

Meeting of the Committee on Budgetary Oversight
06 December 2023
Opening Statement of Paschal Donohoe,
Minister of Public Expenditure, NDP Delivery and Reform

Introduction

I would like to thank the Chairperson and the Committee for the invitation to attend the meeting today to discuss the Supplementary Estimates for 2023.

The Revised Estimates for 2023 published last December set out planned expenditure of €91.1 billion. This funding was put in place to support the delivery of better public services, living standards and infrastructure for the people of Ireland. Departmental allocations across a broad range of services, schemes and programmes were agreed based on the best available information.

However, in any fiscal year developments may arise within Departments which require additional funding. Budgeting over the past few years has taken place in a constantly changing economic and social context. This has included a pandemic, outbreak of war and elevated inflation. These challenges have required a responsive approach from Government both in the formulation of budgetary policy within our permanent Estimates process and also as events have unfolded.

Context

I am pleased to report the continued strength of our economy despite the global economic headwinds. Modified domestic demand, a key indicator of the performance of the domestic economy, is holding firm on the back of significant growth in recent years. The labour market is strong. The performance of tax

revenue has improved with cumulative end November tax receipts, published yesterday, €4.5 billion or 5.8 per cent ahead of last year.

Most significantly, the inflation rate is continuing to fall, with price increases of 2.3% recorded in the twelve months to November 2023. This is far lower than the 9.0% recorded in the twelve months to November 2022. This development will ease pressure on households and businesses over the coming period.

Overall, this strong economic performance enables us to comprehensively respond to the range of externally driven challenges, while also protecting investment in our day-to-day services and infrastructure plans.

Supplementary Estimates Explainer

I will now turn to the specific detail of today's meeting, the Supplementary Estimates process. Supplementary Estimates provide a mechanism to change the allocation of funding to a Vote.

These Estimates can be *Technical* or *Substantive* in nature.

Technical Supplementary Estimates, which have no additional net funding impact (other than a token €1,000), arise where funding is available within a Vote to redistribute to areas with increased costs.

Where any expected savings are not sufficient to cover the cost of the additional demands within a Vote, a Substantive Supplementary Estimate may be required to provide such additional funds.

2023 Supplementary Estimates

In 2023 a total of **31 Supplementary Estimates** were required; 8 of which were technical in nature to facilitate redistribution of funding within a vote. The remaining 23 were of a substantive nature, requiring an additional net funding element. These Estimates represent an additional €6 billion in gross expenditure or €5.5 billion in net expenditure terms.

This significant level of Supplementary Estimates required arose due to a range of in-year developments including:

- Government's continued response to the Cost of Living challenges including the provision of additional social protection payments, energy credits and education supports to households and support for businesses;
- Higher demand for the provision of supports for those arriving into Ireland from Ukraine, including accommodation, social welfare and school places;
- Additional demand facing our public services particularly in the health and education sectors. Our public services continue to operate in a post-pandemic environment with increased demand and complexity.

The Revised Estimates 2023 originally set out a contingency of €1.2 billion. This funding was utilised to fund the €1 billion Supplementary Estimate for the Department of Children, Equality, Disability, Integration and Youth in September.

The rest of the substantive Supplementary Estimates necessitated an increase of €4.8 billion in the Government Expenditure Ceiling. The Ceiling now stands at €95.9 billion.

The actual end year expenditure position for 2023 will be published in the December Fiscal Monitor report. The final outturn will be further refined and published in Appropriation Accounts.

Department of Children, Equality, Disability, Integration and Youth

The largest Supplementary Estimate requirement relates to the Department of Children at cumulative €1.26 billion. This will bring the total allocation for 2023 to €7.1 billion.

The additional funding is required to support policy areas including Tusla, Disability Services, International Protection Accommodation Service and the largest area is providing accommodation supports for people fleeing the war from Ukraine. Demand across these policy areas has increased greatly in recent years driven by global events such as the pandemic and the war in Ukraine.

Since the invasion of Ukraine, the UN Refugee Agency estimates that over 94,000 people have arrived in Ireland seeking humanitarian assistance, mainly women and children. The number of Ukrainians in State-supported accommodation has increased from 54,000 at the end of 2022 to over 74,000 currently.

At the same time, the numbers in IPAS accommodation have also continued to increase from 19,000 at the end of 2022 to 26,000 currently. This means that the State is now providing accommodation for 100,000 people seeking refuge; an un-paralleled figure in the history of the country and the work of the Departments concerned must be commended.

Department of Health

The required gross Supplementary Estimate for the Health Vote in 2023 is €1,034 million. This is a c. 4.8% increase over the initial allocation. This requirement is driven by a number of factors including increased demand and activity particularly in the Acute Hospital Sector, ongoing Covid related expenditure in acute and community settings and other demand-led areas, such as Primary Care Reimbursement Service, as well as State Claims and Pensions costs.

The Government fully acknowledges that providing health services, particularly in the acute sector, is complex. There are a number of factors impacting on both demand for services and the configuration of service provision.

The 2024 allocation for Health recognises that the health service continues to experience a challenging and uncertain environment, particularly in the aftermath of Covid.

In addition to significant core funding, the Department of Health has been allocated €1 billion in non-core funding. This will fund the post-pandemic escalation of health sector costs as a result of increased activity and demand across acute hospitals. This high level of resourcing represents an increased allocation of non-core funding, an additional €0.5 billion of expenditure for the Department of Health, beyond the SES parameters, reflecting the prioritisation of health services by Government.

With the overall Health allocation increasing by almost 50 per cent from 2019 to 2024, increasing by €7.4 billion, it is critically important that expenditure

management and the overall control environment improves in 2024. In particular, better financial governance in the acute sector is a key priority.

Summary of Other Supplementary Estimates 2023

Other Votes also required significant additional funding in relation to the Cost of Living packages. The Department of the Environment Climate and Communications received €0.94 billion to fund three Electricity Credits over the course of Winter 2023/24.

The Department of Social Protection €1.13 billion Supplementary Estimate will fund Cost of Living lump sum payments for a range of recipients alongside the Christmas Bonus.

A further €0.8 billion was provided for the Department of Education to support further progress on the School Building programme and additional staffing costs alongside Cost of Living supports, welcoming c.17,000 Ukrainian children into the school system.

Conclusion

Overall, the level of Supplementary Estimates has been higher in recent years. This coincides with the outbreak of the Covid-19 pandemic and the introduction of non-core expenditure.

External shocks, including Covid, the war in Ukraine and elevated inflation levels have required a responsive approach to fiscal policy by Government. These ongoing developments, such as providing accommodation for Ukrainian arrivals

and various Cost of Living packages, have necessitated in-year changes to Departmental allocations.

The Government has signalled our commitment to delivering these key public services through this Supplementary Estimate process and through Budget 2024. My Department continues to review our expenditure monitoring and management processes to ensure allocations are informed by the best available information. Regular engagement takes place between my officials and all line Departments to review emerging expenditure trends.

Thank you for this opportunity to address the Committee and I look forward to answering your questions.

Ends