

DÁIL ÉIREANN

AN ROGHCHOISTE UM FHORMHAOIRSIÚ BUISÉID

COMMITTEE ON BUDGETARY OVERSIGHT

Déardaoin, 1 Iúil 2021

Thursday, 1 July 2021

Tháinig an Roghchoiste le chéile ag 9.30 a.m.

The Select Committee met at 9.30 a.m.

Comhaltaí a bhí i láthair /Members present:

Teachtaí Dála /Deputies	
Richard Boyd Barrett,	
Seán Canney,	
Ciarán Cannon,	
Bernard J. Durkan,	
Mairéad Farrell,	
Michael Healy-Rae,	
Aindrias Moynihan,	
Kieran O'Donnell,	
Patricia Ryan.	

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

Capital Investment: Department of Public Expenditure and Reform

Chairman: Apologies have been received from Deputies Nash, Michael Healy-Rae and Lahart.

Today the committee will engage with representatives of the Department of Public Expenditure and Reform to discuss capital investments. I welcome Mr. Ronnie Downes, assistant secretary, essential expenditure policy and reporting division; Mr. Kevin Meaney, principal officer, the national investment office; Ms Clare Costello, principal officer, the housing Vote; Ms Niamh Callaghan, principal officer, the transport Vote; and Mr. Jim Deane, principal officer, the health Vote.

Before we begin the discussion, I have a note on privilege for our witnesses. They have probably heard all this before but I will repeat it. I wish to explain some limitations to parliamentary privilege and the practice of the Houses in respect of references witnesses may make to other persons in their evidence. The evidence of witnesses physically present or who give evidence from within the parliamentary precincts is protected pursuant to both the Constitution and statute by absolute privilege. However, as today's witnesses are giving evidence remotely from a place outside the parliamentary precincts, they may not benefit from the same level of immunity from legal proceedings as a witness physically present does.

Witnesses are reminded of the long-standing parliamentary practice that they should not criticise or make charges against any person or entity by name or in such a way as to make him, her or it identifiable or otherwise engage in speech that might be regarded as damaging to the good name of the person or entity. Therefore, if witnesses' statements are potentially defamatory in respect of an identifiable person or entity, they will be directed to discontinue their remarks. It is imperative that they comply with any such direction.

I have a note on privilege for our members. 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 Houses or an official either by name or in such a way as to make him, her or it identifiable. I remind members of the constitutional requirement that they must be physically present within the confines of the place in which Parliament has chosen to sit, namely, Leinster House or the Convention Centre Dublin or both, in order to participate in public meetings. I will not permit a member to participate where he or she is not adhering to this constitutional requirement. Therefore, any member who attempts to participate from outside the precincts will be asked to leave the meeting.

I now turn to Mr. Ronnie Downes and ask him to give his opening statement.

Mr. Ronnie Downes: Good morning, Chair. It is nice to see you and the committee again. I thank the committee for the invitation to appear before it. I am very happy to have this opportunity to discuss with members capital investment and the role of the Department of Public Expenditure and Reform, including phase 1 of the national development plan, NDP, review.

I wish to take this opportunity to highlight again the important question of my Department's role in capital investment and the three Vote sections, representatives of which are with me today, namely, colleagues from the health Vote, the housing Vote and the transport Vote sections. The Department of Public Expenditure and Reform's role in capital expenditure is to set the overall allocations for each of the sectors, to monitor and report on spending against profile, to set the overall guidance on the spending of public funds and to provide technical reviews on

the compliance of spending proposals with the requirements of the public spending code. We are very happy to talk about all those issues and go into whatever details the Chair and committee members may wish to discuss. The Department of Public Expenditure and Reform does not have a role in the final prioritisation of spending within those individual sectors and the approval of particular projects and programmes within those allocated amounts. The Department also has a role, alongside the Department of Housing, Local Government and Heritage, in chairing and co-ordinating the Project Ireland 2040 delivery board and in meetings of the co-ordination group, which sits just below the delivery board and which is due to meet a little later today. Together, those bodies help to co-ordinate and oversee the implementation of Project Ireland 2040. Obviously, individual Ministers and Departments are answerable to their respective sectoral Oireachtas committees on the decisions they take and on the delivery of projects and programmes with the allocations they receive. Officials from the Department who are here today will not be in a position to discuss the rationale for specific decisions taken at sectoral level. I know members understand that but I am just underlining the point again.

Turning to the role of capital investment under the national development plan, Project Ireland 2040 was launched in February 2018 and sets out a ten-year programme of capital investment, with the overall aim of upgrading Ireland's infrastructure, enhancing our economic capacity and promoting balanced development across the regions of the country. The national development plan includes €91 billion of Exchequer investment and €25 billion of investment by the commercial semi-State sector. That gives a total of €116 billion in public investment. That reaches a target of 4% as a share of GNI*, an overall economic measure, and then maintains that 4% level over the remaining period of the NDP. In our Department's role in setting overall capital expenditure, we think it is important to give Departments and the sectors some level of certainty or assurance in the overall capital expenditures over a multi-year period. This allows them in turn to plan strategically the delivery of their key investment projects and plan to meet the national strategic objectives set out in Project Ireland 2040. For 2021, overall capital allocation stands at almost €10.1 billion. That is almost €5.5 billion or 119% higher than the amount allocated just a few years ago, in 2017, so capital allocations over that period have more than doubled under the national development plan. When you take that together with capital carry-over, that is, the amount allocated to Departments that they were not in a position to spend and that was carried over into the following year, in this case from last year into 2021, that is €710 million. Taken together, that is a capital investment spending power of €10.8 billion in 2021. This is the highest level in the history of the State. Public investment in construction in Ireland has remained among the highest in the EU despite the Covid-19 pandemic. It is in recognition of the important economic and developmental role of capital investment.

The programme for Government brought forward a planned review of the national development plan. It had been scheduled for the midpoint of 2022 and is now taking place as we speak. The review commenced in October 2020 and the aim is to set out an updated national development plan for the period 2021 to 2030. That will provide an opportunity to reassess investment plans, update project costings, and highlight any new issues that need to be taken into account, particularly given the ongoing impacts of and recovery from the Covid-19 pandemic.

The updated national development plan will be aligned with the national planning framework, which together constitute Project Ireland 2040. Among the most important aspects underpinning Project Ireland 2040 is ensuring alignment of the spatial and investment plans to ensure that housing, jobs and infrastructure can be delivered in a planned, coherent and strategic way. By 2040, Ireland's population is expected to increase by an additional 1 million people. This population growth will require hundreds of thousands of new jobs, new homes, extra

cultural and social amenities, enhanced connectivity within our regions and improved environmental sustainability. The review of the NDP will reinforce the Government's plans to support rural Ireland over the coming years through compact growth in our smaller towns and villages.

Ensuring integration of climate change imperatives, including adaptation and mitigation, is also central to the development of the plan. Importantly, the review will also examine the capability in the public sector to ensure major projects are delivered on time, within budget and to the highest national and international standards.

The NDP review comprises two phases. The phase 1 report of the NDP review published on 4 April reflected submissions from each Department outlining strategic investment priorities. It also took account of the public consultation exercise, Review to Renew, along with a broader evidence base for the decisions to be made as part of phase 2 of the review and the continued implementation and delivery of Project Ireland 2040.

Phase 2 of the NDP review is the phase where we outline and the Government agrees on the capital ceilings for each sector over the coming years over the period of the new NDP. That is progressing well. There has been substantial engagement between our Department and each line Department, including at ministerial level, in discussing the new five-year rolling departmental capital allocations and overall ten-year capital ceilings out to 2030. They will be set out in the revised NDP. It is due to be published soon and will co-ordinate with other Government policy priorities. It will set out a vision for public investment in the period 2021 to 2030, including investment priorities, projects and allocations.

The overarching intention is that public investment will continue to be maintained at the high levels it is at, to be augmented where possible to reflect Government priorities, support the economic recovery and provide confidence, certainty and visibility to sectors about the future pipeline of capital investment. I am happy to take questions from committee members.

Chairman: Our first speaker is due to be Deputy Durkan but with his permission, I will allow Deputy Canney speak now as he needs to leave the meeting presently.

Deputy Seán Canney: I thank you, Chairman, and Deputy Durkan for facilitating me. I thank Mr. Downes for the presentation.

I welcome that we are hoping to use the national development plan as the vehicle by which we trade our economy out of the Covid pandemic and into prosperity in the future. It is important that the national development plan is done in a balanced way for the regions. We have now found greater opportunities for remote working and all that goes with that. We need to have the infrastructure and the facilities in place in order that people can live and work in their own communities and support their local communities.

In his presentation, Mr. Downes stated that €10.1 billion is in the pot for this year. I refer to the capacity to spend this money. Over the years we have set up considerable regulatory hurdles to be jumped between when a project gets announced and its construction. Many hoops need to be jumped through and many years pass. The feedback I am getting from local authorities is that the public spending code is making it inordinately difficult to get work done. A raft of paperwork and multiple approvals are required.

For instance, with a project for Transport Infrastructure Ireland, TII, six gateways of approval are required before construction. The Department of Housing, Local Government and Heritage requires four gateways of approval. We have set up a racecourse with many hurdles.

1 July 2021

We are creating a considerable amount of paperwork. It is leading to a scarcity of technical staff and consultants who are now required to get projects going. I would like to hear Mr. Downes's comments on that.

I also want to talk about value for money. Mr. Downes spoke about getting projects done on time, within budget and to the highest international standard, which is the ethos by which the public work contracts were set up. Information from some Departments shows that the final account for many projects exceeds the tender considerably, including in some cases by double. There are some reasons for that. How is value for money monitored and can we see how that is done?

Is Mr. Downes satisfied that the public works contracts in place for capital projects are still fit for purpose, taking into account some of the very controversial projects that have been discussed in the media, some of which have gone to court? I believe that public works contracts are too adversarial at the moment thereby creating another industry around conciliation and arbitration, tying up public resources and private resources.

I wish to speak about public private partnerships, PPPs. Based on the review of the national development plan, the Department is happy to say that we are getting value for money. I have come across cases where we have ceded control of land to PPP companies. For example, 14 primary care centres were built under PPP. We now want to do some structural changes on one of them in Tuam, County Galway. The process has been going on for three years but because we have given away control of the building and the site for 25 years, we need to get permission from the PPP company if we want to make changes to the building. We also must pay for that to change over the next 25 years. Therefore, a PPP company is now controlling how we deliver our health services. What if there are changes to our health services? We have allowed ourselves to enter contracts in which we have ceded total control. I know of a case where the PPP company will not allow the HSE to put a water main through a site and into another site. It will cost a hell of a lot more money to bring the water main around the road to service the site for a major project.

We speak about the national development plan of €10.1 billion. We need to have the services in place. Irish Water is a key component. The feedback I get from the industry is that at present, it is an impediment to the construction of the built environment in Ireland on the basis it is not funded properly and it cannot provide the services. We cannot provide the housing or serviced sites that are required because we do not have waste water or water on these sites. It is something I see throughout my constituency. I also see it in other places where, because of limited resources, work in certain areas is being prioritised through, for example, considering centres of population to the detriment of the regions. I would like the comments of the witnesses on all of this.

Mr. Ronnie Downes: I thank Deputy Canney. He has raised a number of important points. I will go through them in turn. Perhaps I will pick up first on the comment on the important role of the national development plan as a motor to drive us out of the Covid situation into economic progress and prosperity. It is very much our view that the national development plan, if properly calibrated and allocated towards appropriate projects, can serve this purpose. The Deputy is quite right that balanced growth among our regions is an important priority to which we are paying particular attention as the national development plan and its review move forward.

With regard to the specific questions raised by the Deputy on the capacity to spend and regulatory hurdles, there is many a slip between cup and lip. When a major project is announced

we cannot expect it to arrive weeks or months later. Sometimes it will take years before the red tape is finally cut on it. We have improved and strengthened our public spending code. This is our capital appraisal framework for getting capital projects from conception stage through to contract for procurement and delivery phase. The capital appraisal framework has been in place for a long number of years. We have been streamlining and refining it and taking account of best international practice as best we can. A number of clear gateways are in place. These are decision points to see where we have got to. It is not enough to just have a good idea to build a project. It needs to undergo a lot of rigorous analysis on the various options including cost-benefit analysis of various options and the risks involved and the likely costs. I would not necessarily call them hurdles. I would call them stages where projects need to prove their worth before they can move along from conception and idea stage to reality. This is particularly the case when hundreds of millions or billions of euro of public expenditure are in question. If it is the case that some horses fall at some of the hurdles along the racecourse, to use the analogy, perhaps it is because they should have fallen. Perhaps the earlier they fall the better so people can turn their attention to other areas. In other words, if they do not prove their worth or show they can pass various value for money criteria or be managed within certain risk boundaries, than perhaps they should not proceed. This is not a sin. It is a feature of good management.

There are many other issues throughout the system to which our colleagues in the Department of Housing, Local Government and Heritage are paying a lot of attention. These include reforming and streamlining aspects of the planning framework, which has been the subject of some criticism over the years where delays can arise. We are working together to streamline the public spending code. We are making it clear how to move quickly and swiftly. Many delays can take place, which is relevant to another point the Deputy has raised, because perhaps in the past there has not always been that same rigorous quality of analysis going into those early stages. International evidence shows the earlier we intervene, and the closer and more rigorous the scrutiny is at the early phases of a contract, the more we set ourselves up for success in future or eliminate those projects that are not likely to be success stories. This is not a bad thing.

With regard to the role of consultants, it is the case that over time we have been progressively building up our capacity in the Civil Service and public service to conduct capital appraisals and the type of analysis that has been done. Over time, these skills have been disseminated and normalised throughout the Civil Service and public service. The need for consultants to come in to do what should be an intrinsic part of capital appraisal is diminishing over time. There is a valuable role for consultants, including international peers coming in to take a look from time to time and provide objective analysis. The dependency on consultants to do basic appraisal work is diminishing all the time, however.

With regard to value for money and the role of the contract, it is mainly the responsibility of our colleagues in the Office of Government Procurement, OGP. A lot of engagement has taken place between experts and practitioners in the construction sector. The Construction Industry Federation has particular insights into how to make the public works contract a more efficient and attractive proposition for tenderers and contractors in Ireland. The OGP has been very responsive to this and is working on a suite of amendments, adjustments and refinements to the public works contract.

It is also the case that people are becoming more familiar with the public works contract and how it operates. Whether it is adversarial by nature or design or whether this is a feature of how some contracts are operated is not something I am in an expert position to comment on. A lot of work is going on. The points and perspectives on which the Deputy has reflected

regarding the need to keep the public works contract under review and refinement are issues to which colleagues in the OGP are very alive at present. A lot of work is going on in this regard.

With regard to PPPs, the Deputy gave a couple of interesting examples of primary care centres. I will make a general point before I move to the specifics. PPPs are an arrangement between the public and private sectors to procure, contract, deliver and, in some cases, manage and run infrastructure intended for public use. They have advantages and disadvantages. They are suitable for some areas and less suitable for others. One of the advantages of public private partnerships is that when properly contracted and entered into, they can give a degree of certainty on the public side about what the cost will be and the risk can be transferred. It has to be managed and often it is expertly managed on the private side. Sometimes the balance can be quite right. Sometimes we know that projects which have been traditionally entirely publicly procured can run into trouble. This can expose the State to a lot of costs and danger. PPPs are a way of managing this.

To come to the specifics, it is a matter for each individual sector to make known its view on the trade-off between entering an arrangement and what we get. Colleagues in the health sector will probably say primary health care centres are a relative success story in bringing health closer to patients and communities. The trade-off for this might be that it needs to cede control, management, maintenance and upkeep of the premises to a private entity. With regard to some of those specific issues, the way the Deputy presented it, it sounded as if the private operator might have been a little bit too picky about how it grants permission for certain necessary and useful works to take place on the lands it is managing. It is a question the Deputy might pursue further by running it to earth perhaps with colleagues in the HSE estates and the Department of Health, as they would have a more direct knowledge of how that is working.

We recognise that Irish Water is a key strategic element, not just for its own sake in terms of water provision but as an enabler and a prerequisite, including waste water, for the delivery of housing. It is a specific part of the equation in terms of addressing the housing challenge.

Chairman: I thank Mr. Downes. I must move on to the next speaker. We need to keep going in order to get everybody in.

Deputy Bernard J. Durkan: I welcome the witnesses this morning. This is an interesting and fundamental part of the economic conversation that must take place. I heard some things in the initial statement that I was pleased to hear. We have a rapidly expanding population and we must plan for that. It is no good planning for it in five or ten years from now; we need to plan for it now and put in place the necessary measures. For instance, in the 1980s we struggled to have 1 million people at work in the country. We can readily get 2 million at work now. That is of great importance to the economy and our ability to fund the level of services that we need for the future.

Deputy Canney made a number of important interventions. I do not think we would fare well if an evaluation was done of the effectiveness of our system in terms of procurement and processing various projects from A to Z in the shortest possible time with maximum benefit to the taxpayer. Some projects have gone on for years and various changes have taken place. If we keep going on like that in this country, we will go on that way forever. We will have a lot of things that we should have done that we did not do and we will suffer the consequences. Mr. Downes made reference to those but I do not think he went as far as I would have gone. From experience in a Department, if you want to do something, you do it now, not in five years' time, because by then you are gone out of there and somebody else will or will not do it and may have

a different set of emphases, which will again change the whole plan. The most essential issues at the present time are, first, housing, as well as health, education and infrastructure. How effective we are in delivering those for the country will determine the extent of our economic success and our ability to ensure that we can provide jobs for our own people, as and when they require them in the future. That is going to be hugely important.

I do not think we are doing that at present. For instance, Deputy Canney referred to Irish Water. We know that it has a funding shortfall and that needs to be addressed. On the one hand, we all said in this country that water is free and that it should be free for everybody. The United Nations said everybody has the right to water. I am not a brave enough soldier to come out and say that perhaps we should have done it differently. Perhaps we should, and we will pay a price for that in the future. If Irish Water is to do the job it is supposed to do, it will need an avenue of funding that does not exist at present.

Regarding housing, I spoke with a very prominent person in this country 20-odd years ago. I then predicted that the biggest issue to face this country in the future would be housing. How was I able to make that assessment 20 years ago? Did I have evidence? I had. I was working with the demand on the ground, the number of people that were presenting and who had chosen to stay in the country rather than emigrate. One of the issues that must be factored in is that emigration is not as attractive as it used to be because we can provide at home jobs that are as valuable, modern and up to date as anywhere on the globe, and because of that there is a greater demand for homes. We must face that. There are those who say they do not want any more people coming to this country and that we have enough people here. They say Ireland is for the Irish and all of that. I do not accept that. On the face of the globe, people move in different directions at different times. We must be open to that. We can provide for ourselves and them, to the benefit of the economy and all of our people, regardless. We must do that in a more meaningful way.

Health is an area where the population growth is of critical importance. I do not think that we ever realised that we would have 2 million people working in this country. We would not while there was emigration but we must factor in that emigration is no longer as attractive as it was. I again refer to what Deputy Canney said. I was on the previous health committee for the past five years. We had a long debate about the national children's hospital. If one were to ask any politician or a member of the public what is the problem with the children's hospital, they would say it has gone way over cost. It has not. It never went over cost, because there was no costing. The only costing that ever came was based on the quantity surveyor's report and is the current one of €1.8 billion. What is being done at present is that it is being used to sabotage the system by groups of people who did not want it there in the first place but wanted it somewhere else. The reason that it took so long to provide the national children's hospital is because nobody would agree on where it should be located. That is strange but it is not a conclusion; it is a fact. That continues to be the case. I hope we do not go on with the new national maternity hospital to the same extent, length and result, because if we do, it will never happen. We will be talking about it in the next century. Modernisation is required in the health services in line with the growing requirements of a much bigger population. There is a requirement for higher standards and higher outputs. We must recognise that and keep it in mind.

Infrastructure must grow. I see Deputy Boyd Barrett smiling. I do not wish to encourage him and he does not require any encouragement either. We need to come of age in terms of the delivery of services to the public. If we do not do that, we are going to be condemned and blamed, rightly so. We talk to a great extent about working from home and that will be taken up

to a certain extent but it is not the answer to any of our problems. Working through technology hubs does provide an answer because it combines two aspects of what we require. It brings to the fore the collegiality of the workforce where people like to mingle, mix, talk and socialise in the course of their work. Digital hubs can definitely do that and workers can produce as effectively as if they were working in the original workplace.

I could go on forever, but you will be glad to know, Madam Chair, I do not intend to. There are many issues that need to be addressed as a matter of urgency. Deputy Canney made reference to the various obstacles and the structures that are put in the way. Perhaps some of those horses should have fallen earlier, but I worry that if we were to adopt that course of action, we would end up going nowhere and we would not do anything. We could come to a conclusion and justify it on the basis that it might not have been a good thing to do, that perhaps we could not afford it or that we should do something else with the money.

I wish to emphasise that point by way of a concluding example. In 1986 I happened to be on a parliamentary visit to Germany. We were in a bad state in this country, employment-wise, at that time. There was a constituent well placed in the Mercedes corporation in Stuttgart where 20,000 people were employed. Having gone through the place, the extent to which the investment in that area had a ripple-like effect throughout the region was obvious to everybody. That big anchor tenant in the area was of enormous benefit. We had not experienced that in this country, certainly in the midlands or in our area at that time. We have had more of them in the meantime. We need foreign direct investment along with indigenous investment. We need our infrastructure upgraded and improved. We need to bring them along together, not deciding that we can do them at some stage in the future, by which time our market will have changed and our indigenous investors will have gone elsewhere.

I am looking forward to the debate. If we want something done in a Department, we need to take the action today because it will surely take three or four years before it will happen. I only mention this; I do not accept it. We have come to the stage where it is generally accepted that everybody looks at a particular proposal or plan and says it will take four or five years. When does it ever start? We have gone crazy on that kind of thing. After being irresponsible, we have become so careful about everything that the only way forward is to do nothing. We cannot go there.

Mr. Ronnie Downes: I will go first and some of my colleagues may wish to come in on some of the points. The Deputy has made it some important and interesting remarks and I will give a brief response. His final point about the need to do things, including planning, infrastructure and delivery, in alignment rather than in a piecemeal way is very much in the spirit of what we are trying to achieve in the national development plan and by aligning it with the national planning framework to accomplish our objectives.

In his comments about housing, the Deputy said that emigration may not be as attractive or viable an option for young people today as it might have been for previous generations. I will not go into the sociology of it but what we are trying to accomplish, including in the context of the national development plan and the national planning framework, is to make Ireland as attractive, enjoyable and productive a place to live as it can possibly be and one that bears favourable comparison with any other country around the world. If that in turn impacts the dynamics of emigration, so be it.

I take the point about the need to fund Irish Water. As I mentioned in my response to Deputy Canney, we are examining the provision of resources for Irish Water in the context of the NDP.

The Deputy made the point that there was disagreement about the location of the national children's hospital. Part of what we are trying to accomplish in the revisions to the public spending code is to provide an informed, objective and analytical professional assessment of the different options that may apply for any project and to make that information available to the decision makers at political level so that informed decisions can be made.

Deputy Bernard J. Durkan: I agree about the options but there must be agreement on the options. The problem is having so many options and spending so much time talking about the options with no decisions being made.

Mr. Ronnie Downes: That is a very fair point. One needs to be aware of the risk of engaging in a navel-gazing exercise with a never-ending supply of options that can provide food for analysis, discussion and argumentation for many years versus what we are trying to arrive at, which is a professional assessment. Let us take the example of the development of a sports excellence academy. Potentially, there are many options, including greenfield sites, the development of existing sites, utilising university or other facilities etc. The job of economic and evaluation professionals in the Civil Service and public service is to come up with a credible range of options and to provide pros and cons. In turn this analysis is a tool for decision makers. It is not an obstacle for decision-making. It enables, facilitates, streamlines and informs evidence-based policymaking. That is what we are trying to accomplish.

Lest my earlier remarks about horses falling on the racecourse be misunderstood, we are not trying to ensure that every racehorse falls. To step out of the analogy for a moment, some non-viable projects, which may have seemed good when they were an idea in someone's head then do not survive contact with an options analysis or cost-benefit analysis. We want to ensure that the decision makers can say at an early stage that it will not cut it and turn their attention to other options which are more viable and more interesting so that in turn the political decision makers can make that decision.

It is not our goal in developing the public spending code to come up with a technocratic formula for deciding on which project should proceed and which should not. Politicians are elected by the people and there is a certain vision that needs to be brought to bear to decisions above and beyond that informed by technical professional analysis. The public spending code is not a substitute for decision-making. It is an aid and a tool for use by decision makers.

I will ask Ms Costello to deal with the question on Irish Water. She is the principal officer in charge of the housing Vote, which, *inter alia*, deals with water issues.

Ms Clare Costello: I will briefly outline the funding for Irish Water over recent years. We have seen quite a significant increase in its capital allocation. We appreciate it still has challenges. The capital allocations for Irish Water have increased by 40%.

Chairman: As we seem to be having some technical difficulties, we might move on to the next speaker and we can come back to Ms Costello later.

Deputy Richard Boyd Barrett: I thank Mr. Downes and his departmental colleagues for their contributions. Am I correct that the Department of Public Expenditure and Reform produces the Irish Government Economic and Evaluation Service, IGEES, report?

Mr. Ronnie Downes: It depends on which IGEES report the Deputy means. There is a range of them.

Deputy Richard Boyd Barrett: I read one a while ago, which was basically an assessment of public housing as against rental accommodation scheme, RAS, and housing assistance payment, HAP, arrangements. An IGEES report indicated it would cost considerably more to continue with RAS and HAP than direct construction, which requires more capital investment upfront but where the long-term costs are lower. Was that done by the Department of Public Expenditure and Reform?

Mr. Ronnie Downes: Yes, it was my colleague, Clare Costello's team on the housing Vote. To clarify, the Irish Government Economic Evaluation Service, IGEES, is populated all over the place, including in other Departments as well. Those particular reports were produced by the housing Vote team.

Deputy Richard Boyd Barrett: Okay. I agree very much with that. It is something I have been arguing for quite a long time. Has that lesson been taken on board? Are there changes to plans for capital investment that would significantly move us on from the Rebuilding Ireland targets? As a reminder, the initial Rebuilding Ireland targets were for about 133,000 social housing units, of which roughly 90,000 were going to be provided through HAP, RAS or leasing. A minority would be directly constructed public housing. If the argument set out in that IGEES report is correct, and I believe it is absolutely correct, will we move on from that and wean ourselves off the RAS and HAP arrangements, which will potentially cost us billions? While I know Mr. Downes cannot make the policy decision, has anything changed, to his knowledge? Has anything changed in respect of the actual objective of clearing the social housing waiting lists? That is what it all comes down to in the end. We hear figures of this billion and that billion bandied about and various targets but what, as Mr. Downes understands it, is the endgame of all this? If it was up to me, it would be that we seek to get to a point where people are not waiting for 20, 10 or even five years for social housing but that we had a plan to invest sufficiently in housing stock whereby we do not have any waiting lists at all, or certainly not ones that extend much beyond two or three years. Has anything changed or are we still essentially working towards a slightly varied version of the Rebuilding Ireland plan?

That is my first question. Will I do them all in one go?

Chairman: No, that is fine. We can go back and forth, if it suits the Deputy.

Deputy Richard Boyd Barrett: I would prefer that, if possible.

Mr. Ronnie Downes: I will see if my colleague Ms Costello, who is in charge of that area of policy advice, can join us to deal with that.

Ms Clare Costello: Hopefully I will have no further technical difficulties. The report that the Deputy refers to is an IGEES report that was produced by our Department in 2018. It is important to set a little context around the paper. It was based on data from 2016 and 2017 when the capital programmes of the local authorities were beginning to start and to ramp up. Obviously, there had been a significant drop-off in the capital expenditure as a result of the fiscal consolidation in the early part of the last decade. It was only beginning to start to ramp up as the paper was produced. At the time the paper was produced, the split between current and capital expenditure on the housing programme was approximately 50:50. As the Rebuilding Ireland programme was rolled out by the local authorities, the funding has shifted dramatically from current to capital. For social housing delivery, there is now a split of approximately 30:70 across the delivery of social housing supports, whether current supports, that is, RAS, HAP or rent supplement, or capital expenditure on building and acquisition. This year, the overall

capital budget is about €1.8 billion and the social housing delivery aspect of that is about €1.5 billion. We are seeing the shift in the split of the expenditure. The forthcoming Housing for All strategy, which the Department is currently working on will reflect the programme for Government commitments around increasing the social housing stock. That is something everyone is acutely aware of. The report was done when there had been a reorientation of expenditure, which enabled the needs of citizens to be met in the short term. Now there is obviously a consciousness of meeting those needs in the longer term also.

Deputy Richard Boyd Barrett: Certainly, rhetorically we have heard some shift and that is good news but there is still a huge dependence on current forms of expenditure. Ms Costello can tell me the numbers, but the original target was for about 87,000 to 90,000 units, which are long-term arrangements in many cases. Is it Ms Costello's understanding that the trajectory, that is, the plan and the objective, is to get to a point where we are not depending on that mass of current expenditure and we will have sufficient stock of our own to wean ourselves off that? Is that the plan? That is connected to the question as to whether the plan is for us to have enough housing stock of our own that we clear the lists. Is that the plan or are we just shifting the trajectory to a degree? What is Ms Costello's understanding of where this is heading?

Ms Clare Costello: Obviously that is a matter that will be in the Housing for All strategy on which the Department is working at present. I note that HAP peaked around 2017 or 2018 and the numbers have reduced since then. There was a peak of approximately 18,000 HAP tenancies being set up in 2018. That has fallen somewhat. The output of tenancies set up last year was under 16,000. Obviously, last year there was also a Covid impact. The target last year was just over 15,000 and was exceeded slightly because of Covid. There has been a downward trajectory in the number of HAP tenancies.

Deputy Richard Boyd Barrett: I will leave it at that. I am gathering from that reply that there is not a definite plan as to where this is heading but there is a shift in trajectory. I am glad of that shift in trajectory but I believe we need a plan that says there is an end point in all of this.

My next question is on a similar theme. It relates to Covid and is more for the health side. There has been a lot of talk about the need to build the health capacity. ICU provision, for example, is a huge issue, where we are well below the European average. Hearing some things about the Delta variant, this could become a very live issue very soon. There are many deficiencies, including bed capacity running at much higher levels. We have less headroom. In looking at European averages, we should have 80% occupancy to have enough headroom in case of crises and emergencies, whereas we were operating at close to full capacity. In the aftermath of Covid, what is the plan? Is there a plan to significantly increase, for example, ICU capacity to something approximating average EU levels? Is there a plan to get to bed capacity where we will have the 80% occupancy and have the 20% headroom so we will not be in a situation where any emergency or crisis will suddenly push our health system to the limit? What is the Department working to in that regard? We have heard of figures in ICU going up to about 280, which is a little above what it was but still far short of what is in Germany or elsewhere. Has there been any shift in what the Department is being told by Ministers about what our objectives are to build that capacity? I heard Dr. Fergal Hickey, a consultant in emergency medicine from Sligo, say he believed there had been no significant shift in accident and emergency investment, for example, despite the lessons of Covid. What do our guests understand has been the capital investment in capacity building in the health service in the aftermath of Covid to learn the lessons of Covid?

Is there investment in training, given that capacity is not just physical infrastructure but also

trained people? In fact, it is probably one of the main limitations on our capacity in a number of areas such as mental health, a lack of consultants and allied health professionals and so on. What is the Department's understanding of the investment levels being increased to develop human capital, the human capacity we need to expand our health services? Is a change taking place and if so, where is it heading?

Mr. Ronnie Downes: I thank the Deputy for those questions. Yes, there is a plan to increase health capacity. The latest budget was difficult and was framed in the context of the Covid-19 response. The Minister, Deputy Michael McGrath, prioritised the provision of additional resources for the health sector, specifically to address issues that had been highlighted in a capacity review conducted in 2017 or 2018, such as the need for investment in bed capacity and in ICU and critical care bed capacity. I think an addition of the order of €1.2 billion was provided for the health sector in the budget, specifically to enable that capacity uplift to be made. That was agreed with the Minister for Health and his Department, on top of the additional Covid-specific measures, such as for personal protective equipment, PPE, and so on, and the additional allocation to enable the existing range of healthcare services to continue to be provided.

That, in turn, has worked its way through to the HSE and its service plan. Of course, there are many moving parts in the health sector, with unexpected changes in directions of travel and challenges facing the Deputy's colleagues in the health sector at the moment, but the resources have been put in place to enable this to be addressed. We as a Department are in regular contact with our counterparts and colleagues in the Department of Health and the HSE to assess the degree to which progress is being made-----

Deputy Richard Boyd Barrett: My time is limited. There is a common theme to my questions. I welcome the additional money being invested and so on but what seem to be lacking are clear objectives for where this is heading. When figures are bandied around and we say an additional €1 billion is being thrown in here, and we say we are spending more than we have ever spent in the history of the State, which is a cliché at this stage because it is kind of inevitable that we would spend more than we had ever spent in the past, the question is what it will deliver and what the objective is, although perhaps there is none.

Is there an objective to reach, for example, what is considered best practice in terms of bed occupancy and capacity headroom or is it just that figures on additional allocations are being thrown around but we are not quite sure what that will mean for the end result? Similar questions relate to staffing levels and so on. Are there clearly specified targets that will increase capacity, where clear deficiencies have been identified, up to levels that will address those deficiencies and allow us to clear the waiting lists - it is back to waiting lists again - because we will have the capacity? Have the targets and objectives been worked out to that degree? My suspicion is that they have not and while there is just some additional investment, it is not clear what that additional investment will yield us at the end of the day.

Mr. Ronnie Downes: That is a fair question. It harks back to when last I was before the committee a number of weeks ago, talking about the public service performance report. I made the point in that context that we as a Department, and colleagues in other Departments, are putting a stronger focus on specifying the outputs and the impacts that can be reported on and interrogated by the Oireachtas committees and so on.

The Minister was clear that the additional €1.2 billion-odd to be invested in health need to be linked to measurable objectives that went towards addressing the gaps identified in the capacity review a number of years ago; specifically, the beds, the critical care beds and the staffing

required to make those beds operational and come into service. We in the Department have been in dialogue with colleagues in the Department of Health and the HSE to move forward that discussion.

If we have time, I might ask my colleague, Mr. Deane, to comment on this point. He is in charge of the health Vote in the Department.

Chairman: Yes, we have time and that would be helpful.

Mr. Jim Deane: The Deputy asked about the drivers of the capital investment in health. To return to what Deputy Durkan said, changing demographics are part of it, as is Sláintecare. Deputy Boyd Barrett asked where we are looking to get to. Universal healthcare and care in the communities, with the right care in the right place at the right time, are the vision for the health sector. Digitisation is a key part of that and that agenda is being pushed. There are also standards and regulatory requirements imposed by HIQA and we have to increase capital spending to meet those standards. Patient safety is another key concern.

The Deputy asked what lessons are being learned from Covid. The HSE and the Department of Health are examining their plans and priorities as a direct consequence of the pandemic and work in that regard includes service continuity, revised infection guidelines and the emergence of revised healthcare priorities. This relates to the very point the Deputy made about increasing ICU capacity, oxygen supply, acute and intermediate care beds and enhanced community care, for which significant investment is required.

Part of the NDP review concerns getting all those issues together and seeing how we can deliver better outcomes. The Department is trying to identify where the spending is going and what exactly the outcome from that will be, and work is ongoing in that regard. From our Department's perspective in the context of the health Vote, not only are we seeking to ensure that spending remains within budget and that there is sustainability in respect of health expenditure but also - this is the point the Deputy was getting at - we want better healthcare outcomes. We want defined targets and metrics to measure whether we are making progress in that regard and ensure money is being well spent.

Deputy Richard Boyd Barrett: I will just flag a few issues because I am out of time. There has been a theme to my questions, namely, that we are a little lacking in clearly specified objectives. There are trajectories, additional allocations and a general recognition that we might need to move in a particular direction, but there are not clearly specified objectives and there is more work to be done there. I have not studied the performance service report in detail but for some Departments - I will take the arts sector as an example - it is woefully weak regarding what the objectives of the expenditure are and what the outcomes will be.

Another issue that has recently become very apparent to me concerns the provision of school buildings. In my area alone, five or six potential schools have been recognised for patronage. There has been an acknowledgement that the schools have to be set up but none of them has any clue where its permanent location will be, even though many of them have been around for years. There seem to be no specifics. We have general allocations and aspirations, but even if we recognise a particular school, whether a Gaelscoil or an Educate Together, we do not say there is going to be a location and plan, with the investment in place, to ensure there will be a school when the patronage has been set up or shortly thereafter.

Chairman: I thank the Deputy.

Deputy Richard Boyd Barrett: That has been the common theme of my questions and I flag that for our guests. I do not have time to go into the arts expenditure but I think we have no idea what we are getting for much of the funding in the area, such as that relating to film investment. We have lots of money going out but-----

Chairman: I thank the Deputy. We must move to the next speaker.

Deputy Mairéad Farrell: Gabhaim buíochas leis na finnétithe. I apologise for being a bit late coming to the meeting because of another commitment. I hope I will not go back over what other members raised but the Chairman might let me know if I do.

Is there any projection at this point as to what capital carry-over for 2021 could be? If so, based on current trends, which Departments are likely to have the largest capital carry-over?

Mr. Ronnie Downes: I might ask my colleague Mr. Meaney, head of the national investment office, to comment on that in a moment. It is probably too early, at this stage of the year, to give any specifics. As we are not yet at the summer break, it is early to say whether and to what extent Departments are likely to carry over money to 2022. Our role as a Department is to do our best to encourage every Department to spend the money allocated. We allocate the money because we want it to be spent, not to be saved and carried over to a future year. Mr. Meaney might have some more specifics.

Mr. Kevin Meaney: I concur with Mr. Downes. It is probably a bit early, at this stage of the year, to estimate where the capital carry-over might end up. I might give some high-level figures from the end of May, which are the most up-to-date material we have at this stage, although we will probably have the figures for end-June later this week or early next week. At the end of May, there had been some underspends in key Departments, including the Departments of Transport and Housing, Local Government and Heritage, which probably had the largest overall sums. In percentage terms, the largest were probably the Departments of Defence and Further and Higher Education, Research, Innovation and Science.

We consider the underspends to be quite understandable given the lockdown in the construction industry in the opening months of the year. Most of these Departments are indicating they will be able to catch up with the underspends in the rest of the year. They have told us that there may be some delays in the signing of contracts but that the funding will be used by the end of the year. We will keep an ongoing, monitoring approach on departmental spend and see later in the year where potential underspends will end up and where the capital carry-over might be.

Deputy Mairéad Farrell: Obviously, we all hope there will be no capital carry-overs but there are a few issues. The phase 1 report on the national development plan states that we need to be cognisant of supply-side capacity constraints and that the public sector has a limited capacity to deliver investment in any given year, regardless of how much funding is made available, which is concerning. The Minister, Deputy Michael McGrath, has stated that spending the entire capital allocation of €10.8 billion would be challenging. The ESRI has noted, “it is evident that the domestic construction sector is unable to meet the scale of production required”. We have an infrastructural deficit that needs to be dealt with and Deputy Boyd Barrett went into detail on that but the capital spend will be very important for growing the economy and dealing with the challenges we face. Do the witnesses accept the ESRI’s view that the private sector alone may be unable to meet the demand?

Mr. Kevin Meaney: One of the key tasks in our phase 1 report related to examining the de-

mand side. We reached out to both the Departments and the sectors to assess the demands over the coming ten years and what they considered to be their key priorities. We also conducted a public consultation, in which we received more than 570 submissions, and many of the key demands and priorities the public foresee in the next ten years were set out. In carrying out the phase 1 report, we had also to consider supply-side issues. We recognise that in the past two or three years, elements of the construction sector indicate some plateauing of employment and perhaps increases in wages and prices, which indicate that there are some supply-side constraints.

On the work of the ESRI, in some ways we fully accept that there is evidence of some constraints. Nevertheless, with the process of the NDP review, we are trying to give the construction sector greater certainty as to where capital budgets will be over a ten-year period. One goal we have in the Department is to set that at a sustainable level of total capital funding over a ten-year period, which, we hope, will allow the construction sector to grow and meet the requirements of the public sector.

We also have some ongoing initiatives with the construction sector to examine how the sector can increase supply, such as one relating to communication to foster industry confidence, which is one of the key goals of the NDP. We are working with the construction sector on the skills pipeline and with our colleagues in the Department of Further and Higher Education, Research, Innovation and Science on an apprenticeship action plan, which I believe will be finalised this year. Through our construction sector group, we ourselves are leading a drive for construction sector innovation and digital adoption, and we are leading on a number of initiatives with our construction sector colleagues to examine how innovation, effectiveness and efficiency within sectors can be enhanced. Plenty of policies to increase supply, therefore, are ongoing.

Deputy Mairéad Farrell: That is interesting. We have heard for some time that there is an issue with the supply side. Under the prevailing conditions, the State procures for capital works mainly via private developers. Senior officials in the Department of Enterprise, Trade and Employment recently stated that bid-rigging has enabled companies to extract a higher price for work, given that rival bidders that had agreed to lose would submit inflated bids or not submit a bid at all. Does the Department accept the view that bid-rigging has led to further price inflation?

Mr. Kevin Meaney: From our evidence, I do not think I could offer a comment on that. We work closely with our colleagues in the Office of Government Procurement, which leads on the capital works management framework and does work on general contract management with Departments. Unfortunately, it probably would be for that office to comment more accurately than I can at this stage.

Deputy Mairéad Farrell: That is fair enough. Following on from all that, there is a long-held view that in a situation where there is a market failure such that the market is unable to meet what is needed, the State must step in and help with a solution and that this is not only acceptable but often necessary. Would the officials accept that view?

Mr. Ronnie Downes: Maybe I will go first on this one. There is a general point there and then there is applying the general point to the specific case of the construction sector. Generally speaking, it would be well accepted among economists that in a market economy, the private sector could be expected to do a good job of delivering certain services, such as supermarkets and so on. Then there may be other services the market is not in such a good position to deliver

from time to time and the State steps in and provides them.

On the construction sector, we must also bear in mind that when we are talking about the public sector versus the private sector, sometimes the distinction can be a bit more blurry. It is the case, for example, that when we are going out to tender for the construction of a new housing complex, prison, school or whatever it might be, generally speaking the public sector is reliant on contractors to bid to build those facilities. There is only so much capacity in the country to deliver that at any one point in time. A good way of expressing it from a slightly different angle is that there are many ambitions we are doing our best to move forward on and commitments in the programme for Government, such as the area of retrofitting of social housing and public buildings. There is also what we were talking about earlier, that is, those ambitions and commitments the Government is moving forward on with housing policy and so on. Professor John FitzGerald and others have made the point that there is a lot of overlap in terms of capacity for achieving all of those objectives at once, particularly if we are going to upskill people to become familiar with retrofitting. There are things we can do to expand our labour force and the levels of expertise out there to deal with that but inevitably it will involve and draw some people who would perhaps be more traditionally involved in the construction of buildings into the retrofitting side. That is all a way of saying there are capacity constraints, whether we put it under the label of the public sector driving ahead with a particular policy agenda or the private sector providing it, there is an overlap and when they do meet with respect to those capacity constraints we must try to address that as best we can.

Deputy Mairéad Farrell: I thank Mr. Downes. On the capacity constraints, not so long ago we had the OECD before this committee as well as representatives from the Think-tank for Action on Social Change, TASC. I asked them for their views on the role of State-owned enterprises and correcting market failures and cited the example of housing in the context of an area in which a State-owned enterprise could play a role. Both organisations spoke quite positively about that point of view on trying to deal with the housing crisis and infrastructure deficit we have. What are the officials' own views on that?

Mr. Ronnie Downes: I might invite my colleague Ms Costello, from the housing side, to see if she has any specific views on that point.

Ms Clare Costello: I thank the Deputy for the question. What we are seeing with housing is there is going to have to be a multifaceted approach to solving the housing crisis. It is going to require both the public and private sectors working in conjunction in order to build the required houses, which the ESRI paper from last year set at approximately 33,000 per annum over the next decade. There will, therefore, be requirements for both sectors to work in conjunction with one another. On the State side that includes the local authorities, the approved housing bodies, AHBs, and the Land Development Agency, LDA, which is being established via a Bill currently going through the Houses. Members will be aware of the agency and the ambitions for it regarding the provision of housing over the next number of years. At present eight sites have been allocated to the LDA. At a ninth site, at Shanganagh, the agency is looking at the provision of almost 600 units in Dún Laoghaire-Rathdown. There is potential there with the LDA, with the funding it is due to get of €1.25 billion from the Ireland Strategic Investment Fund, ISIF, to really get involved in the provision of housing from the State's perspective.

Deputy Mairéad Farrell: I thank Ms Costello. To make my point a little clearer, we are seeing concerns there is going to be capital carry-over because the concern is the private sector cannot meet the demand or be able to actually use all that money and build all the different projects. I could have said that in a much more fluid way but my question was what would

be the view on having a State-owned enterprise that would intervene. Mr. Downes mentioned the capacity issues and that we must train people up with apprenticeships and whatever else in order that they are able to deliver the supply needed to meet the demand. I wonder what the witnesses' views are on that. Do they feel a State-owned enterprise for construction would be of benefit?

Mr. Ronnie Downes: Does Ms Costello have any thoughts on that?

Ms Clare Costello: Again it is about trying to ascertain the balance. There is a short-term need at the minute to ramp up construction and infrastructure projects. We would then need to consider the longer-term requirements of whether the State would need to be involved in such an area. The private sector is there to supplement and as Mr. Downes and Mr. Meaney have set out, there are a number of initiatives under way with respect to upskilling in the area. It is in the short term that the State itself will get benefits from that.

Deputy Mairéad Farrell: I thank Ms Costello. As we have an unemployment rate of 16%, we must deal with that as well as trying to meet what we want to spend and the infrastructural deficit and all that. We should be looking at seeing whether there is some other way where the State intervenes more to try to deal with that variety of issues because we know how important the capital spend will be in dealing with the economy as well. I think the Chair has been trying to intervene to tell my time is up.

Chairman: It is.

Deputy Aindrias Moynihan: There are one or two points on which I seek clarity. I thank the officials for their presentations and I got a good bit from the questions and answers earlier. Different Departments will have different levels of experience of dealing with the larger capital projects. There will also be interdepartmental projects that straddle Departments. For example, Garda stations for Clonmel and Macroom are projects that straddle the Office of Public Works, OPW, and the Department of Justice, as well as involving the National Development Finance Agency, NDFA, because of their being PPPs. I am trying to get an understanding of how the Department of Public Expenditure and Reform would be assisting or supporting such interdepartmental capital projects and what level of oversight it would be involved in with the likes of that.

We have seen the largest-ever housing budget and big budgets also in transport and in health. I am trying to get an understanding of how the needs or priorities are identified. For example, we saw the recent cyberattack wreaking havoc on many people waiting for medical procedures even though there has been a lot of spending on information technology, IT, equipment. Is the Department involved in learning the lessons from that cyberattack? Are there demands coming from other Departments for capital to spend on IT for cyber protection?

Mr. Ronnie Downes: The Deputy's first question was about projects that straddle a number of Departments - he gave the example of Garda stations - and what level of oversight the Department of Public Expenditure and Reform has. Generally speaking, those kinds of exercises tend to work relatively seamlessly without any particular need for the Department of Public Expenditure and Reform to have to get involved. There is plenty of capacity within the justice sector and within the OPW, which has a lot of expertise in dealing with these kinds of works along the lines of the one mentioned by the Deputy. There are good working relationships with the National Development Finance Agency, NDFA, which gives expert advice on PPPs and different financing models. There is no particular need for us to be the guiding hand that gets

involved with each project even where projects straddle some Departments or agencies.

I will make a point that goes back to a more general issue arising from questions about capabilities and delivery capability within the public service. One of the bodies of work that has been undertaken as part of the analysis arising from the phase 1 review of the national development plan, NDP, was the commissioning of advisory firm EY to take a look at capabilities within the public service to deliver on public construction. That report, Supporting Excellence, made a number of recommendations. It highlighted the fact that many areas within the public service had built up a lot of expertise over the years on how best to manage, procure and ensure good governance of capital projects in bodies like Transport Infrastructure Ireland, TII, Irish Water and in other sectors. There are other bodies, possibly smaller agencies, which traditionally would not have had a large capital budget and whose capabilities need to develop over time.

Deputy Aindrias Moynihan: What would be a trigger or threshold to draw the Department of Public Expenditure and Reform's attention to a Department or project? Does Mr. Downes have any examples?

Mr. Ronnie Downes: If a project is going wildly over budget, that would come to our notice. The oversight and monitoring of public expenditure is part of our general role. When projects are going through the public spending code, for example, we have a role at the very outset in having a critical look at the business case that has been developed. The project then goes back to its various approval stages. I am talking about major projects in this case. Projects over €100 million always automatically have to come to us and to the Government for approval. Smaller projects below that threshold are, generally, matters for each Department to manage within its own resources and would only really come to our notice if, for some reason, they have gone particularly off the rails or there are some issues that the relevant Department wants to bring to our attention. That Department might figure there is a requirement for extra resources in a budget or something like that. Generally speaking, individual projects are matters for Departments to govern.

I was going to make the point that one of the projects under way at the moment, arising from that earlier analysis, is to take a closer look at how bodies and institutions at the centre, such as the OPW, the NDFA, the national investment office in the Department of Public Expenditure and Reform and the OGP, co-ordinate their activities to provide a better, more seamless and transparent service to the various other Departments and agencies that may require support. That project is also looking at how the various levels of expertise that exist within the system can be better disseminated and transmitted throughout the professional cadres within the public service.

On the second part of the Deputy's question about how priorities are identified, this goes to the heart of the exercise we are now involved in as part of phase 2 of the NDP review. The Department is engaged in strategic dialogue, as we call it, which is a series of bilaterals involving Minister-to-Minister meetings between each of the Ministers in charge and the Minister for Public Expenditure and Reform, Deputy Michael McGrath, to talk about what the priorities are within each of the sectors. Pretty much every Department has its own sectoral priorities, whether these are in the rural space with the Our Rural Future policy document and how we develop rural communities, the arts, which has its own vision, or the Garda and courts reform agenda. In that overall context, we have learned over time that it is not a set-piece discussion and no one Department will have a set of priorities that are immutable from year to year.

On the example the Deputy gave of the cyberattack, certainly, we in the Civil Service and

public service have learned some lessons from that. Our colleagues in the Department of Health and in the Office of the Government Chief Information Officer, OGCIO, have been developing strengths, capacities and different modalities at the centre. That will, in turn, feed into how Departments prioritise their use of capital within the envelopes they have. However, it is an ongoing process. The priorities are a mixture of administrative necessities, emergency responses and, of course, political vision and direction for the future. All of those go into the mix in coming up with the priorities that find expression in the capital envelopes that will be set out in the NDP and in the capital plans each individual Department and agency will bring forward. That in turn feeds into the accountability discussion involving Members in the different forums within Dáil Éireann.

Deputy Aindrias Moynihan: I will follow up on the cyber example because there will definitely have to be learnings within the Department of Health and HSE on it. Will the Department of Public Expenditure and Reform co-ordinate with each of the Departments or will it all just happen in a silo? Is it a case of the HSE and the Department of Health, having now learnt the lessons, implementing their fixes while other Departments will be moving along separately or will the Department of Public Expenditure and Reform co-ordinate that? I expect there will be a big capital cost across some Departments.

Mr. Ronnie Downes: That is a very fair question. It is certainly the case that when the cyberattack first impacted, it was our colleagues in the health sector, both in the HSE, early on, and in the Department of Health who bore the brunt of that attack. They had to respond in a very agile manner to deal with it, get the health system back up and running as best they could, replace what needed to be replaced and change and modify systems to promote resilience. In the first instance, the HSE and the Department of Health came up with a plan for what they were going to do about replacing, for example, laptops and software to overcome the impact of the cyberattack.

In turn, we at the centre are involved, which includes me as one of the areas I have responsibility for is working with my colleague Jim Deane in overseeing health expenditure. We also have technical experts. Barry Lowry is the Government Chief Information Officer and his office, the OGCIO, was involved in working with the health sector to come up with some learnings about how systems need to adapt. In that context, and it is a matter I am sure the OGCIO would be happy to give more information on, we have put in place some adaptations and improvements that will have service-wide impact. Likewise, our colleagues in the OGP have worked closely with our health sector colleagues to make sure that best practice is observed and the maximum efficiencies are obtained when it comes to replacing laptops. The bill is going to be somewhere north of €80 million for 2021 in terms of the direct health sector response to the cyberattack. The Deputy is right that it is important that lessons need to be propagated throughout the system to build up the resilience that is needed across the system. We are alive to the importance of that issue.

Deputy Patricia Ryan: I will be as quick as possible because I am aware the Chair has not yet had an opportunity to speak. I come from Kildare and it would be remiss of me not to mention the Defence Forces. They received little attention in the national development plan, NDP, and Project Ireland 2040. We need to modernise the Defence Forces to ensure they are equipped to represent us, as they do, on the world stage. Will that be addressed in the forthcoming plan?

Mr. Ronnie Downes: The short answer to that is “Yes”. We have engaged in strategic dialogue with our colleagues in the Department of Defence. We are well aware of the priorities

facing that Department and the Defence Forces in terms of modernising equipment, making sure that Defence Forces personnel who are sent overseas have the correct modern equipment in order to do their jobs effectively and efficiently and have the means to safeguard and protect their safety and well-being. There are also broader, strategic issues about the role of the Defence Forces and the Department of Defence in protecting our country.

I will hark back to the question posed by Deputy Aindrias Moynihan about the need for some learnings from the recent cyberattack. We must ensure that as a country, as a system and as a public administration, we become more resilient. The Department of Defence will have a role to play in that context.

Deputy Patricia Ryan: How does the Department of Public Expenditure and Reform support or assist Departments with the implementation of capital projects? There is, for example, a need for a second bridge over the Liffey at Newbridge, County Kildare. Newbridge is one of the largest towns in the county and has a large population. The lack of a second bridge is holding back sustainable development in the county. What is the role of the Department of Public Expenditure and Reform in that regard?

Mr. Ronnie Downes: As I outlined earlier, the Department, in general terms, engages with each Department to get a sense of its overall priorities, the degree to which the capital allocations of those Departments are sufficient to meet those strategic priorities, their ability to prioritise within the available resources and direct capital investment to where it is needed most. Once the capital ceilings are set, it becomes a matter for each Department. I am not sure if this is a local authority issue, even below the departmental level. It becomes a matter for each of those Departments or local authorities to use the resources they have and to prioritise as best they can. I will hold my hands up and confess that I have not been made aware of the specifics of a new bridge in Newbridge.

Deputy Patricia Ryan: It is a major issue in the town. The lack of a second bridge is holding up sustainable development and we need to see movement on that issue.

In the absence of an up-to-date census, how will population figures be obtained and is there a plan to review the plan when the census takes place next year? I would appreciate it if Mr. Downes could give me some idea on that.

Mr. Ronnie Downes: The NDP was introduced, as I mentioned in my opening remarks, in early 2018 and is to run until 2027. It was always envisaged that it would be subject to a mid-term review in 2022. As a part of the programme for Government, the review of the NDP was brought forward and that is why we are doing it this year. We will be publishing it shortly, as soon as it is ready.

We do not want to spend all our time reviewing and re-reviewing something we have already reviewed. We need to move on to implementation and we are keen to do that. We are going to set the capital expenditure ceilings for each Department for a five-year period and then set national strategic objectives with resourcing for the ten-year period ahead. We will then enter the cycle of implementation and oversight. There is a review in the sense that we will have discussions with each of the Departments every year to see whether they have used their allocations correctly, whether they have used it all and how they might achieve their objectives. Returning to the discussion I had earlier with Deputy Boyd Barrett, we are interested in developing the performance focus and getting more of a sense of the outcomes and public service impacts of capital expenditure. There is also an important role for the members of the committee in hold-

ing Departments to account for the money they have spent and assessing whether they have achieved their objectives. There is an ongoing cycle of reporting, oversight and accountability. Once this NDP review is completed and we have a revised and refreshed NDP in place later this year, it will be a few years before we come back to review and reset it once again.

Chairman: There may be a chance for members to come back in at the end if anybody wants to put a hand up. In the meantime, I will ask a couple of questions. I will ask a more general question about an issue on which we have touched a little. The question is perhaps more suitable for the principal officers responsible for particular Votes. My question relates to the negotiation between capital and current spending and how we place certain projects in certain categories. How do we decide whether we are going to categorise a particular project or programme as a current or capital spend? I am asking specifically about the Votes for which the representatives at this meeting are responsible. In the case of, for example, housing, we have in the past used social housing current expenditure to repay loans for approved housing bodies, AHBs, which will ultimately be a capital asset. We know that our water system is desperately in need of ongoing maintenance. How do we play that against larger capital projects in terms of upgrades?

In the case of transport, the Green Party is constantly saying that we do not need pristine, one-off projects. What we need is a joined-up system of good junctions for walking and protected cycle lanes. That relates more to ongoing maintenance. We could point to many areas within the health sector, possibly including all of Sláintecare.

My question for Ms Costello, Ms Callaghan and Mr. Deane is whether they provide advice or guidance in any way to Departments on whether a particular programme should be recorded as current or capital expenditure. When they do that, is consideration given to the impact that categorisation might have on that project? The categorisation may be the difference between a one-off capital cost and ongoing engagement through the budget. Perhaps Ms Costello will answer first.

Ms Clare Costello: From the housing perspective and using the example the Chairman gave around AHBs, there is an upfront capital allocation to support the AHBs under the capital advance leasing facility, CALF. AHBs get that funding to support their provision of social housing stock. The ongoing current expenditure associated with AHBs is met from the social housing current expenditure programme, SHCEP. Considering the split between capital and current expenditure and how much capital an AHB requires upfront is a matter on which the Department of Housing, Local Government and Heritage would work with the AHBs. When an AHB approaches the Department of Housing, Local Government and Heritage - the Housing Agency gives advice on this also - it will set out what upfront capital allocation is required under the CALF and it will also negotiate around the ongoing payment and availability aspect, which is met from the SHCEP budget. Where our role arises is in setting the overall annual current and capital allocations for the Department of Housing, Local Government and Heritage. Obviously, during the Estimates process, we engage at length with the Department around issues like the SHCEP allocation and ensuring it is adequate to meet its needs.

Chairman: To clarify, is the Department of Public Expenditure and Reform providing guidance on the amount of the funding but not necessarily the appropriateness of whether it is capital or current expenditure?

Ms Clare Costello: Using that example, yes. For the ongoing Estimates process, we would look at the SHCEP budget and at ensuring the negotiation on what is required for that budget

for 2022, for example, will result in funding that is adequate to meet the needs of the Department. However, the specifics on each individual project would be a matter for the Department of Housing, Local Government and Heritage.

Chairman: Would there be a similar process in respect of the Departments of Health and Transport?

Mr. Ronnie Downes: I will make the general point that the distinction between current and capital expenditure is not so much a matter of discretion. We are trying to come up with an objective, defensible and correct application of public accounting rules. Capital investment has a particular meaning, that is, investment in the creation of an asset that has a life and will generate returns beyond the one-year period. That is seen, for instance, in investment in social housing-----

Chairman: I take that point. The point I am trying to get at is where the discretion comes into it. In this country, we have seen the depreciation of certain capital assets through a lack of long-term current funding in terms of maintenance. Water infrastructure is an example of that. I am trying to find out where those parameters sit.

Mr. Ronnie Downes: It might be helpful to take transport as a case in point. We have invested a great deal over the past decade and more in upgrading our transport infrastructure. To make sure we get continuing value from that, there is an ongoing need for maintenance. That expenditure, in turn, is treated as part of the overall capital envelope. My colleague, Ms Callaghan, may want to come in and give her observations in response to the Chairman's query.

Ms Niamh Callaghan: The public transport capital allocation is focused on new projects but also on the protection and renewal of different assets. On the current side, it is around the public service obligation, PSO, and ensuring there is sufficient current operating expenditure to pay for the cost of running the different public transport services minus the fare revenue that is generated. The maintenance, protection and renewal of assets is predominantly capital expenditure and we would negotiate with the Department each year on both the PSO current expenditure and the capital protection and renewal spend.

Chairman: There is more discussion to be had on this issue but we are coming to the end of the meeting. Before I bring in Deputy Durkan, I have one more question for the witnesses. We hope to be moving into an era where we see performance indicators being used more and a greater focus on equality budgeting and well-being indicators. What do the witnesses believe the role of performance indicators should be in capital spending? Is there an issue with Departments setting their own performance indicators? What kind of oversight do they deem to be necessary in respect of departmental Votes?

Mr. Ronnie Downes: I will go first, Chairman. As members are aware, we are keen, as a Department, to move the overall discussion and engagement with Departments beyond just the financial envelope and allocation to encompass a greater scope. For that to be a meaningful discussion, it requires a more mature and systematic understanding of what is being done, including making it clear from the outset of any project what is going to be delivered, what kinds of milestones and targets are in place while the project is being delivered and, importantly, what public service objectives are being accomplished by any particular project, whether on the current or capital side. We are also strengthening our own infrastructure and internal processes for assessing and appraising projects by reference to the different criteria, including well-being indicators and other factors I mentioned, to ensure the dialogue is meaningful. The dialogue

should not, of course, be confined to a bilateral engagement between us and the individual Departments. It also needs to encompass accountability before the Houses of the Oireachtas. That is part and parcel of our strategy in terms of moving this agenda forward. Members heard from my colleague, Mr. Deane, about our engagement and dialogue with the health sector on specifying health outcomes and how they can be a greater focus of engagement.

I will pause there and allow my colleagues to come in. Will Ms Costello comment on the housing side?

Ms Clare Costello: As Mr. Downes outlined, this is an area where work has been done but there definitely is scope for much further improvement. My colleague mentioned health. From my own perspective in respect of the housing Vote, there is a real opportunity for indicators to look at issues that cut across Departments. Homelessness, for example, is a major issue for the Department of Housing, Local Government and Heritage but there are obviously other factors from the health perspective. If we can start moving the dialogue on and addressing things in a more rounded way, this is an area in which we could really gain benefits as a society in terms of seeing the results of funding.

Mr. Ronnie Downes: Ms Callaghan might comment on the transport Vote.

Chairman: I certainly would like to hear about that. I would also like a response on whether Departments setting their own performance indicators is appropriate.

Ms Niamh Callaghan: The national development plan is the overarching framework for the transport sector but it also feeds into a sectoral strategy. The Chairman may be aware that the Department of Transport is finalising its future land transport investment programme, which includes various strategies to underpin plans for different cities, such as the greater Dublin area and the Cork metropolitan area, as well as the national roads strategy. Having key performance indicators in place at the level of those strategic plans, and how they feed into the overall framework and the NDP, is really critical for us and for the sectors over the coming period. A lot of specialist knowledge resides in the Department in terms of putting those strategies together and working with all the agencies, such as Transport Infrastructure Ireland and the National Transport Authority, on defining the metrics.

Deputy Bernard J. Durkan: How do you determine when a project is over cost? What does the Department require to come to that conclusion?

The second question is on the construction sector and the urgency of the house building programme. I have said many times, we should abolish the phrase “social housing”. It is housing that is in that particular area, as well as the affordable area. It is about the affordability of people being able to get a house by one means or another. Why are so many construction firms in this country busily engaged in working outside the European Union in the UK? Are they saying the system here is too complicated or too inaccessible and time-wasting?

Mr. Ronnie Downes: I will pass the second question to Ms Costello. The Deputy asked how we determine if something is over budget. He made the point earlier that in a particular project, there had perhaps been a lack of clarity all the way along about what the actual cost was. Part of the new approach on spending involves an extra rigour.

Deputy Bernard J. Durkan: Mr. Downes is breaking up.

Mr. Ronnie Downes: I know people criticise the rigour and may say that it is too rigorous

1 July 2021

but it is important that there are stages in the process of public development where we get the Department, the sponsoring authority, whatever it might be, to say here is what the project is, here is the business case and here is the cost that we are bringing to the Government for approval. For that cost, in turn, we have introduced an external peer review mechanism in order that the factors associated with the cost can be evaluated and there can be an informed judgment about the cost plus risk and the pricing to be associated with that risk. That should in turn -----

Deputy Bernard J. Durkan: We cannot hear what Mr. Downes is saying most of the time. A written reply will do.

Chairman: Okay, we will take a written reply on the second question.

Deputy Mairéad Farrell: On the National Training Fund, the money seems to have been largely invested in Exchequer notes.

Is there a problem with the sound? I am hearing a lot of feedback.

Chairman: We are having trouble with the sound. Please proceed.

Deputy Mairéad Farrell: The money seems to have been largely invested in Exchequer notes at zero percent, rather than being used to invest in training and education. The money seems to be used to provide interest-free loans to the Exchequer rather than for the purpose of training and education. What is the rationale for this? If there is an issue with the sound, the officials can respond in writing.

Mr. Ronnie Downes: I heard the question. What I might suggest that we come back-----

Chairman: I will contact Mr. Downes and ask for a written reply to Deputy Mairéad Farrell's question. We seem to be having some sound problems and as we are at the end of the session, I will adjourn the meeting. I thank Mr. Downes, Mr. Meaney, Ms Costello, Ms Callaghan and Mr. Deane for their attendance today and for their assistance to the committee. We will follow up on those questions afterwards.

The committee's next meeting in public session will be held at 9.30 a.m. on Thursday, 15 July 2021, when it will meet the Minister for Finance to discuss the summer economic statement.

The select committee adjourned at 11.33 a.m. until 9.30 a.m. on Thursday, 15 July 2021.