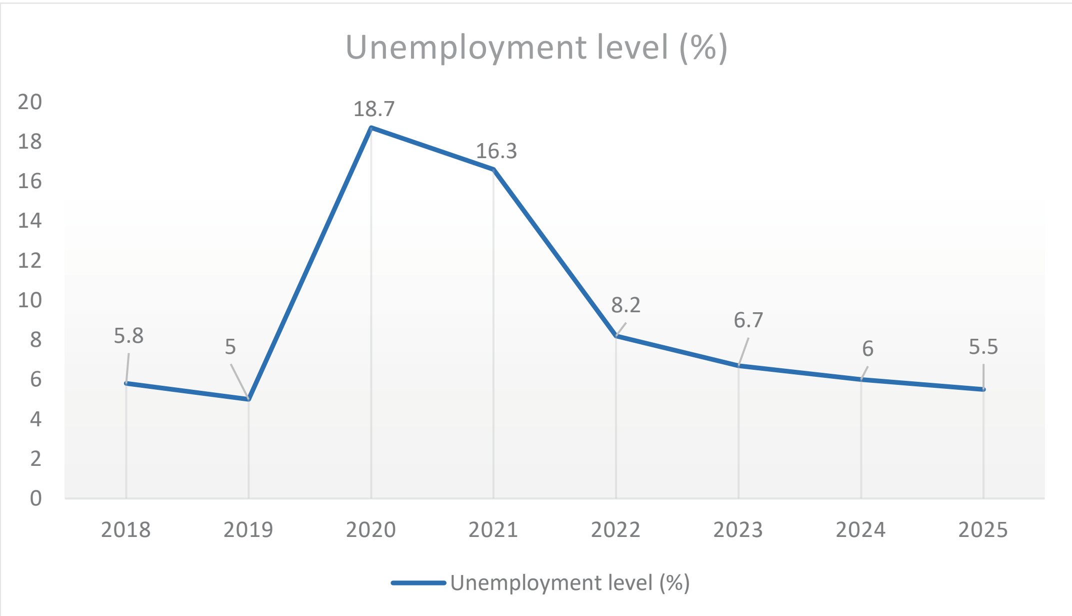
[7]Central Statistics Office, Monthly Unemployment June 2021 - CSO - Central Statistics Office
[8] High skill employment is defined using OECD skill groups which classify high skill workers as those holding a job in managerial, professional, technician and associate professional occupations.

Figure 2: Impact by Sector (The Fiscal Council)



Unemployment is forecast to fall in 2021 when compared to 2020 but will remain high at 16.3%. It is however expected that this level will continue to fall in the medium term.

Figure 3: Unemployment Level. Source: Summer Economic Statement 2021



3.3 Inflation

The annual inflation rate was 1.7% in May, the largest increase since April 2019. This was largely due to higher energy prices, which initially fell at the beginning of the pandemic but are now returning to previous levels.

There is some concern that the increase in domestic savings together with the proposed Affordable Purchase Shared Equity scheme could also drive house price inflation, as supply fails to meet demand. Building costs have also increased in recent months, which could hinder future construction activity.

Rising inflation risks resulting from increased energy costs due to the growing presence of data centres needs to be examined, as does the impact they have on the budgetary position from the requirement for greater energy imports.

The SES presents two views on the current inflationary pressures. The first view is that current inflation is due to transitory factors and will stabilise at a level consistent with price stability. The second view is that the strong recovery in a number of countries and the high levels of fiscal and monetary support will result in supply-demand imbalances leading to higher inflation. This latter view also highlights the risk that factors that have kept inflation low, such as globalisation, could unwind and increase inflationary pressures.

3.4 Government Expenditure

The SES notes that, in the last year, over €31 billion has been made available to Government to fund expenditure measures to support and protect households and enterprises, as well as to fund additional public services during the pandemic. This brings the gross expenditure position for 2021 to almost €91 billion.

To date, gross spending stands at €39.9 billion which is €1.7 billion behind profile. This level of exchequer spending is, however, the highest it has ever been at this stage of the year. This is mainly due to spending relating to Social Protection, where

PUP payments have contributed significantly to the €16.1 billion in expenditure so far this year.

Figure 4: Current Spending Profile vs Outturn

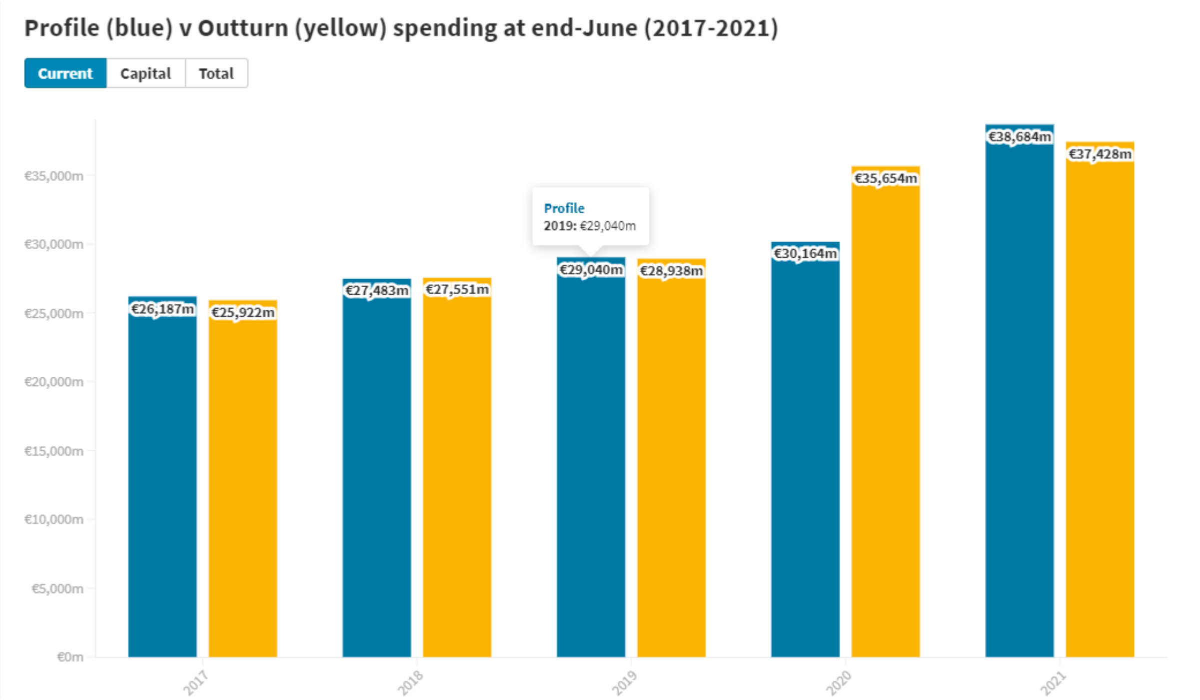
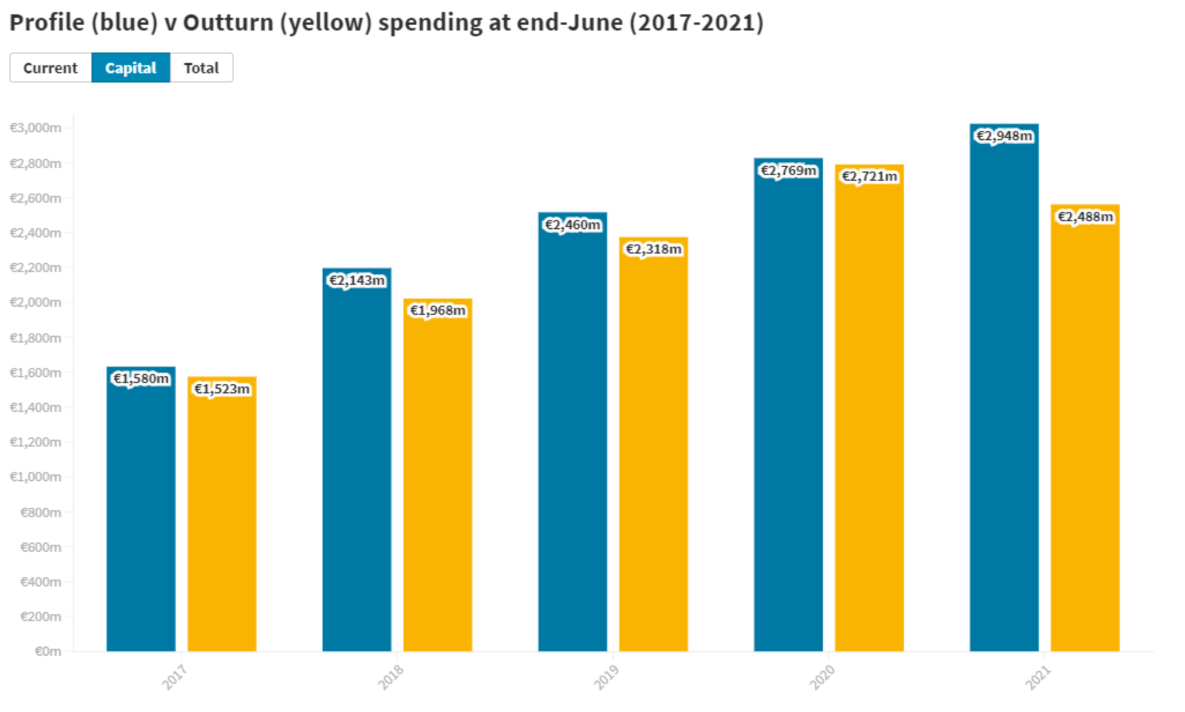


Figure 5: Capital Spending Profile vs Outturn



Source: Fiscal Monitor June 2017-June 2021

As with many EU members states, the Government's deficit has been significantly above the limits set by the EU fiscal rules. While the suspension of these rules has allowed EU member states greater flexibility in implementing measures in response to the pandemic, the Minister for Finance noted that these rules are expected to return by 2023. This is further discussed in Section 4.4 of this report.

The SES sets out an expenditure ceiling of €88.2 billion for next year and further ceilings until 2025 as indicated in Table 4.

Table 3: Expenditure Ceilings 2021-2025. Source Dept of Finance

	2021	2022	2023	2024	2025
Expenditure ceiling	90.7	88.2	85.1	89.0	93.2
Total budget package	5.5	4.7	4.5	4.8	5.0
Budgetary decisions*		3.2	3.0	3.2	3.4
Yet to be allocated**		1.5	1.5	1.6	1.6
of which: tax measures		0.5	0.5	0.5	0.5
Voted spending					
Temporary	14.8	8.1	1.0	0.7	0.5
Permanent	75.9	80.1	84.1	88.3	92.8
Growth in permanent spending, per cent	7.8	5.5	5.0	5.0	5.0
Core current	66.1	69.2	72.4	75.7	79.3
Core capital	9.8	10.9	11.7	12.7	13.4
Change in core capital	0.0	1.1	0.8	1.0	0.8
GGB, per cent GDP	-5.1	-3.4	-1.8	-1.6	-1.5
GGB, per cent of GNI*	-9.4	-6.2	-3.3	-3.0	-2.8

3.5 Revenue

In the first half of 2021, tax revenue was almost 20% higher than in the first half of 2020 and over 5% higher than expected. On a cumulative basis, tax receipts to the end of June were €29,501 million, €1,462 million (5.2%) ahead of target.

Tax receipts have improved for all major tax headings compared to the same period last year, although excise duty was the only significant revenue stream to underperform against profile.

Corporation tax

Corporation tax has increased by 156% between 2014 and 2020[9]. Corporation tax receipts to June 2021 have reached €5.7 billion, ahead of profile by €449 million (or 8.5%).[10] These receipts have been impacted by the Covid Restrictions Support Scheme (CRSS) which explains the small (€152 million or 2.6%) drop in revenue compared to the same period last year.

[9] Central Bank of Ireland, Corporation Tax Risks to the Public Finances https://www.centralbank.ie/docs/default-source/publications/quarterly-bulletins/boxes/qb3-2021/box-f-corporation-tax-risks-to-the-public-finances.pdf
[10] Fiscal Monitor, June 2021 gov.ie - Fiscal Monitor June 2021 (www.gov.ie)

However, many stakeholders have highlighted concerns on the reliability and sustainability of this trend. The Committee also notes the risk to future corporation tax receipts especially in the context of potential changes in international tax rules. (See section 4.4)

3.6 Additional Considerations

Global Economic Outlook

As Ireland is a small and open economy, it is particularly responsive to global economic trends. The global economic outlook has improved as a result of vaccine rollouts and expansive fiscal policies in major economies, including the Next Generation EU instrument in the EU and the American Rescue Plan Act in the United States. An improved outlook has the potential to have positive implications for Ireland. The SES stated that an improved outlook in key export markets should help indigenous Irish exporters.

The IMF has forecast that both the US and UK economies will experience strong recovery in 2021 due to the quick deployment of Covid-19 vaccines. The Eurozone economy is forecast to have weaker economic recovery in 2021, however it should have stronger growth in 2022.

However, this is based on the assumption that a strong vaccine rollout will allow for fewer Covid cases and hospitalisations and allow the further removal of restrictions to the economy.

The SES outlines that exports have performed strongly so far in 2021, driven primarily by pharmaceuticals, ICT services and contract manufacturing goods.[11]

Brexit

Trade with the UK has been impacted by Brexit and the pandemic. The SES notes that Irish imports from the UK declined by 30% in the period January to April 2021 compared to the previous year. Trade had increased at the end of 2020, as many

[11] See Contract Manufacturing - CSO - Central Statistics Office

firms were stockpiling goods, but fell significantly in the first few months of 2021. There are, however, initial signs of a recovery.

Observations & Recommendations

2. The Committee notes the economic context appears positive, however, there are significant risks including the trajectory of the virus, inflation, Brexit and corporation tax.
3. The Committee notes that North-South trade has increased significantly in the first four months of 2020 compared to 2019, in part as a consequence of opportunities created by the Protocol, and recommends that trade and enterprise policy be developed to deepen and strengthen North-South trade and the all-island economy.

Section 4: Stakeholder evidence

As noted earlier, the Committee examined several topics during its pre-budget scrutiny and met with several stakeholders to discuss these topics. These meetings and the stakeholders are listed in Appendix A and a summary of these engagements is presented below.

The Committee identified three issues, tax expenditures, cost of climate change and capital investment, on which to hold specific engagements and also considered a number of other budgetary issues in the course of its engagements.

4.1 Tax Expenditures

The Committee has identified tax expenditures as a key area warranting ongoing scrutiny and has decided to include it as an annual part of the Committee's work programme.

Tax expenditures are defined in secondary legislation (S.I. No. 508/2013) as a: "transfer of public resources that is achieved by: (a) reducing tax obligations with respect to a benchmark tax rather than by direct expenditure, or (b) provisions of tax legislation that reduce or postpone revenue for a comparatively narrow population of taxpayers relative to the tax base."[12]

The Committee met with Dr Michéal Collins from UCD and Dr Barra Roantree and Dr Theano Kakoulidou from the Economic and Social Research Institute (ESRI) to examine tax expenditures. The issue was also briefly raised by Social Justice Ireland (SJI) when it appeared before the Committee.

Dr Collins outlined that in 2018, 85 tax expenditure measures resulted in a total of €15.8 billion in forgone revenue and that for every €5 collected, the State currently forgoes an additional €1.

[12] Parliamentary Budget Office – Tax Expenditure in Ireland: Key Issues for Consideration – Briefing Paper 14 (oireachtas.ie)

Tax expenditures are an integral part of the taxation system. However, the Committee has heard from a number of stakeholders that many are not well targeted. Dr Collins outlined that such measures are "entirely legitimate"[13] but questioned if all were worthwhile for the State.

Dr Collins outlined that the decision to forgo revenue through tax expenditures has resulted in a knock-on effect by requiring a decision to raise revenue in other areas or to reduce expenditure.

SJI also called for tax expenditures to be reviewed as one method of providing additional revenue to the State.

Tax Expenditures Evaluation and Scrutiny

The need for greater information, oversight and scrutiny of tax expenditures was emphasised by Dr Collins and he called for the establishment of "recurring and structured assessments of tax expenditure as part of the process of budgetary oversight".[14]

Dr Roantree also highlighted the availability and transparency of information around tax expenditures. While welcoming improvements in the last number of years, Dr Roantree still considers there is much room for improvement. In particular, Dr Roantree suggested that review and evaluation of tax expenditures could be improved, noting that evaluations are often only based on surveys of the beneficiaries, which does not provide robust evidence of the impact of tax expenditures.

Dr Roantree suggested that development of capacity and expertise is important to improve the scrutiny of tax expenditures due their frequent complexity. Dr. Roantree advocated development of expertise within Irish Government Economic and Evaluation Service (IGEES) as a means of achieving this.

---

[13] Committee on Budgetary Oversight debate - Thursday, 24 Jun 2021 (oireachtas.ie)
[14] Committee on Budgetary Oversight debate - Thursday, 24 Jun 2021 (oireachtas.ie)

The publication of tax expenditure reviews in advance of the budget, instead of on budget day, was also raised by Dr Roantree as a means of achieving improved scrutiny.

The Committee also heard from Dr Roantree that examination and evaluation of tax expenditures was made more complicated by the difficulty in ascertaining how much they are costing.

The role of the Committee, and that of the Oireachtas more generally, in scrutinising tax expenditures was also discussed. Dr Collins recommended that the Committee select a theme each year and examine the group of tax expenditures under the theme, as this would make scrutiny of the list of tax expenditures more manageable. This would allow the Committee to examine a group of similar measures thoroughly without impacting on the other work of the Committee. Dr Collins further recommended to the Committee that it review the rationale for the introduction of any new tax expenditure in the budget.

It was also highlighted by Dr Collins that if the same level of resources were being allocated through direct funding it would receive much greater scrutiny, due largely to the greater visibility in the budgetary documentation.

SJI called for all tax expenditures to have sunset clauses to ensure each one is reviewed periodically.

Observations & Recommendations

4. The Committee recommends that tax expenditure reviews be published in advance of the budget to allow proper scrutiny
5. The Committee reaffirms its commitment to examining tax expenditures on a regular basis and will examine the rationale for the introduction of any new tax expenditures in Budget 2022.

Pension-related Tax Expenditures

The ESRI and Dr Collins highlighted the taxation of pensions as an area for potential reform. Dr Roantree and Dr Kakoulidou noted that while a system which taxes the pension when funds are withdrawn is not problematic and is in line with most advanced economies, certain exemptions remove some elements of taxation from the system. Dr Collins noted that pension reliefs amount to €2.7 billion a year.

PRSI

A number of exemptions related to PRSI result in employers' PRSI never being levied on the overwhelming majority of employer pension contributions. Dr Roantree and Dr Kakoulidou noted that this anomaly could be addressed by levying PRSI on the pension income of those above the state pension age. Alternatively, Dr Roantree and Dr Kakoulidou stated, both employees' and employers' PRSI could be levied on employer pension contributions when they are made.

Tax-Free Lump sums

Dr Collins suggested that the €200,000 limit on tax free pension lump-sum is abnormally high by international standards. Dr Collins also outlined the lack of information available from the Revenue Commissioners on the size of lump sums. While some individuals receive very large lump-sums, it tends to be quite small for most individuals. Dr Collins stated that in 2014 (the last costing available) tax-free pension lump sums cost €134 million.

Dr Roantree also outlined that a €200,000 lump-sum requires a very generous pension and would require a high-level of life-time earnings, and that he would not be concerned about the impact on someone whose tax-free lump sum would be reduced from €200,000 to, for example, €100,000. Dr Roantree also noted that pensions that provided such lump sums would be in respect of high-paid public sector roles or a defined contribution pension pot with hundreds of thousands and not many people were in such a position.

Dr Roantree and Dr Kakoulidou, and Dr Collins outlined that the tax-free lump sum is poorly targeted as it provides a greater benefit to higher-rate income taxpayers. It was also noted that encouraging large tax-free lump sums is contrary to the, arguably, primary policy concern of ensuring a regular stream of income in retirement. Dr Roantree and Dr Kakoulidou consider that the tax-free lump sum would be better targeted at lower-to-middle earners.

Dr Collins considered that a tax-free lump-sum around €30,000 would be in order. Dr Roantree emphasised that they were recommending a lower limit to the tax-free allowance rather than its abolition.

Tax-free contributions

Witnesses suggested that additional revenue could also be raised by reducing the lifetime or annual limits (currently €2 million) on what can be contributed, tax free, to a pension fund. Dr Roantree and Dr Kakoulidou suggested that a reduction of the lifetime limit would primarily affect larger pension pots and might be preferred due to simplicity. Dr Collins also suggested that the limit represents the point at which the State will no longer support pension savings through tax reliefs and considered it difficult to justify why this should continue beyond €1 million.

Dr Collins noted that pension relief offered at the marginal rate supports higher income earners more than those on low incomes and stated that limiting all pension contributions to tax relief at the standard rate of income tax would raise between €200 and €400 million a year.

Observations & Recommendations

6. The Committee is of the opinion that pension-related tax expenditures should be considered as part of the wider reform of the pension system.

Capital Acquisitions Tax (CAT)

Dr Roantree expressed the view that the Irish CAT system is broadly well designed as, unlike the system in the UK where it is very easy to avoid inheritance taxes, it is based on the receiver rather than the estate giving the inheritance or gift.

Dr Roantree highlighted that the tax-free threshold is per-person, therefore even high-value assets divided among multiple children may attract limited CAT liability and stated that this does not always appear to be well understood. Dr Roantree told the Committee that in 2019 the average liability was €86,000 implying an average inheritance or gift of almost €600,000.Dr Roantree and Dr Kakoulidou highlighted that inheritance or gifting of certain business and agricultural assets can avail of CAT relief that reduces the value of eligible assets by 90%, in addition to the lifetime allowance. As a result, a business or farm worth up €3.35 million could be gifted or bequeathed to a child without any CAT liability. While the rationale for this relief is to support the growth and succession of small family farms and businesses, citing Revenue figures, Dr Roantree and Dr Kakoulidou noted that the primary beneficiaries appear to be substantial family businesses or farms. Dr Roantree also outlined that business and agricultural CAT relief is a very expensive tax expenditure costing €360 million in 2019 and is also poorly targeted with most of the benefit going to very large business owners.

Dr Roantree outlined to the Committee that with the current structure of the CAT system, it is possible for multimillion-euro businesses to be transferred without paying any CAT.

Capital Gains Tax (CGT) Reliefs

Dr Roantree and Dr Kakoulidou's paper outlined a number of CGT reliefs with questionable targeting or economic rationale.

The **principal private residence (PPR) tax relief** exempts gains on the sale of a property that was the seller's main residence and used solely as their home for the whole period of ownership. Dr Roantree and Dr Kakoulidou noted that the estimates of the cost of the relief are not published, however a study based on 2006 figures cites an annual cost of €2.4 billion. Dr Roantree and Dr Kakoulidou also highlighted that the relief creates a strong bias to save in the form of owner-occupied housing and cites research that such exemptions contribute to higher house prices.

However, it was also noted that imposing CGT on PPRs could generate a "lock-in" effect as it could discourage selling a residence whose value has risen. Dr Roantree and Dr Kakoulidou concluded that “while removing this relief would need to form part of a wider and radical reform of housing taxation, it would provide a means of raising substantial revenues while reducing the bias towards home ownership embedded in the tax system.”

Entrepreneur relief, a reduced rate of 10%, applies to certain eligible assets. The latest figures cited by the ESRI showed that in 2018 875 taxpayers availed of the relief at a cost of €92.4 million, with almost 200 claims for more than €1 million. It was also noted that when introduced it was estimated the relief would cost €27 million a year. Referencing previous work,[15] Roantree and Kakoulidou argued that the relief “causes an array of economic distortions” including creating an artificial incentive for companies to ensure that any individual employee’s shareholdings are above an arbitrary 5% threshold, and encourages owner-managers to keep the profits in the company rather than take them as salary or dividends.

Dr Roantree and Dr Kakoulidou also considered that the justification for applying lower tax rates to people who own their own businesses than are applied to the rest of the population was far from clear. While such preferential rates are often defended as a reward for difficult and risky entrepreneurial activity, Dr Roantree and Dr Kakoulidou stated that “the risk and difficulty associated with entrepreneurship do not themselves justify favourable tax treatment as these are typically rewarded through a higher pre-tax return”. Dr Roantree and Dr Kakoulidou stated that there is little evidence that the relief is well-targeted, noting that the UK example showed that few entrepreneurs who availed of the scheme were aware of its existence when starting their business, and even fewer stated it influenced the timing or nature of their disposal. Dr Roantree and Dr Kakoulidou further highlighted that the relief is potentially more likely to generate efforts to avoid tax on retirement, rather than spur entrepreneurship or investment as intended.

Dr Roantree and Dr Kakoulidou also raised the fact that **no CGT is levied on assets transferred at death**, rather they are treated as being acquired at the market value

[15] Including work published by Dr Roantree

on the date of the owner's death. While this can be supported as it prevents double taxation of bequests subject to CAT, according to Dr Roantree and Dr Kakoulidou, this relief creates a strong incentive for older people to hold onto assets until death to bequest them tax-free to children. This potentially lowers living standards through retirement.

The relief on the transfer of **disposal of certain business or farming assets** by individuals aged over 55 was also questioned by Dr Roantree and Dr Kakoulidou,They noted that, while termed a retirement relief, it does not require an individual to retire, but to transfer beneficial ownership or dispose of the assets. Dr Roantree and Dr Kakoulidou highlighted that the relief "further advantages the already favourable tax treatment of income taken in the form of capital gains compared to that from employment".

Elimination of Environmental Tax Reliefs

According to the CSO, fossil-fuel subsidies reached €2.4 billion in 2019, with 89% coming from tax reliefs such as on airplane kerosene (€634 million) and the lower rate on diesel than petrol. Dr Kakoulidou highlighted that the relief on kerosene is part of an EU Directive, however Dr Kakoulidou also noted that this may be under discussion within EU.

Referencing previous ESRI work, Dr Roantree and Dr Kakoulidou outlined that removing these subsidies (except means-tested allowances for electricity, gas and fuel) would have small impacts on average disposable income, with higher-income households most affected.

Higher rates of income tax relief

Dr Collins highlighted a number of tax reliefs that benefit high earners.

High-Income Individuals' Restriction

Dr Collins outlined that currently this measure (to ensure a minimum tax contribution from higher earners – those above €125,000) applies only to "specified reliefs". Certain reliefs, such as on pension savings, are excluded from the restriction.

Tax Credits for High Earners

Dr Collins noted that tax credits are an important part of the tax system but highlights that they are of less relevance to those on the highest incomes. Dr Collins stated that removing tax credits on those over €100,000 (less than 3% of all earners in the State) would raise €70 million a year.

Special Assignee Relief Programme (SARP)

Dr Collins questioned the justification of the SARP (which provides tax relief for high earners relocating to Ireland) as it targets high earners, noting that the figures for 2018 suggest that the average recipient has an income of €313,000.

Dr Collins told the Committee that while it could be argued that these jobs should be supported as they bring long-term benefits to the country, the same argument could be made for almost every job. Dr Collins therefore questioned whether this is a good use of the State's resources.

Standard Rating of Tax Reliefs

Dr Collins outlined that a number of reliefs are provided at the marginal rate and argued that supports provided through the tax system should be worth the same to all taxpayers, irrespective of the level of their income. According to Dr Collins, applying this reform to tax expenditures costing over €5 million a year would raise €147.7 in additional revenue.

Observations & Recommendations

7. The Committee has discussed a number of areas where tax expenditures could be better targeted. The Committee will continue to examine this issue as part of its work programme

Standardisation of VAT Rates

Dr Roantree and Dr Kakoulidou discussed the standardisation of VAT rates in their paper, highlighting that Ireland is (following the UK's departure) the only EU country that applies a zero VAT rate to a large share of spending. A comparatively large share of expenditure (such as heating fuels, building and many hospitality services) is also subject to reduced VAT rates.

Estimates by the Revenue Commissioners indicate that increasing the zero and reduced VAT rates to the standard rate could raise up to €2.4 billion a year. Dr Roantree and Dr Kakoulidou outlined that such a move would result in a larger share of income loss for lower-income households.

Examining the impact relative to expenditure (rather than income), the Dr Roantree and Dr Kakoulidou showed that increasing the zero rate to 23% is regressive, while increasing reduced rates is found to be distributionally neutral, as the zero-rated items make up a larger share of low-income household spending.

Dr Roantree and Dr Kakoulidou estimated that the standardisation would result in a tax increase of around 3.5% for households, if spending patterns did not respond. The vast majority of additional tax revenue would come from higher-income households (as they spend more in cash terms), therefore it would be possible to use a portion of the additional revenue to compensate lower-income households. Citing previous work, Dr Roantree and Dr Kakoulidou stated that it would be possible to fully compensate the four lowest-income deciles with 22% of the additional revenues.

Equalising PRSI Treatment of Self-Employed and Employees

Dr Roantree and Dr Kakoulidou noted that self-employment is subject to less total tax than direct employment as employers are required to make PRSI contributions on behalf of their employees. This results in a significant difference in the total tax burden of each form of employment. By way of example, the Dr Roantree and Dr Kakoulidou showed that for an annual income of €40,000 this differential is €4,420, a roughly 50% increase on the tax paid by the self-employed.

Dr Roantree and Dr Kakoulidou highlighted that this can lead to some people operating as self-employed when they otherwise would have been employed. It is further noted that, while the lack of entitlement to certain contributory benefits was used to explain the difference, recent reforms have extended the eligibility to the self-employed. Citing a 2020 report from the then Department of Employment Affairs and

Social Protection, Dr Roantree and Dr Kakoulidou noted self-employed workers now have access to around 93% of the contributory benefits available to employees, while making much fewer contributions.

Dr Roantree and Dr Kakoulidou estimated that increasing the self-employed PRSI rates to match PAYE workers would raise around €1.15 billion. It is also shown that the impact of such a move would impact higher-income deciles most with the lowest-income deciles comparatively less affected. Dr Roantree and Dr Kakoulidou also argued that the lower rate of PRSI is poorly targeted at encouraging entrepreneurship or business start-ups, as while many self-employed are in “entrepreneurial” activities employing others and innovating, it also includes a wide range of activities such as barristers, taxi drivers and IT consultants.

4.2 Cost of Climate Change

The Committee identified the cost of climate change as a key topic for consideration.

The Committee met with representatives from the the Organisation for Economic Co-Operation and Development (OECD) and Think-Tank for Social Change (TASC). The OECD representatives were invited to discuss the OECD Environmental Performance Reviews: Ireland 2021report (the “OECD report).

Managing Travel Demand

The OECD highlighted that better incentives are needed to manage travel demand, noting that, with the exception of the Port Tunnel, Ireland does not use road charges to manage demand. Hidden car use subsidies, such as free workplace parking, also provide implicit incentives to commute by car.

The OECD was of the view that Ireland should consider congestion charges. It was outlined that congestion charges should not be seen as a charge on all private vehicles, rather it is to make drivers pay for the negative externalities they are producing. Revenue from these charges could fund investment to enhance travel conditions for pedestrians, cyclists and public transport users, and provide income support to vulnerable households. The OECD also noted that the reallocation of road space towards walking and cycling should be prioritised.

Observations & Recommendations

8. The Committee recommends that an examination of congestion charges be undertaken.

Tax and Subsidy System

The OECD report notes that progress has been made in greening the tax and subsidy system.

Carbon Taxes

The OECD report outlined that the Government has committed to using the revenue from the carbon tax increases to ensure a just transition and prevent fuel poverty.

While noting that such earmarking of revenue can help create political support for tax increases, the OECD states that this may limit the State's ability to adapt public spending to changing needs.

The OECD also highlighted that motor fuel tax rates continue to incentivise diesel vehicles and that a cap on diesel prices for road hauliers limits incentives to purchase more fuel-efficient vehicles and adopt more fuel-efficient systems (e.g. driving habits and logistics).

The OECD recommended that Ireland should gradually remove remaining tax exemptions and rebates that encourage wasteful fuel use in agriculture, fishery, heating and transport. It also recommended gradually increasing the diesel tax rate to, at least, reach the petrol rate in the medium term and to phase out the current price cap for road hauliers.

The OECD further recommended the establishment of a process to systematically screen actual or proposed subsidies and tax provisions to identify those that are not justified on economic, social and environmental grounds, and develop a plan to phase out fossil fuel and other environmentally harmful subsidies.

Electric Vehicle Strategy

The OECD report also examined the existing Electric Vehicle (EV) strategy and highlighted that Ireland has introduced some of the most generous subsidies for EVs in the OECD. However, the grant does not cover the differential between an EV and a conventional car and therefore, tends to mostly benefit wealthy households who can afford to bridge the price gap. The level of taxation on conventional cars is also insufficient to encourage a shift to EVs. The OECD noted that a successful EV strategy must complement purchase subsidies with a more extensive charging network, higher taxation of conventional cars and travel demand measures (as outlined previously).

Ms Samsonova, from the OECD, highlighted to the Committee that "only focusing on improved types of measures and on electrification is an extremely costly way to decarbonise the transport system in Ireland"[16].

Fuel allowance

The OECD noted that fuel allowance is not entirely a fossil fuel subsidy, however, it raised concerns that the name could have behavioural effect and may prevent people from adopting energy efficiency measures (not necessarily investment, but also behavioural measures at home).

Observations & Recommendations

9. The Committee recommends that EV strategy be reviewed to ensure it represents value for money and is achieving its objectives.
10. The Committee notes the debate around the benefits of tax exemptions on fuel use.

Climate Investment

TASC emphasised that, due to the scale of the climate crisis, a State-led investment approach should be prioritised and that it should be seen as the "biggest stimulus package ever" to the economy.

The OECD welcomed the increase in climate-related capital expenditure, though noting the need to further mobilise private finance. Ms Capozza, from the OECD, also warned that the "green" investment must be well categorised to ensure it does not become 'green-washing'.

Retrofitting

Retrofitting was identified by TASC and SJI as key investment, who expressed the view that the cost should not fall on homeowners as it is an inefficient strategy because, while 35% can be offset by grants, it remains a significant cost. TASC was also of the view that a retrofitting programme could provide up to 32,000 jobs.

[16] Committee on Budgetary Oversight debate - Thursday, 17 Jun 2021 (oireachtas.ie)

SJI highlighted that making grants available can be regressive as it benefits households that can afford the up-front costs but does not help lower income households who would benefit most from lower utility bills.

Water infrastructure

The OECD report expressed the view that inadequate water infrastructure and farming exert high pressure on water quality. Removing the favourable tax treatment of some agricultural inputs would contribute to a more efficient use of resources and improve water quality. The OECD recommended that farmer income support be shifted towards agri-environment payments based on environmental outcomes

The OECD report also noted that while investment in water infrastructure has increased considerably, Ireland still suffers from high water losses, hot spots of low water quality and inadequate wastewater treatment, and highlighted that Ireland stands out among OECD countries in not charging households for water services. As a result, the State budget covers the vast majority of water sector financing. The OECD outlined that this model may not be able to keep up with the scale of required investment. The OECD recommended assessing whether the funding model for water services is sufficient to cover the high investment required and whether household water charges would be an appropriate financing source.

Research and Innovation

The OECD also stated that higher investment is needed to spur climate- and environment-related innovation as both Government and businesses invest relatively little in such research and development. Less than 2% of Government R&D was directed to environmental and energy research in 2019.

Ms Capozza expressed the view that the State can promote eco-innovation, and while noting that State funding for research and development funding increased, that it had not increased enough.

Public Transport

The OECD also noted the commitment to two-to-one spending on public transport over roads and suggested that road investment should be limited to necessary maintenance and construction of small-scale town bypasses.

TASC outlined its view that the privatisation of more profitable public transport routes results in a lack of revenues to fund routes that are not profitable and that a State-led intervention would allow for profits from busier areas to fund radically different public transport in rural areas.

Ms Samsonova also raised the need to diversify funding sources, particularly through land value capture mechanisms.

Ms Samsonova outlined that making public transport more competitive than cars is difficult in low density environments. Ms Samsonova also emphasised the need to invest more in rural transport programmes.

Green Budgeting

TASC noted that the Public Spending Code includes societal outcomes and shadow costs but stated that they appear to be a box-ticking exercise.

Observations & Recommendations

11. The Committee emphasises the need for significant investment in climate-related infrastructure.
12. The Committee recommends that such investment should be structured to maximise sustainable and quality jobs, energy efficiency and lower carbon emissions, while ensuring a just transition, protecting livlihoods and providing economic development across the country.
13. The Committee recommends that increased investment in sustainable public transport and walking and cycling infrastructure be prioritised.

Cost of Inaction

Both the OECD and TASC representatives highlighted the costs of inaction. While potential fines are a clear budgetary cost of missing targets, TASC put the fines and carbon credits at up to €7 billion, the OECD and TASC representatives agreed that the consequences for the economy and society would be the main costs of inaction. Mr McCabe of TASC expressed the view that the impact of inaction will be much more significant.

Just Transition

The need to ensure a just transition was also emphasised by both the OECD and TASC. The OECD noted that, while the transition to a carbon-neutral economy is expected to have a modest negative impact on employment over the next decade, the impact will be concentrated in small areas and communities and is likely to exacerbate regional disparities. TASC also stated that if climate action increases the cost of fuel without affordable alternatives, it will regressively impact on those living in remote areas.

TASC stressed the importance of poverty proofing climate policies to ensure that unintended regressive impacts are avoided.

4.3 Capital Investment

The capital allocation set out in Budget 2021 was €10.071 billion. There is an additional €710 million in capital carryover, resulting in total available capital spending of around €10.8 billion. The capital allocation has grown significantly in recent years and is now over 300% higher than in 2013.

The SES sets out capital spending increases up to 2025 as shown in table 4 below. Capital spending will grow faster than current spending over the period (an average of 8% compared to 4.7%).

Table 4: Expenditure Ceilings set out in Summer Economic Statement

	2021	2022	2023	2024	2025
Core Capital Expenditure	9.8	10.9	11.7	12.7	13.4
y-o-y increase %	19.8%	11.7%	7.0%	8.4%	6.2%

The Fiscal Council and SJI highlighted the importance of capital spending as it provides favourable conditions for economic recovery. SJI emphasised the importance of capital investment for economic development, protecting communities, addressing infrastructure deficits, and lowering unemployment. SJI also called for significant investment in public housing.

The classification between capital and current expenditure was addressed by DPER, who noted that capital expenditure has a specific meaning, investment in the creation of an asset that will generate returns beyond one-year. For example, maintenance expenditure for the upkeep of infrastructure is predominately classified as capital expenditure.

National Development Plan

DPER outlined in its opening statement to the Committee that the review of the National Development Plan (NDP), brought forward from 2022, “will provide an opportunity to reassess investment plans, to update project costings, and to highlight any new issues which need to be taken into consideration, particularly in light of the ongoing impacts of, and recovery from COVID-19".[17] The phase 1 report has been published and DPER informed the Committee that phase 2 is progressing well and that DPER and line Departments have been in substantial engagement intended to set out rolling five-year capital allocations for Departments.

DPER outlined to the Committee that phase 2 of NDP review involves a series of bilateral meetings between the Minister of Public Expenditure and Reform and the Ministers in charge of Departments to discuss their priorities.

It was also stated that the NDP will align with the National Planning Framework, with investment plans ensuring the delivery of housing, employment and infrastructure.

DPER noted that it does not want to keep reviewing, and re-reviewing plans and projects that have already been reviewed and that it must move on to implementation. Following the completion of the current NDP review it will be a number of years before another review of it. To this end, the five-year expenditure ceilings will be set and then ten-year strategic objectives (with resourcing).

Phase 1 of the NDP review states that the Government will investigate the use of a specific type of Public Private Partnership (PPP) – Energy Performance Contracts – if there is an "appetite to include a structured PPP component as part of the revised NDP". Given the numerous reports in the last number of years which have raised concerns about the use of PPPs (PBO, C&AG, IMF, etc). These investigations should include the terms and conditions of contracts prior to their introduction and ongoing review of the appropriateness of their use.

[17] Department of Public Expenditure and Reform, Opening Statement to Committee on Budgetary Oversight 1 July 2021 2021-07-01_opening-statement-ronnie-downes-assistant-secretary-central-expenditure-policy-and-reporting-division-department-of-public-expenditure-and-reform_en.pdf (oireachtas.ie) p2

Oversight of Capital Spending

DPER outlined that its role relating to capital investment is to set overall allocations, monitor and report on spending against profile, set overall guidance on spending and provide technical reviews on compliance with the Public Spending Code. Line Departments are charged with approval of specific projects and prioritising spending.

The Minister of Public Expenditure and Reform announced,[18] in March 2021, a number of measures to strengthen oversight of the State's capital budget, including the establishment of a framework of external specialists in infrastructure delivery and a Major Projects Advisory Group.

DPER outlined to the Committee that the public spending code has been improved and strengthened[19] and that work to streamline it further continues with the aim of providing the options for each project with informed, objective and analytical professional assessment. The important role of elected representatives was noted by DPER, stating that the public spending code does not replace decision-making rather it is a tool to aid decision makers.

DPER informed the Committee that the options for a project undergo rigorous analysis, including cost-benefit analysis, potential risks and likely costs. This is to enable the early identification of projects that will not make the cut. DPER also informed the Committee that projects over €100 million automatically go through DPER and the Government for approval. Smaller projects are brought to DPER's attention if there are significant issues (such as going significantly over budget) or if the relevant Department wishes to raise any issues.

DPER stated it is keen to go beyond the financial envelope in its engagements with Departments. This includes understanding what the objectives, milestones and targets are of projects.

The NDP Phase 1 Report stated that independent external reviews will inform the Government and focus on costings, delivery feasibility, governance and

---

[18] gov.ie - Minister McGrath takes action to strengthen oversight of State's capital budget (www.gov.ie)
[19] See for example https://assets.gov.ie/43855/2de5805e0df74fcfbf9af8342ffa845d.pdf & PSC-Central-Technical-References-and-Economic-Appraisal-Parameters-Circular.pdf (per.gov.ie)

consideration of risk and procurement. The Major Projects Advisory Group will then support DPER in assimilating the outputs from external reviews and to quality assure the process.

DPER noted that it is improving its own processes for assessing and appraising projects (including well-being indicators). An external peer review process has also been introduced. DPER also told the Committee that it is currently undertaking a project examining how the bodies such as the Office of Public Works, National Development Finance Agency, national investment office (within DPER) and the Office of Government Procurement could co-ordinate their activities and provide a better service and support to other Departments and agencies. The Fiscal Council also noted the importance of well-targeted and coordinated investment.

Capacity for Capital Investment

The Fiscal Council noted that there has been a tendency for underspends in the capital budget and suggested that expenditure targets should be met due to the delivery of projects rather than merely increases in costs. DPER outlined that while there are some underspends, these were understandable given the restrictions imposed over the first months of the year. Furthermore, DPER stated that the line Departments have indicated that the full allocations will be used. The NDP Phase 1 Report noted that the NDP review "needs to be cognisant of the supply side capacity constraints which have been evident in recent years alongside the strong demand for investment".[20]

DPER accepted that there are some capacity constraints related to the construction sector but noted that the NDP review is attempting to give the sector greater certainty of capital budgets over the next decade. DPER also informed the Committee that there are ongoing initiatives with the construction sector to see how supply can be increased. DPER addressed the capacity constraints related to retrofitting (see section 4.2), telling the Committee that while the labour force could

[20] NDP – Phase 1 Report, 17f424e3-a359-4f5d-8fde-0ac9b987a568.pdf (www.gov.ie) p100

be grown for a retrofitting programme it could require workers more usually involved in the traditional construction sector resulting in additional shortages in that sector.

The NDP Phase 1 Report also outlined that "even when functioning at maximum efficiency, there is a limited amount of investment that the public sector has the capacity to deliver in any given year, regardless of how much funding is made available".[21] This is due to each investment requiring administration, planning, appraisal, procurement, etc. though public sector staffing is limited. As a result, the report stated that while delivery capacity is relatively fixed in the short term, it can be increased in the medium term through the allocation of additional resources.

The NDP Phase 1 report further highlighted that the clear risk of investing beyond what can be effectively managed is a reduction in standards with less appraisal and planning, which ultimately would result in inefficient delivery and poor value for money.

The capacity of the construction sector has been heavily impacted by the pandemic. However, the NDP Phase 1 Report stated that capacity constraints were already evident before the pandemic, with tender price inflation and the plateauing of employment in the sector.

Observations & Recommendations

14. The Committee notes that the lack of public and affordable housing and rental accommodation is a result of the under-provision of social and affordable housing by successive Governments, notes that ESRI warned that without a significant scaling up of publicly provided construction we will fall significantly short of meeting the level of demand for accommodation in the absence of such investment, and therefore recommends that capital investment in public housing be doubled in Budget 2022.

[21] NDP – Phase 1 Report, 17f424e3-a359-4f5d-8fde-0ac9b987a568.pdf (www.gov.ie) p32

4.4 Budgetary Issues

Corporation Tax

Efforts to achieve international agreement on corporation tax could have a significant impact on Ireland's corporation tax revenue and economic outlook. The Fiscal Council noted there is currently significant uncertainty around corporation tax.

The Fiscal Council expressed the view that public finances have become over-reliant on corporation tax, which is volatile and concentrated. There is a significant risk that Ireland will not be able to continue raising as much revenue from corporation tax as it currently does. The Fiscal Council recommended that the over-reliance on corporation tax be wound down and that the structural reliance on corporation tax for funding spending should be reduced.

Dr Roantree, from the ESRI, noted that 10 companies were responsible for over half of corporation tax revenues in 2019.

The Department of Finance forecasts allow for a €2 billion reduction in corporation tax receipts (compared to what would have been otherwise been forecasted to take account of potential changes to the international corporation tax system. The Fiscal Council welcomed the inclusion of this adjustment but noted that this still projects corporation tax to be higher in 2025 than in 2019. The Fiscal Council also noted that since the Department started including the €2 billion fall in its assumptions, the risks have increased. The Fiscal Council argued that €3.5 billion is a more realistic starting point.

Professor Stephen Kinsella stated he would have liked to see more work in this area and that Ireland is "in very deep trouble" if the impact is more than the €2 billion estimated by the Department.

While a smooth adjustment is projected in the SPU, the Fiscal Council was of the opinion that there is likely to be a more sudden adjustment and there could be a significant adjustment over one or two years. Such a sudden adjustment would be very disruptive and would result in the need to raise revenue from other areas or to cut spending.

The implications of the international changes to the global corporation tax are difficult to assess because, as outlined by Professor Kinsella, the detail of the agreement arrived at will be vital in shaping the reaction of corporations. Nevertheless, the Fiscal Council stated that it has examined the impact of changes to the corporation tax regime. As most corporation tax is paid by the top ten corporate groups, the Fiscal Council looked at the economic impact based on the levels of employment amongst these groups. The Fiscal Council estimates that the impact on growth would be limited to around 1% of GDP, and that the impact will primarily come from the reduction in corporation tax revenue. By way of example, the Fiscal Council show that if five of the large corporate groups left Ireland it could result in a €3 billion loss of corporation tax revenue. However, the Fiscal Council also noted that confidentiality restrictions limit the data available.

The Fiscal Council highlighted that there are two effects that could result from the tax reforms. First is that revenue may shift, as companies pay tax in other jurisdictions. Second is that some activities may shift. This would impact on people's employment, the money they spend, and the taxes they pay.

To avoid a sudden disruption to the public finances, the Fiscal Council advocates a gradual unwinding of the reliance on corporation tax and emphasises the need for a long-term plan for corporate tax.

The Fiscal Council noted that there is a mismatch between the revenue raised from corporation tax and the level of activity. As a result, it is possible that revenue will move but that activity will stay. The Fiscal Council also discussed the work carried out by Dr Regan and Professor Brazys examining real and phantom FDI activity, noting that while it is a good way to look at the issue, it is difficult to identify which activities are genuine and which are phantom.

The Fiscal Council and Dr Roantree also told the Committee there is a significant risk as changes to corporation tax are not under Ireland's control and will largely depend on decisions taken by the United States where Ireland does not have a great deal of influence.

Professor Kinsella noted his belief that there is both an upside and downside risk to corporation tax revenues. However, Professor Kinsella also stated that if corporation tax revenue were to increase, it would result in even greater reliance on corporation tax, an outcome which would be fundamentally unstable. The Fiscal Council highlighted that the earlier BEPS process resulted in a significant increase in corporation tax receipts due to the way it was put in place.

The Fiscal Council stated that the importance of the corporation tax rate in attracting companies to Ireland compared to other factors is difficult to break down clearly.

Observations & Recommendations

15. The Committee notes that the ongoing international discussions could have a significant impact on Ireland's corporation tax revenue.
16. The Committee welcomes the inclusion of a decrease in corporation tax revenue over the coming years in the Government's forecasts. However, the Committee also notes that the impact could be greater.
17. The Committee recommends that any short-term increases in corporation tax revenue should not, in general, be used to fund increases in current expenditure though there may be some exceptions.
18. The Committee is concerned that the concentration of corporation tax in a small number of corporate groups leaves Ireland's tax revenues vulnerable to a sudden change in policy from a small number of companies.

Budgetary Planning/process

The Fiscal Council highlighted that Budget 2021 included a significant increase - €4.5 billion, unrelated to Covid-19 - in permanent spending and as a result the resources that would be expected to become available for new spending have already been accounted for.

The Fiscal Council re-emphasised that its endorsement role regarding forecasts in the SPU is limited to the macroeconomic forecasts, not the budgetary forecasts. The Fiscal Council endorsed the economic forecasts, noting that its view was more optimistic than the SPU but that the SPU presented “reasonable macroeconomic forecasts”.

However, the Fiscal Council criticised the budgetary forecasts in the SPU, stating they were not credible and poorly founded. The Fiscal Council raised concerns that “even conditional on the existing policies on which the forecasts have been done they are not well founded” and criticised the lack of costings on the expenditure side. The Committee notes that the SES has, however, increased projected expenditure.

For example, the Fiscal Council noted that the SPU shows fast growth in income tax revenue compared to pay and outlines that this appears to be due to the non-indexation of the income tax system. If income tax were to be indexed, it would have a significant negative impact on receipts. The Fiscal Council highlighted that the full impact will depend on the whether indexation is limited to income tax or is extended to other areas such as USC. The Fiscal Council has also presented its own adjusted forecasts which it considers “more realistic”.

The Fiscal Council was critical of the lack of medium-term planning, stating that it creates uncertainty that could act as an anchor on growth. The lack of a clear plan leaves the public finances in a vulnerable position. The Fiscal Council also noted that “making big commitments without adequate funding is a classic risk for the public finances and really does need to be addressed”.[22]

The focus on the annual budgetary cycle was raised as a barrier to medium-term planning by the Fiscal Council. It recommended a move away from the annual cycle to a more medium-term cycle. This would align Department’s spending plans for the coming years to help avoid cyclical movements in public spending while still allowing small changes from year to year based on circumstances at the time. The Fiscal Council also highlighted the strong complementarity between medium-term planning

[22] Committee on Budgetary Oversight debate - Thursday, 27 May 2021 (oireachtas.ie)

and performance budgeting frameworks as the multi-year spending envelopes would also enable Departments to plan and deliver targets set out.

SJI called for the Committee to play a bigger role in post-budget oversight, in particular of how the allocations are spent, and to review the adequacy and efficacy of budget allocations. SJI believes this would provide valuable information prior to following budgets. Professor Kinsella also called for a “deeper connection” between the Committee and the Comptroller and Auditor General to enable the Committee to scrutinise the expenditure of the previous year and the performance of the public sector. Professor Kinsella argued that it is only through such a “feedback mechanism” that a full understanding of programme-level budgeting can be achieved. More generally, Dr Collins highlighted the lack of scrutiny of budgetary decisions after they had been implemented.

Fiscal Rules

In response to the crisis, the EU activated the “general escape clause”. The exceptional circumstances clause in domestic legislation was also triggered. Minister Donohue told the Committee he expected the fiscal rules to be reactivated in 2023.

The Fiscal Council noted that there have been discussions at EU level around the reform of the fiscal rules and Professor Kinsella expressed the view that the “reintroduced” rules may be different to the current fiscal rules.

Professor Kinsella noted that the general escape clause will continue to apply in 2022 and is expected to be deactivated in 2023. However, Professor Kinsella expressed the view that fiscal consolidation would happen when the economy reopens. While this would not necessarily be austerity, Professor Kinsella warned that if poorly designed it would feel like austerity to people receiving the withdrawn supports.

Professor Kinsella further stated that once the fiscal rules are activated "it will be difficult to explain to the public why the extraordinary largesse of the State cannot be extended by another year".[23]

Professor Kinsella outlined three options for closing the deficit:

- Allowing growth and re-opening to close the deficit while investing in areas such as digitalisation and decarbonisation.
- Raising taxes, particularly on employers and the wealthy.
- Reducing public spending.

Observations & Recommendations

19. The Committee recognises that the public consultation into the review of EU Fiscal Rules is to be reopened in 2021. The Committee commits to examining as part of work programme some of the different proposals for reform and their compatibility with the Green New Deal, which could assist the government in making in its submission to the public consultation.

Deficit and Debt Sustainability

The Fiscal Council noted the historically low interest rates and that the debt dynamics are very favourable, particularly given the high growth projections. However, the Fiscal Council also cautioned that low interest rates and high growth rates may not continue forever.

The Fiscal Council also gave a brief outline of the modelling it has worked on, alongside staff from the NTMA, looking at all of Ireland's debt securities, their interest rates and maturity profiles. Examining a number of scenarios, the Fiscal Council found that there is a 15% to 20% probability that the debt ratio will remain at its current very high levels or rise in an unsustainable way.

[23] Committee on Budgetary Oversight debate - Thursday, 3 Jun 2021 (oireachtas.ie)

The Fiscal Council emphasised the importance of sustainable public finances, in particular due to the high levels of public debt.

The Fiscal Council stated "sustainable growth is probably the main factor in ensuring the sustainability of public finances" and noted lower growth was a big risk. A contraction in FDI activities was identified by the Fiscal Council as a significant concern.

SJI were of the view that a high level of borrowing will be necessary to create increased employment and deliver infrastructure and services.

The projections set out in the SES show a deficit of 2.8% of GNI* (1.5% of GDP) in 2025 compared to 0.3% of GNI* (0.2% of GDP) in the SPU. The SES sets out the expenditure ceilings up to 2025, growing at around 5% per year. Government revenue will fluctuate with the economic cycle. Therefore, if the economy performs more poorly than expected, the Government will allow the deficit to grow rather than lowering the expenditure ceilings.

The SES also sets out the projected levels of Government debt to 2025. Debt-to-GDP is forecast fall to 56.7% in 2025. In terms of GNI* the debt ratio is projected to drop from 111.8% in 2021 to 106.3% in 2025.

Observations & Recommendations

20. The Committee notes the commitment in the SES to stick to the expenditure ceilings even in the event of a drop in revenue due to poorer than expected economic performance.
21. The Committee is of the opinion that the deficit should be allowed increase if there is a negative shock to the economy resulting in lower than expected revenue. However, the Committee also emphasises that permanent increases in current expenditure should be matched by increases in revenue.

22. The Committee notes the deficit and debt trajectories set out in the Summer Economic Statement and further notes the allowance for larger deficits to 2025 to fund increased investment.

Household savings

The large increase in household savings was discussed with a number of witnesses.

Professor Kinsella noted that there are tens of billions to be spent across the economy. However, he also highlighted that the increase in domestic demand will not be felt to the same extent across every sector of the economy.

Professor Kinsella highlighted that the usual savings rate (percentage of unspent income) was around 10% and it is currently upwards of 24%.

Professor Kinsella stated he would like to see these savings channelled into city centres, Irish businesses and to the worst affected sectors.

The SES also highlights the unwinding of household savings as an important boost to the economy.

Unemployment

Professor Kinsella noted that the economic forecasts from the Department of Finance, the Fiscal Council, IMF, Central Bank and ESRI predict a strong recovery without a corresponding fall in either general or youth unemployment. Professor Kinsella was of the view that this shows the extent of the structural damage to the economy that will need to be addressed.

This is the result of the scarring of certain sectors by the pandemic according to Professor Kinsella. Technological and behavioural changes will also impact on demand in certain sectors.

Professor Kinsella also noted that young people have been significantly impacted by the pandemic, but also had an “unequal experience of the post-austerity period”. Professor Kinsella outlined that youth unemployment has significant life-long impacts. For example, one year of unemployment between 16-24 reduces lifetime earnings.

SJI suggested that an unemployment target should be the primary driver of fiscal policy rather than a deficit target.

SJI called for Budget 2022 to allocate resources for the upskilling of those unemployed and at risk of becoming unemployed. Programmes should also be aimed at addressing youth unemployment.

Professor Kinsella also highlighted the fact that older workers are also disadvantaged if they become unemployed as their skills often do not match current labour market conditions. As a result, older workers can find themselves effectively locked out of the labour market.

Observations & Recommendations

23. The Committee highlights the importance of investment in re-skilling, in particular for those most disadvantaged by the pandemic such as young people, older workers, women etc.

Sectoral Differences

Professor Kinsella emphasised how different sectors have been particularly affected by the pandemic, showing, for example, that the Employment Wage Subsidy Scheme (EWSS) only represented 5% of total earnings across the economy but 50% of earnings in the accommodation sector.

The Minister for Finance, Pascal Donohue T.D., expressed the view that, unfortunately, some businesses would not survive post-pandemic and stated that the Government will work to help these businesses transition to more sustainable sectors.

Taxation Changes

The Committee considered the need for increased revenue to be raised over the coming years to fund spending on additional services and investment, as well as to replace the possible loss in corporation tax revenue. Dr Collins considered it “inevitable” that additional tax revenues will have to be raised on an ongoing basis after the pandemic. Dr Roantree and Dr Kakoulidou also outlined in their paper that there will need to be increased taxes to fund planned and promised spending increases.

Dr Roantree also told the Committee that structural deficiencies in the current system, such as the decline of motor tax revenues and the reliance on volatile corporation tax revenue, further shows the need for future tax increases.

SJI identified what it saw as three key issues related to taxation:

- Increasing the overall tax take
- Broadening the tax base
- Developing a fairer tax system

SJI stated that while Budget 2022 is unlikely to see any major changes to the taxation system, preparations should begin for the additional tax measures needed in the longer term, such as reform of corporation tax, setting a minimum effective tax rate for high earners, introducing a site value tax to replace the property tax, and taxing second homes, empty houses and underdeveloped land.

Stephen Kinsella noted that a significant benefit of wealth taxes is that they are quite stable compared to income taxes. This could be particularly important in the event of a fall in corporation tax receipts as they have often compensated for a drop in domestic revenue.

Dr Roantree outlined to the Committee that increases in the main rates of income tax, USC, PRSI, VAT and the local property tax would be the most straightforward way to substantially increase tax revenues. Dr Roantree and Dr Kakoulidou’s report also examined measures targeted at the better off and tax expenditures (see section 4.1)

The Fiscal Council welcomed the establishment of the Commission on Taxation and Welfare, stressing the importance of it leading to change and "not just an exercise in kicking matters into the long grass".

Observations & Recommendations

24. The Committee notes that additional revenue will have to be raised to fund new investment and services.
25. The Committee welcomes the establishment of the Commission on Taxation and Welfare and looks forward to engaging with it.

Social Welfare Rates

SJI highlighted that the core social welfare rates have not been increased in the last two budgets. SJI called for core social welfare rates to be benchmarked, noting that in 2007 minimum social welfare rates were the equivalent of 30% of gross average industrial earnings which is equivalent to 27.5% of average earnings (as calculated by the CSO) in 2021 which would be €222.08. This implies a €19 gap to the current core rate of €203. Therefore, SJI is calling for core social welfare rates to be increased by €19 over the next two years, with a €10 increase in Budget 2022.

SJI stated that if social welfare rates had been benchmarked at 2016 levels 12,000 additional adults would have been lifted out of poverty. Dr Roantree noted that while the poverty level among pensioners is lower than in the general population, it is very sensitive to the rate of the State pension, with pensioners living alone particularly at risk.

SJI also called for a universal basic income pilot (UBI), highlighting that it would have limited cost implications and would help inform discussion around the longer-term development of a UBI.

Section 5 Performance Management

5.1 The Public Sector Performance Report

The Public Service Performance Report (PSPR) is an important development in the budgeting framework and, while acknowledging that there is potential for improvement with regard to the data in the report, it is also acknowledged that DPER has worked with the Parliamentary Budget Office to ensure the publication is more suitable to the needs of parliament.

The Committee met with officials from DPER to discuss the 2020 Public Service Performance Report (PSPR). The Committee also wrote to sectoral committees, in advance of the publication of the PSPR, inviting them to examine the chapters of the PSPR relevant to them. The Committee believes that consideration of the PSPR is a key milestone for sectoral committees in the budgetary calendar.

Officials from DPER told the Committee that responsibility for choosing key output and impact indicators rests with each individual Department. While the Committee acknowledges that individual departments are best placed to know the workings within the Department, it believes that sectoral Committees should have a greater role in establishing these indicators, with the Department of Public Expenditure and Reform, providing a role in ensuring that these indicators meet with best standards, are consistent with the level of other indicators and best represent the performance of the Department. The Committee notes the risk in all performance management systems, in that indicators whose data is often the easiest to collate are often chosen, above those which are most representative of performance. The Committee notes that the Joint Committee on Social Protection, Community and Rural Development and the Islands has recommended that the Department of Social Protection revise its indicators in consultation with the Committee.[24]

[24] Recommendation 73,Joint Committee on Social Protection, Community and Rural Development and the Islands – Report: Pre-Budget Submission to the Department of Social Protection(oireachtas.ie)

5.2 Well-Being Framework and Indicators

The Committee highlighted the lack of an overall well-being framework. Officials from DPER acknowledged this point but noted that development of such a framework was at an advanced stage. Officials from DPER added that the programme is being spearheaded by the Department of the Taoiseach, with DPER and the Department of Finance also having prominent roles in the programme. The Committee heard that that part of the objective of the exercise is to develop a set of indicators which can serve multiple purposes. This includes developing a set of economic and social indicators to see whether Ireland is making progress in improving the lives of citizens, including alternatives to GDP. DPER noted that part of its role is to ensure that the well-being framework can serve that purpose as an overarching framework for performance budgeting and to integrate those equality dimensions within each of those well-being indicators.

Observations & Recommendations

26. The Committee welcomes developments around a well-being framework and ongoing consultation with various stakeholders.
27. The Committee also believes that qualitative indicators, in addition to quantitative indicators should also be included in such a framework.

5.3 Green Budgeting

The Committee believes that performance metrics and indicators can have a strong impact in implementing Green initiatives. The Committee welcomes Ireland's inclusion in the OECD Paris Collaborative on Green Budgeting. It welcomes DPERs role in developing impact metrics that are meaningful and relevant. The Committee notes the importance of not just the development of such metrics but their embedding and use to ensure effective outcomes within each Department. The Committee will continue to examine this feature of the PSPR.

Observations & Recommendations

28. The Committee is of the opinion that sectoral committees should have a greater role in establishing the indicators in the Public Service Performance Report, with the Department of Public Expenditure and Reform, providing a role in ensuring that indicators meet best standards, are consistent with other indicators and best represent the performance of the Department which is measured.
29. The Committee recommends that appropriate stakeholders, such as academics, universities and community groups should be included in discussions regarding equality and well-being indicators and that such consultation should continue throughout the process.
30. The Committee is of the opinion that qualitative indicators, in addition to quantitative indicators, should be included in any framework for equality and well-being indicators.

Appendices

Appendix: A: Meetings and Stakeholders

Date	Topic	Stakeholders
May 20	Public Service Performance Report - Transcript	Department of Public Expenditure and Reform - Opening Statement • Ronnie Downes, Assistant Secretary • John Kinnane, Principal Officer • Caroline O'Loughlin, Assistant Principal
May 27	The Fiscal Assessment Report - Transcript	Irish Fiscal Advisory Council (the Fiscal Council) - Opening Statement • Sebastian Barnes, Chairperson • Dr. Adele Bergin, Council Member • Alessandro Giustiniani, Council Member • Dawn Holland, Council Member • Prof. Michael McMahon, Council Member • Dr. Eddie Casey, Council Member
June 3	Pre-Budget Priorities exiting Covid - Transcript	Social Justice Ireland - Opening Statement • Dr. Seán Healy, CEO • Michelle Murphy, Research and Policy Analyst • Colette Bennett, Economic and Social Analyst • Susanne Rogers, Research and Policy Analyst Professor Stephen Kinsella, Associate Professor of Economics, University of Limerick - Opening Statement

June 17	The Cost of Climate Change - Transcript	OECD - Opening Statement • Ivana Capozza, Senior Policy Analyst – Programme Manager, Environmental Performance Reviews • Tatiana Samsonova, Policy Analyst – International Transport Forum TASC - Opening Statement • Seán McCabe, Executive Manager – Climate Justice Centre
June 24	Tax Expenditures - Transcript	ESRI - Opening Statement • Dr. Barra Roantree, Economist / Research Officer • Dr. Theano Kakoulidou, Postdoctoral Research Fellow Dr Michàel Collins, Assistant Professor – School of Social Policy, Social Work and Social Justice, UCD - Opening Statement
July 1	Capital Investment -Transcript	Department of Public Expenditure and Reform - Opening Statement • Ronnie Downes, Assistant Secretary, Central Expenditure Policy and Reporting Division • Kevin Meaney, Principal Officer, National Investment Office • Clare Costello, Principal Officer, Housing Vote • Niamh Callaghan, Principal Officer, Transport Vote • Jim Deane, Principal Officer, Health Vote
July 15	The Summer Economic Statement Report - Transcript	Minister for Finance, Paschal Donohoe T.D. - Opening Statement Minister for Public Expenditure and Reform, Michael McGrath T.D. - Opening Statement

Appendix B: Actions of the Final Report on the Framework for Parliamentary Engagement in the Budgetary Cycle

Action 5	**From 2021 onwards, the Committee will place a renewed focus on using expert publications and analysis as the starting point for pre-budget scrutiny. This will be used to establish the Committee's view of key budgetary priorities.**
Response	The Committee established its view of key budgetary priorities over a series of meetings in May 2021. The Committee agreed upon several topics from which it identified appropriate witness to invite.
Action 6	**Upon the establishment of the key priorities, the Committee will engage with the relevant sectoral Committees with the view to receiving costed budgetary measures to address the priorities. In developing these measures, sectoral committees should engage with the relevant department and any stakeholders that it sees appropriate.**
Response	This Committee will work with the Committees Secretariat, the PBO and DPER in order to devise a timeline that will allow for sectoral committees to align their work with the Committee on Budgetary Oversight so as to provide for a more integrated approach to pre-budget scrutiny by Oireachtas committees.
Action 7	**Upon the establishment of the key priorities, the Committee will engage with the relevant sectoral Committees with the view to receiving costed budgetary measures to address the priorities. In developing these measures, sectoral committees should engage with the relevant department and any stakeholders that it sees appropriate.**
	The implementation of this action is ongoing, and it is intented to be implemented for Budget 2023. This year however, the Committee identified several budgetary priorities and wrote to the sectoral committee's whose remits cover these topics. The Committee invited those sectoral committees to contribute and to indicate thework they have undertaken or intend to undertake. The responses are listed to Appendix C.
Action 8	**This Committee will work with the Committees Secretariat, the PBO and DPER in order to devise a timeline that will allow for sectoral committees to align**

	their work with the Committee on Budgetary Oversight so as to provide for a more integrated approach to pre-budget scrutiny by Oireachtas committees.
	The Committee has listed 4 key milestones for its own work and for sectoral committees. This work is ongoing and BOC will continue to support sectoral committees in implementing this framework.
9	**The Committee on Budgetary Oversight will, shortly after the Budget each year, lay a post-Budget report before the Dáil, and send it to the Committee on Finance, Public Expenditure & Reform and the Taoiseach for use during consideration of the Finance Bill.**
	The Committee will provide a post-Budget Report following the publication of Budget 2022.
10	**The Committee will lay a pre-SPU report before the Dáil, commencing in 2021.**
	The Committee undertook ex-ante scrutiny of the Stability Programme Update (SPU) in March 2021 and published a pre-SPU report on April 1 which was laid before the Dáil and issued to the Minister for Finance.
11	**The Standing Orders of Dáil Eireann which relate to the Committee on Budgetary Oversight should be amended to provide a strengthened role of the Committee with regard to public capital investment.**
	The Dáil agreed to the amendment of Standing Orders including SO.219. relating to the Committee's role with regard to capital investment.
12	**From 2021 onwards, scrutiny of tax expenditures will be a standing meeting(s) on the annual work programme of the Committee on Budgetary Oversight. In the first year, a particular focus of the Committee will be the implementation of the recommendations contained in its 2019 report.**

	The Committee agreed to tax expenditures as a priority work item and on 24 June met with Stakeholders to discuss. The Committee will continue to work in this area.

Appendix C: Contributions off Sectoral Committees

C1: Committee on Climate Action

Tithe an Oireachtais
Houses of the Oireachtas

An Comhchoiste um Chomhshaol agus Ghníomhú ar son na hAeráide

Teach Laighean
Baile Átha Cliath 2
D02 XR20
Guthán: (01) 618 3183
R/phost: climateaction@oireachtas.ie

Joint Committee on Environment and Climate Action

Leinster House
Dublin 2
D02 XR20
Tel: (01) 618 3183
E-mail: climateaction@oireachtas.ie

Ref: CCA-I-2021-143

Ms Neasa Hourigan TD
Cathaoirleach
Select Committee on Budgetary Oversight

Dear Deputy Hourigan,

Please find attached the submission of the Joint Committee for Environment and Climate Action on the cost of climate action.

Yours sincerely

Brian Leddin TD
Cathaoirleach to the Committee

30 June 2021

Cuirfear fáilte roimh chomhfhreagras i nGaeilge

Contribution to the Committee on Budgetary Oversight on the Cost of Climate Change

The Committee on Environment and Climate Action submits the following contribution to the Budgetary Oversight Committee to inform its Interim Report. It is the Committee's view that the framing of future budgets will need to change to take into account of climate objectives across all Departments.

Work the Committee has undertaken

In its PLS report on the draft of the Climate Action and Low-Carbon Development (Amendment) Bill 2020, the Committee recommended that a target of 51% reduction in emissions by 2030 over 2018 levels be set in legislation. Following on from this the Committee have agreed to conduct a sector by sector analysis to investigate how this reduction can be achieved.

The Committee began its work with the transport sector and published its report (see here) in June. To briefly summarise, the Committee's findings in relation to the transport sector included:

- increased infrastructure for public transport with a view to expanding and reducing the costs of the use of public transport;
- increased cycling infrastructure and e-bikes incentive scheme;
- enhanced delivery of a Public EV charging network;
- transition to electric vehicles including incentives and targets;
- road user charging, congestion charges;
- creating more sustainable towns and villages by focusing on compact development and climate led urban planning;
- an upgrading of the cost-benefit analysis methodology on public projects to take into account short and long term benefits so that climate led initiatives (e.g. rail infrastructure) are not undervalued by comparison to non-climate led initiatives (e.g. road infrastructure).

The Committee provided a submission to the review of the National Development Plan which highlighted the importance of investments that are made under the NDP being consistent with and furthering our national climate objectives with a vision beyond 2027. The following considerations were submitted by the Committee:

- investment in the improvement of the country's housing stock energy ratings;
- retrofitting of public buildings, deliver public housing that is not dependent on fossil fuels;
- price-quality and life cycle costing approaches in public procurement to allow for greater evaluation and incorporation of environmental considerations and for climate proofing to apply to large capital expenditure projects;
- investment in land use and forestry to support Climate Action Plan;
- investment in renewable energy production and a renewable energy infrastructure with renewable energy incorporated into schools and other public buildings;
- investment in sustainable transport & infrastructure including rural public transport such as light rail;
- investment in providing more liveable cities, towns and villages with access to green spaces, outdoor public spaces and community services;

The Committee will shortly be considering a rapporteur report on the Circular Economy which examines the link between economic growth and environmental degradation.

The Committee has also been examining how the targeted reduction in emissions in the agriculture sector can be achieved and has held several hearings on this issue, transcripts of which can be found here. The Committee will be considering the feasibility of a pilot support scheme for farmers to plan carbon abatement and sequestration in a ten year plan. The report for the agriculture sector will be delivered in the Autumn.

Work the Committee intends to undertake

The Committee intends to commence an examination of the energy sector in the Autumn and will be looking at the expansion of Warmer Homes, retrofitting, and renewable energy.

The Committee also intends to engage with stakeholders in relation to Just Transition as it is a core aspect of climate action and climate justice not just in terms of the Just Transition funding for specific geographic areas from the EU but also on a wider level through inclusion of just transition principles in our public investment, public procurement and community development expenditure.

C2: Committee on Disability Matters

[Joint Committee on Disability Matters Aligning Disability Funding with the United Nations Convention on the Rights of Persons with Disabilities - Budget 2022 Pre-Budget Submission - July 2021 - 33/DM/02 (oireachtas.ie)]

Tithe an Oireachtais
Houses of the Oireachtas

An Comhchoiste um Nithe a bhaineann le Míchumas
Teach Laighean
Baile Átha Cliath 2
D02 XR20
Guthán: (01) 618 3575
R/phost: disabilitymatters@oireachtas.ie

Joint Committee on Disability Matters
Leinster House
Dublin 2
D02 XR20
Tel: (01) 618 3575
E-mail: disabilitymatters@oireachtas.ie

Ref: JCDM-I273

Deputy Neasa Hourigan TD
Cathaoirleach
Budgetary Oversight Committee

Issued by email: budgetaryoversight@oireachtas.ie

8 July 2021

Dear Cathaoirleach,

Aligning disability funding with the UNCRPD

Please find enclosed the Joint Committee on Disability Matters Budget 2022 Pre Budget submission *'Aligning disability funding with the United Nations Convention on the Rights for Persons with Disability (UNCRPD)'*.

The UNCRPD is a landmark Convention, one of history's most widely adopted conventions, which simply seeks to ensure that people with disabilities can enjoy the same human rights as everyone else. To enable people with disabilities to enjoy human rights like everyone, there needs to be a step change in how, as a society we view, engage, and include people with disabilities.

Key elements of this step change, which the Committees submission seeks to highlight, are ensuring that disability services and service provision are aligned with the objectives of the UNCRPD and are funded to enable transition from a medial model of disability to a social and rights-based model of care over the next 3-5 years. Aiding translation of the UNCRPD into law and ensuring adequate funding is allocated in the national budget for the various sectors relevant to the realization of the rights of persons with disabilities is key.[1]

The Committee are concerned that the required allocation for various sectors and disability proofing of the Budget 2022 in line with UNCRPD objectives may not effectively have taken place considering the early stages of development of the UNCRPD Implementation Plan by the Department of Children, Equality, Disability, Integration and Youth. The delay with the transfer of functions for Community Based Disability Services (CBDS) from the Department of Health to the Department of Children, Equality, Disability, Integration and Youth also impacts allocations in Budget 2022.

[1] UN, OHCHR, IPU, 2007, *From Exclusion to Equality: Realizing the Rights of Persons with Disabilities Handbook for Parliamentarians*, Nº 14. [Accessed 02-07-21] Available at: DocHdl1OnPTR2tmpTarget (ipu.org)

Cuirfear fáilte roimh chomhfhreagras i nGaeilge

The Committee are very concerned regarding the level of unmet need in the disability sector which must be addressed in Budget 2022 even though it cannot be fully assessed until the Disability Capacity Review, which outlines what investment is needed to meet future needs for specialist disability, is published. Without publication of this report adequate planning to address the significant needs of people with disabilities cannot be evidence based.

The Committee are keen that the Indecon Cost of Disability Report commissioned in the 2019 by Government to examine the cost of disability in Ireland has not been published and it appears will not inform the Budget 2022 process. It is vital that this report is published, and funding is provided to implement its recommendations considering the rate of poverty and social exclusion for people with disabilities in Ireland is one of the highest in the EU at 38.1%[2]

The Committee call for the immediate publication of the Disability Capacity Review report, and the Indecon Cost of Disability Report so to inform the Budget 2022 process and that funding is provided to implement both reports recommendations.

Further the needs of persons with disabilities must become central and new models of inclusive growth and development must be considered to ensure that the most vulnerable and people with disabilities are put at the centre of the transition from Covid-19 and ensure no one is left behind, in alignment with the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs). The needs of people with disabilities, across all groups must be taken into consideration when designing, implementing, and monitoring policies, legislation and funding programmes through targeted action and mainstreaming, including mainstreaming accessibility funding under the Recovery and Resilience Plans.[3]

The Committee also believe that ratification of the Optional Protocol to the UNCRPD must be urgently undertaken to ensure that the voice that people with disabilities have actively taken under the Convention, and which all sectors of society need to hear, must not be silenced by Ireland not ratifying the Optional Protocol. The mechanisms for delivery of the Optional Protocol must also be funded under Budget 2022.

If you require any further information regarding this matter, please contact Mairead O' Donovan by [telephone 01-618 3575] or by email at disabilitymatters@oireachtas.ie

Yours sincerely

Michael Moynihan

Michael Moynihan
Chair to the Committee

[2] European Disability Forum, 2020, *Poverty and Social Exclusion of Persons with Disabilities European Human Rights Report*, Issue 4, pp. 19, 48
[3] European Commission, COM(2021), *Union of Equality: Strategy for the Rights of Persons with Disabilities 2021-2030*

Cuirfear failte roimh chomhfhreagras i nGaeilge

C3: Joint Commttee on Education, Further and Higher Education, Research Innovation and Science

An Comhchoiste um Oideachas, Breisoideachas agus Ardoideachas, Taighde, Nuálaíocht agus Eolaíocht
Teach Laighean
Baile Átha Cliath 2
D02 XR20
Teil: (01) 618 3848
R/phost education@oireachtas.ie

Joint Committee on Education, Further and Higher Education, Research, Innovation and Science
Leinster House
Dublin 2
D02 XR20
Tel: (01) 618 3848
Email: education@oireachtas.ie

Our Ref: JCES-I-2021-[461]

23rd June 2021

Ms. Neasa Hourigan TD,
Cathaoirleach,
Select Committee on Budgetary Oversight (CB0)

Email: budgetscrutiny@oireachtas.ie

Dear Cathaoirleach,

I am directed by the Joint Committee on Education, Further and Higher Education, Research, Innovation and Science, to thank you for your correspondence, dated 9th June 2021, inviting the Joint Committee to contribute work it has recently undertaken on the topic of the re-skilling of workers impacted by the Covid pandemic, as part of the CBO's pre-budget scrutiny in advance of Budget 2022.

Your correspondence was circulated to all Committee Members and discussed in private at a committee meeting on the 22nd June 2021.

I am further directed to advise you that the topic of the re-skilling of workers impacted by the Covid pandemic was discussed at a Joint Committee meeting held on 27 April 2021, when the Committee met SOLAS and Skillnet Ireland to discuss Apprenticeship Model Reform. The link to that meeting is available here.

In addition, the Committee held two meetings on the topic of the future Expansion Plans for Technological Universities, on 16 February 2021 with the Technological Higher Education Association (THEA) (link available here), and on 23 February 2021 with Mr. Simon Harris TD, Minister for Further and Higher Education, Research Innovation and Science, and Mr. Niall Collins TD, Minister of State at the Department of Further and Higher Education, Research, Innovation and Science (link available here). At both meetings, the issue of reskilling was discussed.

I trust this is response is helpful.

Yours sincerely,

Paul Kehoe TD

C4: Committee on Social Protection, Community and Rural Development and the Islands

The Committee on Social Protection, Community, Rural Development and the Islands report can be found here

Appendix E: 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:

219 (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 95

(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 119 (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 95 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 96(3) agus 99;

(*b*) an chumhacht chun fianaise béil agus fianaise scríofa a ghlacadh agus chun aighneachtaí a ghlacadh mar a mhínítear i mBuan-Ordú 961) agus (2);

(*c*) an chumhacht chun Fochoistí a cheapadh mar a mhínítear i mBuan-Ordú 96(4);

(*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 95.

(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 119 (1)(*b*): Provided that, in so doing, the Committee shall consult with—

(*a*) the Committees established pursuant to Standing Order 95 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 96(3) and 99;

(*b*) power to take oral and written evidence and submissions as defined in Standing Order 96(1) and (2);

(*c*) power to appoint sub-Committees as defined in Standing Order 96(4);

(*d*) an chumhacht chun sainchomhairleoirí a fhostú mar a mhínítear i mBuan-Ordú 96(14);

(*e*) an chumhacht chun taisteal mar a mhínítear i mBuan-Ordú 96(15)).

(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 106 maidir leis an gCoiste.

(*d*) power to engage consultants as defined in Standing Order 96(14);

(*e*) power to travel as defined in Standing Order 96(15).

(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 106 shall apply to the Committee.

Houses of the Oireachtas
Leinster House
Kildare Street
Dublin 2
D02 XR20

www.oireachtas.ie
Tel: +353 (0)1 6183000 or 076 1001700
Twitter: @OireachtasNews

Connect with us

Download our App

Download on the App Store

GET IT ON Google Play