

DÁIL ÉIREANN

AN ROGHCHOISTE UM FHORMHAOIRSIÚ BUISÉID

COMMITTEE ON BUDGETARY OVERSIGHT

Déardaoin, 8 Deireadh Fómhair 2020

Thursday, 8 October 2020

Tháinig an Coiste le chéile ag 10 a.m.

The Committee met at 10 a.m.

Comhaltaí a bhí i láthair / Members present:

Teachtaí Dála / Deputies	
Seán Canney,	
Pearse Doherty,	
Bernard J. Durkan,	
Mairéad Farrell,	
Michael Healy-Rae,	
Brian Leddin,	
Ged Nash,	
Patricia Ryan.	

Teachta / Deputy Neasa Hourigan sa Chathaoir / in the Chair.

Pre-Budget Engagement: Minister for Public Expenditure and Reform

Chairman: We have not received any apologies. I remind members and witnesses to turn off their mobile phones as the interference from mobile phones affects the sound quality and transmission of the meeting. I welcome the Minister for Public Expenditure and Reform, Deputy Michael McGrath, and Mr. Ronnie Downes and Mr. John Kinnane from the Department of Public Expenditure and Reform. I thank them for coming in and making themselves available to meet the committee in advance of budget 2021. This pre-budget session with the Minister is an opportunity for the committee to continue its pre-budget scrutiny and, in particular, to examine increased public spending for 2020 and how this will impact budget 2021. Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the House or an official, either by name or in such a way as to make him or her identifiable.

I remind members the meeting is limited to two hours due to the current Covid-19 guidelines. This is to ensure the safety of the members, witnesses and secretariat staff. We have agreed to speaking slots and times and I ask members to remain within these agreed times. I remind members that other members are due to attend later and I ask members to vacate their seats at a reasonable time and use the wipes available to wipe the area, which will allow the next set of members to arrive and take a seat. I invite the Minister to make his opening statement.

Minister for Public Expenditure and Reform (Deputy Michael McGrath): I thank the Chair and members of the committee for the invitation to meet in advance of budget 2021, which I will present to Dáil Éireann next Tuesday with the Minister for Finance, Deputy Pádraic Kirby.

The economic and fiscal situation has changed dramatically in the past several months as the Covid-19 pandemic has had a severe impact on the economy, public finances, and the lives of our citizens. To respond to the crisis, Government has introduced a series of measures to support our key public services and to cushion the impact of the pandemic on households and enterprises. The scale of the additional supports introduced is estimated at €16 billion this year, which would bring gross Voted expenditure for the year to €86.5 billion. This represents an increase of more than €19 billion, or 30%, on expenditure in 2019.

The impact on workers and businesses has been devastating. From a position where at the start of the year we were at close to full employment, the Covid-adjusted measure of unemployment at the end of September stood at almost 15%. To respond to this crisis, Government has allocated more than €9 billion in additional funding to the Department of Employment Affairs and Social Protection, bringing total expenditure to more than €30 billion, to provide in particular for the pandemic unemployment payment, PUP, and the wage subsidy scheme. As of last Monday, there are just over 200,000 people in receipt of the PUP and approximately 38,000 businesses have registered for the employment wage subsidy scheme, EWSS. While the number of people in receipt of the PUP has significantly reduced since the peak of almost 600,000 in early May, these figures indicate the scale of the challenge still facing businesses and workers. In this context, the extension of these schemes to the start of April next year announced in the July stimulus and the subsequent decision to reopen the PUP to new entrants, provides greater certainty for businesses and workers of the support available over the coming months as we continue to live with the virus.

The provision of funding to enable our health service to respond to Covid-19 has been a

crucial element of the Government's response. The Revised Estimate for health approved by the Dáil in July included a €2 billion increase relative to the health allocation set out in the Revised Estimate for public services 2020 published in December last year. This funding has allowed the HSE to put in place public health measures across a number of key areas. Further funding has also been agreed, for example, to extend the scope of the influenza vaccination and to provide for the 2020-2021 winter initiative. While work is continuing at finalising the funding requirement for this year, it is estimated that the overall increase relative to the December Revised Estimate for public services could be up to €3 billion.

Access to education is probably the most important opportunity available to our young people. In this context, to support the safe reopening of our education systems, an aggregate of almost €0.5 billion is being provided to our schools and further and higher education sectors.

The overall budgetary strategy for 2021 will focus on prioritising crisis management measures to address the challenges posed by Covid-19 and Brexit while preserving and maintaining existing levels of service within core expenditure programmes. In regard to core expenditure programmes, €70.4 billion in gross voted expenditure was allocated to Departments in the Revised Estimate for public services 2020 published in December 2019. At this stage it is planned that, before accounting for policy measures in key areas such as health and housing, the budget Estimates for 2021 will include an increase of approximately €3 billion in this core expenditure, comprising €2 billion in current expenditure and €1 billion in capital expenditure.

Of the €2 billion in current expenditure, it is estimated that there are pre-commitments of €1.1 billion to be funded in relation to demographics and to meet the carryover costs of prior year measures and public service pay deal commitments. In relation to capital expenditure, we will also ensure that the increase in capital investment set out in the national development plan is implemented in order to support the recovery in the economy. This would see core gross voted capital expenditure of almost €9.2 billion next year, an increase of almost €1 billion on the gross voted expenditure amount set out for this year in the Revised Estimate for public services 2020.

Ensuring the provision of the necessary funding to support our citizens and public services, in particular the health service, over the next phase of the Covid-19 pandemic will be the key priority in budget 2021. In light of this, work is ongoing in assessing the impact of Covid-19 costs in 2021. Consequently, there is a range of potential expenditure requirements that need to be worked through in detail. Taking into account the level of expenditure arising from Covid-19 this year, these costs will be significant, but are also subject to significant uncertainty. With 38,000 employers registered for the EWSS, the Revenue Commissioners are to make payments this week to 31,700 of these employers in respect of 335,000 employees. In addition, with more than 200,000 recipients of the PUP this week, before the nationwide level 3 restrictions were introduced, this indicates the scale of the challenge faced by workers and their employers. With the additional funding required for health and social protection amounting to more than €12 billion in aggregate this year, as we continue to live with the virus and manage any resurgences through 2021, the funding required for our health service and for income and employment supports will remain significant next year and subject to a degree of uncertainty that would need to be reflected in the estimated expenditure amounts for next year. In particular, given the challenges from Covid-19 that our health service will continue to deal with next year, this will be a key priority area in budget 2021. As a result, there is extensive engagement with the Department of Health and the HSE as we seek to arrive at a workable, sustainable and comprehensive allocation for the Department of Health that can help build the necessary capac-

ity and resilience into our health system.

Given the complex environment in which budget 2021 is being framed, I will seek to put together an expenditure settlement for next year that will allow Government to respond in an effective manner. This will require an approach that earmarks resources that can be used to respond to the changing environment as the position with regard to Brexit and the virus continues to develop, that ensures we continue to deliver on our core expenditure programmes, and that puts in place the building blocks for delivery of meaningful improvements in key priority areas for the Government, in particular in health and housing.

This approach seeks to ensure incremental improvements in the delivery of core public services across Government while committing the necessary level of resources to support our people and our key public services in living with the virus next year as well as targeting the necessary resources to support economic recovery as we deal with the challenges of Covid-19 and Brexit. I would be delighted to take questions.

Chairman: I will begin our first round of questions with the primary speakers from each party. They have nine minutes for each question and answer session. I will be trying to stick to that, if it is okay with everyone. The first group is Sinn Féin.

Deputy Mairéad Farrell: My first question relates to the budgetary measures. Is it still anticipated that there will be €12 billion in budgetary measures? I understand €9 billion will be Covid related, with €2 billion in current expenditure. I understand a total of €1.1 billion was pre-committed. Then there is €900 million to deal with pressures on services as well as €1 billion from a pre-pandemic allocation of capital expenditure.

Deputy Michael McGrath: My thanks to Deputy Farrell for the question. That is the budgetary framework that has been agreed by Cabinet. That is, in effect, as Deputy Farrell has correctly described, an estimate at this stage. That is what it is. It is a work in progress of the amount of Covid-19 related expenditure that we will have to incur again next year. It is subject to considerable uncertainty because it is based on certain assumptions around the economy and the number of people who will need employment and income supports and so on. There is a high degree of certainty that we will have to continue to support transport, education and health services through next year. The figure remains a work in progress.

To be thorough with the committee, I will offer some detail on the €3 billion. Deputy Farrell correctly described this as made up of €2 billion and €1 billion. That is before any new budget day decisions. If we want to make any new initiatives in health, housing and other areas, then we need to go beyond that. It is our intention to go beyond that and to have some new measures, but the exact quantum is not confirmed at this stage. We are working within real constraints.

The delivery of new policy initiatives and delivering on any programme for Government commitments would involve additional expenditure because, in effect, the €12 billion Deputy Farrell has referred to is largely to stand still. It is for dealing with Covid and pre-commitments and increasing the capital budget from last year's budget as well as allowing for a modest amount for existing levels of service and potential new measures.

Deputy Mairéad Farrell: We have seen IBEC and the Irish Fiscal Advisory Council calling for greater stimulus. They have said how important this would be in the coming year to deal with the employment situation. How much of the €9 billion in Covid-related expenditure does the Minister anticipate will be allocated to health? In the Minister's opening statement he

mentioned the uncertainty. What will the allocation be in health? What proportion, if any, of that will be baseline?

Deputy Michael McGrath: We are very much working in ranges here. Let us consider health expenditure in 2020. A Revised Estimate with an additional €2 billion has already been brought forward to the House, as Deputies are aware. We have signalled that there will be further expenditure in health. Under the current Estimate, expenditure in the course of 2020 will be somewhere of the order of €2.5 billion to €3 billion beyond the original budget for health. A detailed assessment has been done and is continuing into how much of that expenditure will have to be incurred again next year. I believe the bulk of it will need to be, to be frank with the Deputy, because we have to work on the assumption that Covid will be here through next year. Having said that, a significant amount of personal protective equipment, PPE, was purchased this year. Some of that will carry over into next year. Between €800 million and €900 million was spent on PPE and some of that will be available next year. We need to expect that the vast majority of the additional amount that is being incurred in 2020 will have to be incurred again next year. It would be in a similar range but it is still a work in progress.

Deputy Mairéad Farrell: That is what I understood from the opening statement. It was previously indicated that a deficit of between 4.5% and 5.5% was expected. Have the deficit projections changed in light of the recent strong corporation tax returns? If so, will the Minister give us the projected change in percentage in nominal terms?

Deputy Michael McGrath: Is Deputy Farrell talking about this year or next year?

Deputy Mairéad Farrell: I was referring to next year.

Deputy Michael McGrath: What we have signalled so far is that on a no-policy-change basis, taking into account the expenditure framework that we have set out for 2021, we would be looking at a deficit of the order of 5%. That is before any new decisions we take on budget day. As Deputies are aware, we are also considering a recovery fund and considering making additional funding available next year that we can deploy to respond to the evolving needs of the economy through 2021.

Tomorrow night the White Paper will be published setting out the projection for the current year updated on a no-policy-change basis and then, in effect, what the projection will be for next year. Essentially, this would cover the position were we not to have a budget at all or not do anything. I am signalling that would be of the order of 5%, but that is before we make any new decisions in the context of budget 2021, and I have signalled that there will be some new decisions.

Deputy Mairéad Farrell: Will the Minister tell the committee what funding for next year will come from non-borrowing sources?

Deputy Michael McGrath: In effect we are borrowing to fund the deficit. We are going to have a very large deficit in 2020, somewhere of the order of the mid-20s in billions. In net terms the addition to our national debt will be less than that because the National Treasury Management Agency, which manages our national debt, holds cash reserves. A significant proportion of that will result in additional debt and the same will hold true for next year.

We are going into this economic crisis with elevated debt levels so we need to be careful. One thing that the Minister for Finance, Deputy Donohoe, and I strongly agree on is that we do not want to stand out from the pack. We do not need to be best in class but we certainly

do not want to be an outlier on the negative side in terms of our deficit. At this point we only have certainty that the European Central Bank will continue its accommodative policies up to the summer of 2021. At some point, the ECB will change its policy and we will have to work with the markets and demonstrate a pathway to fiscal and debt sustainability. That is broadly our strategy.

Deputy Mairéad Farrell: We have seen that France is looking at a deficit of 7%. We have also seen that the International Monetary Fund has said this week how important it is to ensure we put in enough capital expenditure to stimulate the economy. This brings me to my next question. We saw previously in December 2019 that there was a pre-pandemic allocation of €1 billion extra. That makes €9.1 billion for capital expenditure this year. The Minister mentioned in his opening statement a figure of €9.2 billion. What further increase does the Minister anticipate? Is the figure €9.2 billion final?

Deputy Michael McGrath: I think it is important to put it in context. The capital budget for 2020 was a little under €8.2 billion. We made funding available on an exceptional basis of the order of an extra €1.5 billion during the year. Much of that was for grants. This would not be typical capital expenditure in the form of bricks and mortar. We provided approximately 1.5 billion extra on a once-off basis. What we have committed to is that the ceiling in the national development plan for 2021 of €9.2 billion will be met. We are looking at whether there is scope to go beyond that and increase it further. When we talk about a 12% increase, which the Deputy raised on the floor of the Dáil, that is above and beyond the amount that was budgeted for 2020. The additional amount in 2020 was of an exceptional nature and would include many of the restart grants. We had two rounds of those for businesses. There was capital expenditure in health as a crisis management response.

It is important to say that what we are doing now is very different from a decade ago when capital expenditure was cut by up to 60%. I would not understate the importance of the Government committing to maintaining capital expenditure of over €9 billion. The final figure will be confirmed on Tuesday.

Deputy Bernard J. Durkan: I welcome the Minister and wish him well in his unenviable role in the current climate. All roles are enviable or unenviable as the case may be. My first question relates to the extent to which he foresees the need to borrow and the degree to which he may approach limits. I am not asking him to give an indication as to what the limits are, if he thinks it is unwise to answer that question. I have to ask the question.

Deputy Michael McGrath: I thank the Deputy. It is a very fair question. We are looking at very significant borrowing again next year and we need to do that because it is the right thing to do. We need to support the Irish economy through 2021, and maintain and improve public services where we can. We are anxious to make progress on some core programme for Government commitments because the crises pre-Covid have not gone away. They might not be getting the same level of attention as before the pandemic, but they are still very much there.

That is why I have signalled to the committee a desire to make decisions that improve our permanent capacity in health services. That is really important. We need to build more houses. The housing crisis still exists and needs to be addressed. They are core priorities for the Government and will be in the budget. We are looking at a deficit this year, in general Government terms, of the order of the mid-20s of billions. Next year's budget deficit will also be very significant, perhaps less than €20 billion. While the NTMA manages its cash reserves we are, in effect, increasing the national debt by amounts of that order which is significant.

Deputy Bernard J. Durkan: I thank the Minister. I refer to capital expenditure. The Minister compared previous experiences. He has available to him borrowing capacity that was not available ten years ago. Does he intend to use that proactively in order to, as it were, nudge the areas we can develop and need to develop, particularly health, housing and education, in the future? A failure to make capital expenditure now will only rebound in four or five years time and we will be back to square one.

Deputy Michael McGrath: Very much so. There is a great opportunity for us as a country to make the investments that we need. We have the ability to borrow at historically low interest rates. There are infrastructure needs in housing, transport, education, health, climate action, renewable energy and so on. We need to make progress in those areas.

Some of the capacity in the construction sector is probably going to be freed up over the period ahead. It is reasonable to assume that we will have a change in the amount of commercial construction activity not, it is to be hoped, in house building, but it is fair to assume that there may well be capacity in some other areas where we can get better value for money and deliver on those projects.

There is a great opportunity for our country to improve our infrastructure at this time. As the Deputy knows, we will shortly commence a review of the national development plan. The current plan is scheduled to run to 2027. We have signalled that we want to extend that. Over the course of the next number of months, we will bring forward a new ten-year capital development plan to 2030 with a capital envelope for the next decade. That will provide the certainty that the construction industry needs.

We will also provide capital ceilings for individual Ministers and line Departments for the next five years, which will allow them to plan and progress the delivery of projects through the pipeline. It can be slow, as the Deputy knows, to deliver on major capital projects, particularly around public transport. We need to give certainty to Ministers that the pipeline of funding is secure. Spending money on capital is money well spent, provided that we are getting value for money and the infrastructure that we are investing in is needed. We will only invest in infrastructure that is actually needed.

Deputy Bernard J. Durkan: I thank the Minister. Given the availability of borrowing at low or zero interest rates and the fact that commercial banks do not apply these rates directly to private borrowers, does the Minister think it is advantageous or advantageous to him, in his capacity as Minister, to have the lower rate prevail in this country as is available to other European countries, in particular members of the eurozone?

Deputy Michael McGrath: Is the Deputy talking about the cost of borrowing for the Government?

Deputy Bernard J. Durkan: I am asking about the two. To what extent does borrowing for the Government impact negatively or positively on the fact we pay approximately 2% for our borrowings in the private market?

Deputy Michael McGrath: They are two separate issues. On sovereign borrowing, while we are able to borrow at historically low interest rates we are taking on additional debt and while we have certainty about the servicing costs of that debt for the duration of the bond, it will mature and have to be refinanced. We could be in a very different environment when it comes to those debt instruments maturing.

We need to be careful about the decisions we make. The interest rate might be close to zero now, but in ten or 15 years time when the bond expires, the cost of borrowing could be dramatically higher. We do not want to have a situation where a proportion of our tax revenue that we are receiving as a Government is going on servicing debt. We have to think down the line and make sure that our national debt is sustainable in overall terms.

As the Deputy knows, the key measure is the size of the national debt relative to the size of the economy. That is why having economic growth is so important. The projection for next year is very much dependent on Covid which, in turn, is very dependent on the next four weeks and whether we get a trade deal in the Brexit negotiations. If we can continue to grow the economy, get back to growth next year and manage the deficit in a safe and responsible way, our debt sustainability will be secure. We take advice from our debt management agency as to how the markets would view Ireland in different scenarios. That is an important factor because once the ECB withdraws supports the markets will take a view. We want to be in a good space.

In regard to borrowing costs for other customers in our banking system here, whether they be business customers or mortgage borrowers the statistics show that borrowing costs here are higher. We have been given various explanations as to why that is the case. When it comes to mortgage rates, they are falling which is to be welcomed. There is some competition and new entrants are coming into the Irish market. I would encourage all consumers to shop around. There are probably around 100,000 mortgage holders in Ireland who would get a better deal by going elsewhere. In many cases, they would get a better deal with their existing institutions. They should seek to do that. That is what will ensure that everybody gets the best value from their loans. We will continue to work on the issue.

Deputy Bernard J. Durkan: It is of no benefit to the Government from the point of view of sovereign borrowings to have interest rates charged to the industrial borrower here at higher rates than apply in the rest of Europe.

Deputy Michael McGrath: It is a different system. The banking system sets its interest rates based on a range of factors, including borrowing costs on the interbank and wholesale markets. They are factors. There are other considerations, such as the cost of capital and so on. These issues would not be relevant to the factors that decide the cost of sovereign borrowing. There are differences, but there is some relationship.

Deputy Bernard J. Durkan: We look forward to the banks charging the lower rates applicable in the rest of Europe. I have a final question. Given the current situation in regard to Covid, the Minister may have to go back to the borrowing well again and again. I am not saying that is the right thing to do; he will have to make that judgment as the situation evolves. Is the Minister satisfied that we have available to us adequate borrowing resources and security to deal with any situation that may arise in the context of Brexit or Covid-19?

Deputy Michael McGrath: We do at this time. There is borrowing capacity at this time but we cannot assume that it will be available forever. That is why we have to make sure we make the right decisions, that we focus on the recovery of our economy as well as maintaining and improving public services and that we try to bring about greater employment. The current rate of unemployment is 15% but the imposition of level 3 restrictions has real implications too. We are seeing a very strong export performance in the pharmaceutical sector and in internationally traded services such as IT and so on, but it is evident to all of us that parts of the domestic economy are struggling. We all know the devastating impact of the virus on the hospitality industry, in particular on aviation and to a lesser extent on construction. Hospitality

is a jobs-rich area in normal times . We need to grapple with and manage our way through this virus as best we can and, hopefully, get to a point where we can rebuild employment and bring our unemployment levels down.

Deputy Bernard J. Durkan: I thank the Minister.

Deputy Seán Canney: I am delighted the Minister could afford the time to come here to engage with us. The plans we have in place now are plans for 2021. We do not seem to have a medium-term plan. We do not appear to have done any calibration of the different scenarios over the next four to five years. That is a concern which I hope the Minister will address. It might be crystal ball gazing but we need to see what the different scenarios would look like in order that we can have a contingency in place. The Minister mentioned a recovery fund. I presume that is an amount of money to create a fund for recovery. I ask the Minister to comment on the absence of a medium-term or two, three or four year projection which would be very important if we are to plan for every scenario, as we have done in the case of Brexit?

Deputy Michael McGrath: I thank Deputy Canney for his very fair question. In normal times, this committee would have more information available to it by way of projections for the next number of years but there is so much uncertainty it is impossible to predict in many respects what is likely to lie before us for next year. To go beyond that, is very much crystal ball gazing but we will need to do it. We have indicated that in the stability programme update in April of next year we will set out the fiscal projections and the macro-economic projections for 2022 and beyond. That is important because we do need to set out an overall fiscal framework for the next number of years. The view we have arrived at now is that the degree of uncertainty is so extraordinary there would be little value at this point in time in predicting 2022, 2023 and beyond. We will do so in the spring of next year.

Deputy Seán Canney: The Minister spoke about capital expenditure and he said that it has increased to €1 billion, that he is looking at the baseline and that he will be looking at other capital expenditure to stimulate the economy. One of the problems we have with capital expenditure is that the timeline to deliver projects is far too long. If one decided tomorrow morning to build a housing scheme, it would be three years before there would be anything on the ground. What can be done to stimulate that process and to remove some of the procurement hurdles to make capital expenditure on projects that need to be delivered attainable within a short time-frame? The Minister said that he recognises that construction industry commercial activity will be slowing down because of the uncertainty. The Government could pick up on this opportunity to have public works done. When reading a report on Revised Estimates I noted that last year the OPW got only two of six projects off the ground, which is one third of what should have been done. This is a fault of the system, not the OPW. Will the Minister undertake to review how the Office of Public Procurement is doing its business such that we can accelerate the benefit of the budget for capital expenditure see the results of it quicker?

Deputy Michael McGrath: The Deputy asked some fair and good questions and he touched on some really important issues. One of the benefits of setting out five-year capital ceilings is that it gives Departments certainty in terms of the envelope they will have, rather than on a year by year basis. While the national development plan did set them out over the last number of years, we will do so for the next five years as well. This gives an important level of certainty.

It can be slow to deliver capital projects in Ireland for a whole range of reasons. I do not think procurement is the most significant element of it. I think it is about the legal challenges that may occur at design stage and planning stage and the regulatory hurdles that need to be

overcome. As part of the review of the NDP and the ongoing work of my Department which is responsible in overall terms for the delivery of capital projects, we will consider ways in which we can improve the system. I recognise that that needs to be done. The Deputy gave the very good example of flood schemes. We have new EU regulations in terms of environmental impact assessment reports. We need to have a proper process in place to ensure that projects can progress in an appropriate manner and as quickly as possible. As far as I can see, funding is not the constraint much of the time. Rather, the issue is ready-to-go projects, particularly in the public transport area. We do not have any major public transport project ready to go if we had the funding to finance it. We have to keep advancing projects through the system to make sure that they are ready. There are various blockages in the system and I agree with the Deputy that more work needs to be done. My Department will lead that work as part of the NDP review and its ongoing work.

Deputy Seán Canney: My next question is in regard to the Minister's expectation of expenditure to support local authorities. Local authorities have seen a decimation in their income stream this year. As we are in uncertain times, we can predict that rates revenue will be very low. In terms of housing, we need to ensure that our local authorities are resourced to deliver on the social and affordable housing that is required. They do not have the resources to do that at the moment. The services they are delivering, which everybody takes for granted, are under threat now. It is great to say that they being given a particular amount of money to keep them going but we need to enhance them. They can be a key driver in restarting the economy as well. I would like to hear the Minister's thoughts on the supports he will give the local authorities to make sure they are the stimulation generator.

Deputy Michael McGrath: If I may, I would like to make one further point in regard to the previous question. The Deputy touched on the issue of servicing land. It is a key issue. People often talk about building houses, but there is very little talk about delivering the infrastructure that is needed, including the water and wastewater. This will require funding being provided to Irish Water and the local authorities to deliver those schemes. I recognise the importance of that work. We will not build the houses we need unless we provide the funding to deliver the infrastructure. I will put real focus on that issue because I recognise that nothing happens if the services are not in place.

On local authorities, it has been a really difficult year for them. They have lost revenue across a number of different headings as a result of the impact of Covid-19. I am conscious of that. The Revised Estimates for the local government Vote has been approved so the funding for the commercial rates waiver will be released now by the Minister, Deputy O'Brien's, Department very quickly. We will be refunding 100% of the commercial rates that were waived, so that will be €600 million that will be transferred to local authorities. They would not always collect 100% but we will refund them 100%. In addition to that, I recognise there are deficits. If they are carrying significant deficits in the next year, that will be a difficulty for them in maintaining services. They are now preparing to enter their own budget process and have made decisions already around the local property tax, but officials in my Department and the Minister, Deputy O'Brien's, Department are examining closely at the moment the outturn for this year to see what further help may be needed for local authorities, and I hope we can arrive at a conclusion quickly.

Deputy Seán Canney: The Minister says the two key focuses for him are health and housing. We are pumping a lot of money into the health service. The concern I have relates to the outcomes. There may be dead weight there and there may be easier or more efficient ways of

doing business. The health service needs a huge amount of support at the moment, but with all of this additional money going in, what measures have we put in place to make sure we see the benefit after it is spent?

Deputy Michael McGrath: That is a very good point. As part of the Estimates process, we are working through all of that in detail. I am determined to ensure that, in providing extra money, there is clear delivery of key outputs and there is recognition that we need to make permanent improvements in capacity. That is coming at a time when it is very costly because we have to fund the Covid response in the Department of Health and the HSE with additional expenditure in 2020 of €2.5 billion to €3 billion, and much of that will have to be incurred again. We can see the strain that imposes on the Exchequer, but there is general agreement across the political system on the direction of travel. We want equal access to our health service and we need to ensure we improve permanent bed capacity, including ICU capacity. My team are working through the detail of that with the Minister, Deputy Stephen Donnelly, and his officials because additional money will only be provided where it is clear what the public is getting in return by way of an improved service, improved capacity and improved infrastructure. That process is almost complete.

Deputy Ged Nash: I welcome the Minister and I wish him well in his deliberations over the next few days. The question may have been asked already while I was on the way down from my office but we are all interested to hear the Minister's views on the planned expansion to the national development plan and the additional resources he hopes to make available to deliver on some commitments. Will the Minister elaborate on what new commitments account for the additional €1 billion in expenditure that he is on record as proposing? Will he also, in his response to that question, elaborate on some of the lessons that need to be learned from the cost overruns related to the children's hospital?

Deputy Michael McGrath: I thank the Deputy. I had a good exchange with Deputy Máiréad Farrell, which the Deputy may not have heard, on the question of the national development plan, NDP. I will repeat briefly in terms of background. The original budget for capital expenditure for 2020 was €8.1 billion. On an exceptional basis over the course of the current year we allocated a further €1.5 billion through the July stimulus, the restart grants and other measures to bring the outturn significantly up for 2020. The NDP ceiling for 2021 is of the order of €9.2 billion. The Departments already know their allocation under that. That is about €1 billion above the budget for capital expenditure in 2020. There are increases in a range Departments. Transport gets a large increase in 2021 but it is spread through the different portfolio areas. What was the Deputy's second question?

Deputy Ged Nash: What were the lessons learned from the children's hospital cost overrun scenario? How can the Minister apply those lessons to the NDP review?

Deputy Michael McGrath: As part of the NDP review, we will be looking closely at the alignment of the new NDP that we will prepare with Project Ireland 2040 to make sure it is consistent with the overarching framework for the development of our country and that it is consistent with the programme of Government priorities, which are in health, housing and climate action. I have had a lot of engagement with our procurement function within the Department at this stage. I have received briefings on the national children's hospital, and lessons need to be learned there about project management. I will be asking as part of the NDP review that, in deciding on new allocations, we articulate what those lessons are and make sure they are built into our policies going forward. We do not want a situation where projects are gobbling up a huge amount of resources that can get then not be made available to other Departments. It is a

costly lesson but one that we are determined to learn.

Deputy Ged Nash: The Irish Fiscal Advisory Council is on record and has spoken to this committee as well about the need for a €10 billion fiscal stimulus to be available to the economy over the next five years. Does the Minister agree with that suggestion and does he agree that that is the quantum of money required to meet the demands over the next four to five years and peaks and troughs we may expect in our economy?

Deputy Michael McGrath: I think our economy will need very significant and sustained support over the period ahead. Our public expenditure in 2020 is going to be of the order of €16 billion more than expected and up about 30% compared with the outturn in previous years. Much of that has been gone by way of stimulus measures, employment supports and income supports. In the Department of Employment Affairs and Social Protection, the budget will be exceeded by some €9 billion and we will now be spending in excess of €30 billion under that Vote. That is the Vote under which the wage subsidy scheme is administered in addition to the pandemic unemployment payment.

What we are doing with capital expenditure in terms of investment and providing stimulus is part of the answer to the Deputy's question. On budget day, however, we need to give confidence to the business community and employers that we see a way out of this and have a plan to bring the country through a very challenging and uncertain period. That will be a key objective.

We are also examining the concept of a recovery fund, which we signalled within the programme for Government. We are scoping out the nature and the extent of that at this time. That fund would be used either for current or for capital purposes to respond to the emerging needs of the economy.

Deputy Ged Nash: I am sorry for interrupting but this is directly related to the question. Some people may confuse the idea of stimulus fund with national economic recovery fund. Are they interchangeable terms? Is it the same thing?

Deputy Michael McGrath: I think they are interchangeable. They are certainly inter-linked in that the application of a recovery fund is a stimulus to the economy. Certain decisions will need to be made on budget day when we set out the framework for 2021 and outline the level of supports we intend to make available to the economy. However, it is important we have flexibility next year as well because we do not quite know what we are facing and we may need to respond in a rapid way to changes in our economy and needs that will emerge in a very short timeframe. The concept of a recovery fund we can apply over the course of the year is a good one and it will form part of our budget day package.

Deputy Ged Nash: We know and the Minister knows that business thrives on certainty and these are extremely uncertain times. One way we could give businesses some certainty that they could keep their doors open and assist them with their labour costs is to extend the form of the wage subsidy scheme beyond the expiry date of next March. Would the Minister agree with the Minister for Finance, Deputy Donohoe, when he said at the committee last week, that if we had, for example, a German style wage subsidy scheme or a short-term work scheme in place when the pandemic first hit, that we potentially could have saved many more businesses and jobs at the outset? Businesses need that certainty that the wages can be paid and the support will be there, and workers need that economic certainty over the next period of time, that there will not be a cliff-edge date of 31 March 2021, where all wage subsidy supports will be removed. That would be catastrophic for incomes, workers and businesses across the country.

Does the Minister agree that the wage subsidy scheme, in some form, will need to be extended, given the twin challenges of Covid 19 and Brexit?

It was this time last year that my party proposed a form of a wage subsidy scheme and skills support scheme to mitigate the worst impact of a potential no-deal Brexit. That is coming into view, and businesses need to hear from the Minister and the Minister for Finance about providing that certainty for them beyond the end of next March.

Deputy Michael McGrath: The Deputy is right to highlight the value and the importance of the wage subsidy scheme. Its introduction predates my time in government and credit is due for same. Approximately €2.7 billion has been paid out to date under the scheme, and what we have sought to do in the July stimulus and the decisions we have taken as a Government is to provide the certainty that we can for as long as possible. As the Deputy stated, the scheme is due to run until the end of March, which is almost six months away. The issue is also being considered in the context of the budget, and I know that the Minister for Finance has spoken about it to this committee. However, we are under no illusion about the level of dependence that many employers have on the scheme now, and we need to think very carefully about the future of it, and particularly the effect of an abrupt end to it. We hear the Deputy's message.

Chairman: I call on Deputy Leddin.

Deputy Brian Leddin: I thank the Minister for appearing before the committee today. I wish him well in the work he is doing and congratulate him on the work he has done so far in what is clearly an unprecedented and challenging time.

My first question concerns the role of accelerated capital spending in terms of labour market activation. The Government has already announced the July stimulus, and the Minister has indicated that in the upcoming budget there will be further capital stimulus. Does the Minister take the view that accelerated capital works, including the retrofitting of social housing and the construction of active travel infrastructures, such as cycle lanes, would counteract some of the significant unemployment figures he mentioned in his statement?

Deputy Michael McGrath: I very much take that view, because I think investment such as that serves two purposes. First, those works are needed anyway. The retrofitting of social housing is something that needs done and I know that the Minister for Transport, Deputy Ryan, and the Minister for Housing, Local Government and Heritage, Deputy O'Brien, have been engaging on that issue, and it is something that we are looking at closely in the context of budget 2021. Also, such works provide employment opportunities for our economy, and that is a significant advantage. Some great work has been done around the country in the active travel area, and the additional funding that was provided to the Minister in the Department of Transport in July, is being very well spent. We will see much more of that, because it is great for communities to see improvements in local infrastructure that make it safer for people to get out walking and cycling. We are working on further initiatives in that space, but what we have done through the July stimulus, and the spending of that at a local level, has made a real difference and has provided jobs at a time when they are badly needed.

Deputy Brian Leddin: I thank the Minister. We can see very good roll out of this kind of instrument in our regional cities. We need to extend it to our towns and villages and it would be good to see measures in the budget in that regard.

The Minister mentioned that there are pre-commitments of €1.1 billion in relation to de-

mographics. Has the Minister's Department done an analysis of the demographic pressure on public expenditure over the next few years, and will the €1.1 billion increase be similar over the next decade? What impact will this have on the public expenditure strategy?

Deputy Michael McGrath: My Department, in conjunction with all the other Departments, is constantly working on the issue of demographics and the issue of scoping out the cost of the known demographic pressures that we are facing as a country. I know from my time in opposition that the figure often provided for demographics may actually not meet the true cost. In the past number of weeks I have been having a lot of bilateral meetings with Ministers as one would expect, and the amount of money that is needed, even to stand still, by way of an existing level of service, can be very significant at times, and it might lead one to think that the figure for demographics has been under-stated.

There are pressures right across the system, but it is an issue of which the Department is very conscious, because if we want to have a proper medium-term fiscal plan, we need to know exactly what the costs are of an ageing population, in terms of pension provision, nursing home care, care for the elderly and home support. We are seeing a fall-off in the numbers coming into primary school, but an increase in those at second level, for example.

We are working with the different Departments and some of them have a very good handle on what the pressures are and the budgetary implications of same. It does tend to be managed on a year-to-year basis, so I would like to see if we can get a more medium-term assessment of what those demographics are, and build that into our budgetary framework. It is certainly an issue that I spoke about in opposition and I am seeing it on the front line now. It is a real issue and we would like to see a more long-term assessment of those demographic pressures.

Deputy Brian Leddin: The Minister mentioned that gross voted expenditure in relation to the Covid pandemic was €16 billion for this year. How does this compare with our European neighbours, and are there particular expenditure challenges in the Irish context that other European countries do not have?

Deputy Michael McGrath: The level of support that we have provided for the economy by way of the economic supports, the liquidity measures that have been provided, and the additional capital investment stands up very well in comparison with our European peers. The data are there to back that up in terms of the quantum of resources *per capita* that our Government and the previous Government provided. When it comes to the public expenditure implications, I am sure the Deputy has seen the pre-budget expenditure update for 2020, which provides a very detailed breakdown of the extra €16 billion of supports that have been provided. There are some very large chunks there in relation to employment affairs and social protection, the pandemic unemployment payment, PUP, the wage subsidy scheme, and health, of course. It also includes the business supports and the extra investment we have had to make to keep our public transport companies running, so that they can operate with much reduced capacity, and the funding in education for our schools, and further and higher education institutions. Therefore, it is a very significant response. I am not sure how it compares in terms of additional public expenditure on services with other European countries, but it is something we can check.

Deputy Brian Leddin: I would like to follow up on Deputy Canney's question about the difficulty of spending capital expenditure within a single year. I appreciate that the Minister mentioned the multi-year capital envelopes given to the Departments. Is there scope for increased and more definite multi-annual funding commitments, particularly in the area of housing, which might bring greater certainty and increased efficiency in capital expenditure?

Deputy Michael McGrath: Yes, I think there is. That is the short answer. I want to see Departments spend their capital allocations in full. I do not want to be giving money to Departments and then seeing significant underspends at year end. There can be reasons for that. With Covid, for example, in the whole area of housing and construction, there was a shutdown for a period of time, and we have seen the impact that has had in completions in that particular quarter, which is understandable. In the normal run of events, I want to see capital budgets spent for the purposes for which they are given, but there is merit in providing a multi-annual commitment and that can be done at two levels. It can also be done at the individual Vote level so that within the overall Department allocation, there will be certainty about the allocation for a particular area of activity. That is something we are looking at.

The Deputy's point about housing was a fair one.

Deputy Patricia Ryan: Given the isolation imposed by the Covid-19 restrictions and the knock-on effect on mental health, will there be additional provision for mental health in the budget?

Deputy Michael McGrath: The Deputy made a good point. The various restrictions that have been imposed on people's lives and their quality of life, the loss of employment and the isolation that many people have had to live with over recent months have all had an impact. That is undoubtedly the case. I have been in discussions with the Minister of State, Deputy Butler, about the funding for the new mental health strategy. I hope we can make progress on that in the context of the budget next week. I recognise it is a real issue and it is a priority for the Government. I hope we can assist in the area next week.

Deputy Patricia Ryan: The Minister spoke about local authorities and housing. I am interested in the additional provision for homelessness services. What is there at the moment and what will be provided for in the budget?

Deputy Michael McGrath: That has been a key issue, as one might expect, in my discussions with the Minister, Deputy Darragh O'Brien, in the context of the Estimates for the budget. There has been a significant increase in the funding for homelessness services in recent years and we need to continue with that. There has been some progress on the reduction in the numbers of homeless families and individuals, but there has been nowhere near enough and we need to do much better. While a top priority for the Government is to deal with the housing crisis in its various forms, its most acute form is where a person or family is homeless. We have had good engagement in the context of the Estimates and can, I hope, deliver a decent envelope to make more progress on the issue.

Deputy Patricia Ryan: The Minister will be aware that community employment, CE, supervisors had a Labour Court recommendation in their favour 12 years ago. Can they have a commitment that they will finally get what they deserve in the budget?

Deputy Michael McGrath: I am very familiar with the issue and want to make progress on it. As the Deputy will know, the advice the previous Government received was along the lines that the individuals concerned are not employed by the State and are not public servants as such. The advice was that the issue could have much wider implications throughout the community and voluntary sector, such as for section 39 organisations and so on.

When I came into office, I sought to meet the union representatives, which I did in July along with officials from my Department and from the Department of Rural and Community

Affairs, given that it is the line Department for community employment schemes. We put a process in train at that time for further engagement at official level with the union representatives and that is at quite an advanced stage. There is not a proposal on my desk at this point, even though I have been told there is. I hope we can make progress on the matter but in a manner that will not have much wider ramifications that we cannot manage, which is the challenge we face. Progress may be possible and I await a full report from the officials involved in the engagement since that meeting in July.

Deputy Patricia Ryan: The Deputy will be aware that Age Action and the Red Cross set up a hardship fund earlier in the year. There were 42,000 inquiries and 21,000 applicants, yet only 453 were successful, although that was through no fault of the groups. Will the Minister commit to setting up a hardship fund for older people in the budget? I am concerned about the constant financial difficulties at this time.

Deputy Michael McGrath: I am not familiar with the detail of that scheme but I will take the matter away and have a look at it with my officials before Tuesday.

Deputy Bernard J. Durkan: Capital works associated with public expenditure will arise from Brexit in the development of facilities at ports and airports, some of which will be capital while others may be current expenditure. Is the Minister satisfied the Government will be in a position to provide adequately for anything arising from that quarter, given the fluid circumstances that exist?

Deputy Michael McGrath: Earlier this week I brought a memo to the Cabinet with an update on the delivery of infrastructure to prepare for Brexit because my Department is the lead Department for delivering on that infrastructure. This has been ongoing for some time, to be fair, and a great deal of progress has been made. In respect of the 1 January potential cliff-edge date, what needs to be done for that date has been completed at Rosslare Europort. There is a longer-term plan but what needs to be done for 1 January has been completed.

Similarly for Dublin Airport, what needs to be done has been completed, while for Dublin Port, the vast majority of the works have concluded. An environmental approval was required from An Bord Pleanála for the completion of the remaining projects and that has come through. Some outstanding works, therefore, will extend to 2021, but the contingency plan is being put in place by the relevant agencies along with my Department. Those agencies will include the HSE, the Department of Agriculture, Food and the Marine and the Revenue Commissioners, and they are working with an infrastructure group led by the Secretary General of my Department.

Funding is not the issue; it is a timeline issue. The vast majority of works required at Dublin Port have been completed. I visited it a few weeks ago to see for myself and significant progress has been made. I am confident the port will be ready to deal with whatever scenario arises on 1 January.

Deputy Bernard J. Durkan: Turning to Rosslare Europort and possibly Cork Harbour, a place dear to his good self, is the Minister satisfied the Government will be in a position to make alternative provisions in those two areas, in light of the need to bypass the UK land bridge?

Deputy Michael McGrath: Yes, there has been much progress on the development of direct routes to mainland Europe from ports in Ireland. That is to be very much welcomed because it reduces the level of dependence on the use of the land bridge. At Rosslare Europort, the

works have been completed, whereas at Cork Harbour and other ports apart from Dublin Port, the volume did not meet the threshold required for additional works to be carried out. I inquired specifically, as the Deputy might imagine, about Cork Harbour and other ports, and the advice I received was that no works are required there in the context of Brexit preparedness.

Deputy Bernard J. Durkan: Questions are continually raised about the staffing levels in hospitals throughout the country, given their challenges to meet both Covid-related issues and ongoing related issues such as the filling of consultant posts, nursing posts or whatever is required. There are, allegedly, a number of posts to be filled that could be essential in dealing with the issues ahead. Is the Minister satisfied the Government can deal with those issues adequately in the short term?

Deputy Michael McGrath: It is an ongoing challenge in certain specialties in particular but there is no moratorium or anything like it. Vacancies can be filled. My priority is to ensure that the funding will be made available for those posts to be filled. It can be difficult in certain areas. It is an operational issue for the HSE directly but if there are specific challenges, we will work with the Department of Health and the HSE to see what we can do to manage them.

As for pay issues, we are constrained. We have a public sector pay deal that will end at the end of this year. There is a real issue at consultant post level with certain posts remaining unfilled throughout the country, which is a concern and a real difficulty in delivering the reforms we need, the capacity improvements we are going to need, and the changes required in certain practices. Other than that, generally posts are being filled across the system.

Chairman: We have had some very good presentations over the last week from the Irish Fiscal Advisory Council, IFAC, and the Parliamentary Budget Office, PBO. One of the themes arising is their concern around oversight and spending. The PBO has said it is struggling to keep up with the announcements of particular budgetary items. A number of groups have raised the issues of oversight and transparency in their submissions to us. I will give an example. The winter plan, with an expenditure of €600 million, allocates 10% of the funds to private hospitals. I am not arguing about the benefit of that in the context of capacity for the health service, but there was not a huge amount of detail about the nature of that agreement. Considering the dynamic nature of the spending we are required to do at the moment, will the Minister comment on how the Department of Public Expenditure and Reform is dealing with the issue of oversight and transparency in both the immediate and the medium term?

Deputy Michael McGrath: The Department has published this week the pre-budget expenditure update for 2020, which replaces what would be the normal mid-year expenditure report. This provides a lot of detail on what has been an exceptional year. I acknowledge that point.

The previous Government and the current Government had to respond in an unorthodox and rapid manner to circumstances that have prevailed. My Department has constant engagement with particular line Departments. There are people in my Department who manage just the health Vote. When it comes to any new announcement from the Department of Health there is detailed engagement on that, and my Department has to be satisfied that proper processes are being followed, that there is value for money and that any new policy initiatives are fully thought through. Ultimately, we have to sign off on that. The Chairman gave the example of the winter plan. It is a dramatically larger and more comprehensive winter plan than ever before, and so it needs to be because of what our health service might have to deal with in the next months.

We are happy to work with this committee and the PBO on any particular issues or any proposals or suggestions they have around improving transparency in spending decisions. It has been a challenging year. We have done our best to provide as much information as we possibly can at a time when things are changing very quickly.

Chairman: It has been an extraordinary year. When we get towards the end of this, we hope at some stage, does the Department intend to do an overall review of spending in general during the Covid crisis?

Deputy Michael McGrath: We are still managing Covid spending, as it is, so we have not made any separate decision to do a look back at what happened over the course of the period since March. I am sure it will be done on an ongoing basis. Our priority for now is budget 2021, and Covid is a core part of that in making sure we have adequate provision in the areas the committee has spoken about, especially health. That is a real challenge. At the moment our focus is on trying to make the right decisions in the context of budget 2021. There will be an Appropriation Act later this year to confirm the outturn and spending for the period of 2020. In the normal course of events the Comptroller and Auditor General will look at individual Votes and spending across Departments. I am sure there will be a particular focus on exceptional expenditure and where decisions had to be made in very short timeframes. I imagine this will be done in the normal way. The Committee of Public Accounts will also examine the Comptroller and Auditor General's reports on expenditure in 2020. It is important to put that on the record also.

Chairman: We may have touched on this before, but in our private session with IFAC, we looked at the medium to long term and we discussed the 5% deficit target. We also discussed how countries such as France are looking at a deficit of around 7%. IFAC felt that many of the independent financial advisory groups in other countries were looking at around 8%. In that context, is Ireland pitching its deficit at the right level? Is Brexit the reason for that?

Deputy Michael McGrath: It is a judgement and we have to assess the needs of our economy for next year. We are not saying that the deficit has to come in at 5% or below next year, no matter what. That is not the position of the Government. The position is that on a no-policy-change basis, the forecast of deficit for 2021 would be of the order of 5%. That is before we make any new decisions and before we decide on the quantum and scope of the recovery fund, for example, and how we apply that over the course of next year. We are not wedded to a particular deficit outturn figure for next year.

The more important consideration is the level of support the economy needs. To be honest, I do not think we fell back this year in providing very significant support across the economy. The intention is to provide extensive support again next year. We want to see a situation, however, where the deficit at least starts to move in the right direction. There is a degree of uncertainty about the outturn for this year. It will depend on the tax receipts in the final quarter. The potential impact of any further restrictions could also be significant. There is a lot of uncertainty. Next year we would like to see the deficit going in the right direction. We are not wedded to a particular figure that we have to meet come what may. The overall priorities are to support the economy and to protect services.

Deputy Pearse Doherty: Gabhaim buíochas leis an Aire. It is interesting to see the Minister on that side of the committee room after ten years on the same side.

Deputy Michael McGrath: It certainly is.

Deputy Pearse Doherty: I wish the Minister good luck in his preparation for budget 2021. These are challenging times, no doubt.

I want to pick up on the Chairman's question about the deficit. In the budgetary strategy published on 16 September the Minister outlined that a 4.5% to 5.5% deficit of GDP on a no-policy-change basis included the €9 billion Covid-related expenditure. When the Minister talks of that 5% figure it includes €9 billion Covid-related expenditure, €1.1 billion pre-committed and the €1 billion capital that has already been factored into 2021. Is that correct?

Deputy Michael McGrath: Yes, that is correct.

Deputy Pearse Doherty: So any increase in the deficit would be a budgetary package in excess of those amounts.

Deputy Michael McGrath: Yes, in addition to the €9 billion it includes the €3 billion of core expenditure, including the €1 billion in capital spend and €2 billion in current expenditure. Going beyond that would change the deficit projection.

Deputy Pearse Doherty: It also includes the 900 discretionary-----

Deputy Michael McGrath: It does. That is correct.

Deputy Pearse Doherty: The Minister mentioned the recovery fund to other members of the committee. Is the recovery fund in excess of the €9 billion Covid-related expenditure or is the recovery fund part of the €9 billion Covid-related expenditure?

Deputy Michael McGrath: It is additional to the Covid-related expenditure. It may well be the case that some element of it would be a Covid contingency because of the deep uncertainty we have in projecting the number of people on the live register who will need support next year, for example. It is a very volatile situation. Not everything may be allocated to the individual Vote level. In broad terms the recovery fund concept is separate and additional to the provision we would make for known Covid expenditure in 2021.

Deputy Pearse Doherty: The known Covid expenditure is the €9 billion package, although some of that is unknown in a way.

Deputy Michael McGrath: Yes.

Deputy Pearse Doherty: I understand that is impossible to predict with lockdowns and further restrictions where jobs will be at and what is supposed to be required, but my core question is whether the recovery fund package is in excess of the €9 billion. The Minister was always the person who talked about us not having surprises on budget day, yet he will give us all a surprise in just four days' time. In any other year we would know the quantum of the package. At the minute the budgetary strategy talks of a package in the region of €12 billion. The question is, what will the package be? Will it be €14 billion, €15 billion or €16 billion? What size is the recovery fund? Four days out from the budget, the least the Minister could do to show respect to a budgetary oversight committee would be to indicate to it how far he is going to push the envelope on Tuesday.

Deputy Michael McGrath: The €9 billion is not set in stone because it has to be interrogated and assessed on an ongoing basis. In recent days, I have seen different rolling assessment figures in the Department regarding what will be needed for Covid next year. I am saying that to be up-front with the Deputy. When we brought the memorandum to the Government, €9

billion was the estimate. It remains broadly accurate but I am not wedded to the figure because we do what we need to in respect of Covid. That is the commitment I am giving on that issue.

The recovery fund is additional. It is important that we remain agile and flexible next year. Nobody could have predicted at the beginning of 2020, when Covid was not here, that there would be additional expenditure of €16 billion in the course of the year. Covid is now here and I hope it will only be here for part of next year but its impact is difficult to predict. It depends on the health situation and decisions that have to be made in that respect. We are in extraordinary times. Arriving at a decision on the correct level of support is very challenging and difficult. The work on that is ongoing but we want the support to be of an order that can make a real difference. We realise there will be issues to which we will need to respond over the course of the year. We need to have the resources to do so, and we do not want the resources to be in addition to the projected deficit and so on for 2021.

Deputy Pearse Doherty: It appears from what the Minister is saying that he is still going to pull the bunny out of the hat next Tuesday, despite everything he said for the past ten years. It is not the way to do budgets. I acknowledge that there are moving parts but he has a sense of the quantum at this stage. That is usually published in the summer economic statement, which he and the Minister for Finance have decided not to publish this year. This decision was heavily criticised by our independent fiscal advisory council. That said, it appears that what the Minister for Public Expenditure and Reform has said to us is that there is a lot of uncertainty. I agree with that. I completely agree that we need to be very nimble and able to respond to unforeseen circumstances. There may be money set aside that I hope will never be drawn down because of an improvement in circumstances. One thing we know for sure at this stage, however, is that 2021 has to be the year of recovery. We need to stimulate the economy. What the Minister has suggested to me is that the recovery fund is really to deal with contingencies associated with Covid as opposed to the stimulus being requested. On budget day, there should be a package that stimulates the economy but it appears that this is not being presented because there is expenditure on Covid of €9 billion to keep the lights on. It is a recovery fund that is about contingencies that we can identify so I guess the Minister is not going to refer to additional capital or certain types of stimuli, and much of the other expenditure pertains to carried over costs. Where is the big ambition for stimulating the economy, which we know has to happen next year? In this regard, the Irish Fiscal Advisory Council has identified, for illustrative purposes, a stimulus package of €10 billion over a two-year period.

Deputy Michael McGrath: I do not believe it is fair to characterise the recovery fund as one dealing with Covid contingencies; it is not. It is designed to be used to support the economy and act as a stimulus rather than to support service areas. It is important to make that point.

Let me address the estimated Covid expenditure next year of €9 billion. Deputy Doherty described it as keeping the lights on but it is about services and policy decisions already made on the pandemic unemployment payment and the wage subsidy scheme for the period up to the end of March. There are also important supports for employment, transport, education and all the other areas where we know there will be additional expenditure in 2021. The recovery fund is, therefore, a stimulus and it is about supporting recovery and jobs.

I agree with the Deputy that we need to be agile and nimble next year. The idea that we can stand up on Tuesday and set out with a degree of certainty everything we need to do next year is not realistic in the circumstances we face. We will, however, do the best we can to provide as much certainty as possible and to give hope to people so they may be confident we will get through this, that the economy will recover and that the Government is willing to provide the

resources necessary to bring about and support the recovery. The recovery fund is going to be an important part-----

Deputy Paschal Donohoe: Does the Minister know the quantum of the recovery fund? Why will he not provide the committee responsible for budgetary oversight with the parameters of what he is considering? I am not looking for the exact figure but an indication as to whether the recovery fund is €500 million or €5 billion. With respect, this is the budgetary oversight committee. One of the recommendations made after the last crash was that there should be scrutiny prior to budgetary announcements and no surprises on budget day. Surely, as Minister for Public Expenditure and Reform, Deputy Michael McGrath has a sense of the quantum, yet he is deliberately keeping that information from us today. I am not looking for a figure that is accurate to the cent but for parameters. Are we looking at what the Irish Fiscal Advisory Council is suggesting, namely, up to €10 billion, or €5 billion or something more modest?

Deputy Michael McGrath: The truth is that no final decisions have been made. The Minister for Finance, Deputy Donohoe, is working away on the taxation side. There may be steps he will wish to take in that regard so it is all interrelated. I have to deal with all the expenditure pressures, be they Covid related or otherwise.

Deputy Pearse Doherty: Is it €10 billion or €1 billion?

Deputy Michael McGrath: Whether one is in government or in opposition, it is difficult to set out plans for next year but the pre-budgetary position is pretty clear. The projected out-turn for next year, on a no-policy-change basis or on the basis of the carrying forward the Covid expenditure, the additional €3 billion, is pretty clear so it is up to different parties to make their recommendations on what they would do.

Deputy Pearse Doherty: It is not about parties; it is about the Oireachtas committee that is tasked with scrutinising the budgetary process. Collectively as a committee - I am not referring to Sinn Féin, the Green Party, Fianna Fáil or Fine Gael - we do not have a clue about the budgetary parameters the Minister is considering for announcement on Tuesday. We do not know whether there will be €6 billion, €7 billion, €8 billion or €9 billion in addition to the €12 billion set out. That is what this committee is supposed to be examining. It is supposed to be feeding in, giving its thoughts and providing analysis so there will be no more bunnies taken out of the hat and no more big surprises. The Minister knows the parameters. I do not want a final decision as I know it has not been made and that things will change right up to the last moment but the Minister knows whether the figure is €500 million or €5 billion. He could give us a range indicating the space we are in.

With respect to the Minister, and acknowledging this is his first outing as Minister to a meeting of this committee, of which he has been a member, the Government is treating the committee with disrespect by not allowing it to do what it was set up to do, that is, to scrutinise the parameters set prior to the budget. The Minister should be more forthcoming about his thoughts on the recovery fund.

Deputy Michael McGrath: It is a genuine challenge to decide on the scope of what constitutes an appropriate recovery fund. We have heard what various external commentators have had to say, and the truth is that we are continuing to work on it. It will need to be a significant fund to meet the challenges that will arise across the economy in 2021. No final decision has been made at this point but we have given confirmation of what we would regard as the stimulus, for example, in the whole capital expenditure area. We have made policy decisions already

about employment and income supports through to the spring of 2021, and further decisions will be made on budget day. I have heard what the Deputy has had to say. The issue raised is one we can work on in the future. This is an extraordinary year and we need to have the flexibility, as a Government, to make decisions right up to budget day and to set them out next Tuesday, which I look forward to doing.

Deputy Pearse Doherty: Perhaps the clerk could help us by notifying all the committee members that they should read the Sunday newspapers because the Minister is not going to give us any parameters here, which he should do. The parameters will probably be given to the media before the Select Committee on Budgetary Oversight.

Deputy Michael McGrath: I will not be doing that anyway. I can assure the Deputy of that.

Deputy Pearse Doherty: We learnt about the overall figure, €12 billion, from the media.

Chairman: I thank the Minister and his officials for attending.

Deputy Michael McGrath: I thank the Chairman.

Chairman: That concludes our pre-budget scrutiny. The committee will be publishing its pre-budget report tomorrow in advance of budget 2021. As there is no further business, that concludes our proceedings for today. Our next private meeting is scheduled for tomorrow, 9 October at 12 p.m.

The select committee adjourned at 11.30 a.m. *sine die*.