

DÁIL ÉIREANN

AN ROGHCHOISTE UM AIRGEADAS, CAITEACHAS POIBLÍ AGUS ATHCHÓIRIÚ, AGUS AN TAOISEACH

SELECT COMMITTEE ON FINANCE, PUBLIC EXPENDITURE AND REFORM, AND TAOISEACH

Déardaoin, 28 Márta 2019

Thursday, 28 March 2019

The Select Committee met at 10 a.m.

MEMBERS PRESENT:

Deputy Peter Burke,	Deputy Michael McGrath,
Deputy Michael D'Arcy (Minister of State at the Department of Finance and Public Expenditure and Reform),	Deputy Paul Murphy,
Deputy John Deasy,	Deputy Jonathan O'Brien.*

* In the absence of Deputy Pearse Doherty.

DEPUTY JOHN MCGUINNESS IN THE CHAIR.

**Finance Act 2004 (Section 91) (Deferred Surrender to the Central Fund) Order 2019:
Motion**

Chairman: Apologies have been received from Deputy Pearse Doherty. Deputy Jonathan O'Brien will attend in his place. The first item on the agenda is consideration of the Finance Act 2004 (Section 91) (Deferred Surrender to the Central Fund) Order 2019. Does the Minister of State wish to make a contribution?

Minister of State at the Department of Finance (Deputy Michael D'Arcy): I welcome the opportunity to make an opening statement on the deferred surrender facility, which is an important technical instrument to allow the Dáil to formally approve the expenditure by Departments and agencies in the current financial year of capital moneys carried over from the previous year. The multi-annual system is designed to improve the efficiency and effectiveness of the management by Departments and agencies of capital programmes and projects.

This is not the first time the capital carryover figures have been disclosed as they were first published in the Revised Estimates Volume in December and subsequently set out in Schedule 2 of the Appropriation Act 2018 which was signed into law by the President on 20 December 2018. The total level of carryover sought from 2018 into 2019 is slightly more than €93 million, which is 1.5% of the total gross voted capital allocation of €6.007 billion for 2018. The carryover amounts provided by the Appropriation Act are required to be confirmed by an order made by 31 March of the following year, after approval by the Dáil, to allow for the expenditure to take place. The carryover facility allows for a portion of unspent moneys which would otherwise be returned to the Exchequer under the annual system of allocating capital to be made available for spending and programme priorities in the subsequent year.

The provision of the capital carryover facility recognises the difficulties inherent in the planning and profiling of capital expenditure and acknowledges that, for any number of reasons, capital projects may be subject to delays. This type of approach of managing infrastructure expenditure makes sense and has thus far been very successful. It helps to ensure better project management and avoid uncertainty in the context of delivery. The multi-annual system also gives more certainty to contractors that they will be paid for the work they do. It has also helped to improve value for money and eliminate the potential for wasteful spending on non-essential works to ensure that full capital allocations are spent before the end of the year.

The total gross capital allocation for 2019 amounts to €7.34 billion. The capital carryover of €93 million will bring the total Exchequer capital available for spending in 2019 to €7.435 billion. The €93 million relates to 12 Departments and various capital projects and programmes that did not conclude at the pace anticipated in 2018. These are Vote 18, the National Shared Services Office, for which the figure is €1.168 million; Vote 20, An Garda Síochána, €3.581 million; Vote 22, the Courts Service, €2.5 million; Vote 23, the Property Registration Authority, €56,000; Vote 24, Justice and Equality, €942,000; Vote 29, Communications, Climate Action and Environment, €15 million; Vote 30, Agriculture, Food and the Marine, €22 million; Vote 31, Transport, Tourism and Sport, €18.366 million; Vote 32, Business, Enterprise and Innovation, €27.6 million; Vote 33, Culture, Heritage and the Gaeltacht, €700,000; Vote 37, Employment Affairs and Social Protection, €1 million; and Vote 39, Office of Government Procurement, €96,000. Departments and agencies have delegated responsibility to manage their capital projects and programmes within the terms of the delegated capital sanction set down by the Department of Public Expenditure and Reform. The availability of the capital carryover will assist in meeting their ongoing procurement and expenditure requirements.

To support Departments as they work to achieve value for money in investment in capital infrastructure, key reforms have been introduced. The Land Development Agency has been set up by the Department of Housing, Planning and Local Government to ensure optimal use of State land. Four new funds have been set up focused on urban and rural investment, climate action and disruptive technology to prioritise funding to the best projects. They are being managed by the relevant line Department. A construction sector group has been established to ensure regular and open dialogue between Government and the construction sector. A Project Ireland 2040 delivery board of Secretaries General meets regularly to ensure effective leadership of the implementation process. The investment projects and programmes office, IPPO, has been established in my Department to co-ordinate reporting on Project Ireland 2040 and drive reforms, including strengthened business case and project appraisal. A capital projects tracker is published on the Department's website to inform citizens of the variety of projects being rolled out in their area and to give a greater overview to the construction and infrastructure sectors. The tracker is currently being updated. A capacity and capability review of public sector bodies is being commenced by the Department in order to ensure that the State's delivery practices are to the highest standard. As part of the ongoing reform of Ireland's capital management systems, the Office of Government Procurement is conducting a review of construction procurement strategy and we are reviewing the public spending code. The purpose of these reviews is to strengthen the existing guidance to better align with the realities of project delivery and with a particular focus on improved financial appraisal, cost estimation and management.

Deputy Michael McGrath: Looking at the breakdown, much of the carryover seems to relate to salaries. Is there an explanation for that?

Deputy Michael D'Arcy: No, it is capital projects.

Deputy Michael McGrath: Yes, but looking at the breakdown, the explanation given for a number of them relates to salaries. Are they salaries relating to the capital projects? This is the underspend in capital that is carried over. Does an overspend in capital also carry over and reduce the amount of available capital in the budget for the following year under the relevant Vote?

Deputy Michael D'Arcy: No, the underspend is last year's money that has not been spent. I did not see the note about salaries but I assume it involves salaries relating to the projects where the money has not been spent currently so there is work to be done. It is not all just bricks and mortar. A significant part involves relates to salary so that would make up the salaries portion highlighted by the Deputy.

Deputy Michael McGrath: I suspect it is just a formula used in terms of wording. I have the text of the motion. It provides a breakdown. For each Vote, it starts with the words "for the salaries and expenses of" the respective office so I imagine it is a standard wording but it is not actually salaries if I am reading it correctly.

Deputy Michael D'Arcy: This is the title for the Vote. It is the subhead, which is the capital project itself. It is not salaries.

Deputy Michael McGrath: The reference to salaries is the title. It is not actual salaries, it is capital spend. What are the implications of an overspend for the following year? If there is an underspend, it is carried forward to keep the budget but does an overspend reduce the following year's budget?

Deputy Michael D’Arcy: The overspend is subsequently dealt with in that year depending on what is required so there may be a revised Estimate if the overspend is sufficiently-----

Deputy Michael McGrath: So it has no knock-on effect into the following year.

Deputy Michael D’Arcy: No. Revised Estimate would be presented rather than reducing the capital in that subsequent year.

Chairman: Following on from Deputy Michael McGrath’s questions, under the heading financial description, it states what it is for. It involves financial management and shared services. There is a description afterwards. Reading from the notice, I can see information about capital building, office equipment, external IT, Forensic Science Ireland, ICT programme, forestry and bio-energy. It breaks it down into the heading and gives the information regarding what the sums are for.

Deputy John Deasy: What is our schedule for the meeting?

Chairman: We will conclude on this matter now and then move on to the Bill.

Message to Dáil

Chairman: In accordance with Standing Order 90, the following message will be sent to the Clerk of the Dáil:

The Select Committee on Finance, Public Expenditure and Reform, and Taoiseach has completed its consideration of the Finance Act 2004 (Section 91) (Deferred Surrender to the Central Fund) Order 2019.

National Surplus (Reserve Fund for Exceptional Contingencies) Bill 2018: Committee Stage

Chairman: A total of 24 amendments have been tabled for consideration. Six have been disallowed on the basis that they are in conflict with the principle of the Bill and out of order in accordance with Standing Order 154(1). Does the Minister of State wish to comment before we proceed?

Deputy Michael D’Arcy: No, I am happy to move straight on.

Sections 1 and 2 agreed to.

SECTION 3

Question proposed: “That section 3 stand part of the Bill.”

Deputy Michael McGrath: I move amendment No. 1:

In page 4, between lines 10 and 11, to insert the following:

“(2) Dáil Éireann may, on a proposal by the Minister brought before that House, pass a resolution authorising the amount of assets referred to in *subsection (1)* to be altered.”.

Amendment No. 1 relates to the overall cap, which is set at €8 billion. Could the Minister of State explain the rationale underpinning the cap? How was the figure of €8 billion arrived at? The amendment provides that the Minister shall have the option of bringing a proposal to the Dáil and that it may authorise a change in the amount. What I have in mind is that it could be increased or reduced. Giving the House a say in some degree of flexibility regarding the quantum and the cap relating to that fund would be very useful. Could the Minister of State indicate why he arrived at the figure of €8 billion? I hope he will accept the amendment.

Deputy Michael D’Arcy: Section 3 places an €8 billion cap on the value of assets and the money that may be held in the fund but allows any return on the fund to be held in the fund. In our current interest rate environment, we can expect a near zero rate return or a small carry cost for holding the fund as near cash as is practicable. However, the fund is unlikely to reach the €8 billion cap for some years and it is to be expected that the interest rate environment will normalise over that period. While the current interest rate is zero or almost zero, we think it prudent to make an €8 billion amount cap available toward some external shock that is unanticipated. We do not want to go beyond that. A sum of €8 billion is large. It is not earning money and is not working on behalf of taxpayers. We think that is a sufficient amount and we do not want to go beyond that. There is also a capital surplus. I refer to a cash amount of approximately €15 billion. If the fund gets to €8 billion, in addition to that current €15 billion, that will be a large amount not working and not earning. We are satisfied to accept the amendment.

Amendment agreed to.

Section 3, as amended, agreed to.

Section 4 agreed to.

SECTION 5

Chairman: Amendments Nos. 2 to 4, inclusive, are related and will be discussed together. There are a number of amendments in the name of Deputies Pearse Doherty and Jonathan O’Brien, who has just arrived.

Deputy Michael McGrath: I shall speak first to give Deputy Jonathan O’Brien a chance to catch his breath. I ask the Minister of State to set out the amount being transferred in from the Ireland Strategic Investment Fund, ISIF. It was stated that it can be up to €2 billion. As set out on Second Stage, however, it is €1.5 billion. What is the procedural position? When is that due to happen? It has been stated that each year from 2019 to 2023, €500 million will be set aside. That has been given statutory affect. When will that happen in 2019? I would also like the Minister of State to comment on the “what if” situation of Brexit going badly wrong. I refer to making a decision not to proceed with the rainy day fund at this time if it is deemed to be not prudent because we need the money to support the agriculture sector, etc. Can such a decision be made? What flexibility is there in regarding the execution of this fund in the context of the current challenges?

Deputy Michael D’Arcy: The Deputy is correct that €1.5 billion is to be transferred from ISIF. I do not have a date for when that transfer will be made during the year. That will depend on the legislation being passed and signed by the President, and when that happens. The objective, initially, is to transfer a single tranche of €1.5 billion. There will be subsequent annual transfers of €500 million from 2019 to 2023, which will be put on a statutory footing. It is then a matter for the Oireachtas to continue the process to bring the fund up to the maximum of €8 billion, as we just discussed. There is flexibility to go beyond that figure or reduce it, depend-

ing on circumstances. As will be seen in later sections, there is also flexibility to not put in all of the €500 million. We recognise there are potential headwinds and not all may be related to Brexit. There is sufficient flexibility on that basis.

Deputy Michael McGrath: Regarding the statutory provision, what is being set out is a framework to bring the fund up to €4 billion. The initial sum will be €1.5 billion through ISIF. That will be followed by €500 million for five consecutive years.

Deputy Michael D’Arcy: That is correct.

Deputy Michael McGrath: That would bring the fund to a potential €4 billion. To grow beyond that amount and move towards the €8 billion cap will require further legislative change.

Deputy Michael D’Arcy: That is correct. We think that is appropriate. It will take us to 2023. We hope there will not be any of these exceptional circumstances and the €4 billion will be there in 2023, with the opportunity to grow it further. That is our hope and expectation.

Chairman: I call Deputy O’Brien.

Deputy Jonathan O’Brien: We have a number of amendments.

Chairman: That is correct. We are taking amendments Nos. 2 to 4, inclusive, and they will be discussed together.

Deputy Jonathan O’Brien: I move amendment No. 2:

In page 4, to delete lines 25 to 29.

These amendments are reasonably self-explanatory. One concerns the reasons why money could be put into the fund and another is to remove the provision that would see the €500 million transferred annually from 2019 to 2023. We are doing this because later in the legislation, there are certain limitations on how money can be withdrawn from the fund. We tabled a number of amendments to expand the reasons money could be withdrawn. They have been ruled out of order by the Chair or the Bills Office, or at least someone has ruled them out of order. On that basis, we have some concerns on the money going into the fund and what the fund can be used for. The Minister of State mentioned “exceptional circumstances”. My reading of the legislation is that it is only possible to withdraw the funding in three scenarios. One is to recapitalise banks and another is in these “exceptional circumstances”. Will he define what that means?

Deputy Michael D’Arcy: I will deal with what the Deputy said about one of the circumstances being recapitalisation of the banks. That is not what this pot of money is for. This was stated to the Deputy and his colleagues on Second Stage. It is clear they are not, however, accepting that. The Deputy said that, effectively, the only use for this pot of money is to recapitalise the banks.

Deputy Jonathan O’Brien: It is one of the uses.

Deputy Michael D’Arcy: That is fine but that is not what it is for. I cannot state that any more frankly than that. We have done much in the past decade. As a nation, we have recapitalised the Irish banks. A core objective of the EU banking union is to separate the sovereign fund from the banks and prevent the use of State funds to bail out banks. The EU banking union provides for a single prudential supervisor through the Single Supervisory Mechanism, SSM, a single rule book and a Single Resolution Mechanism. This aims to improve coordination and

militate against negative spillover in the future.

The bank recovery and resolution directive is designed to impose the cost of bank failures on the banks, their shareholders and the holders of their eligible liabilities for bailing in. Based on these and wider banking union changes, and the more intrusive and assertive regulatory regime, I do not ever expect the contingency reserve fund to be required to bail out banks. That is because the structures have been designed for the past decade so that the shareholders and those who have eligible liabilities are designed to bail in. That is the correct procedure to recapitalise banks. The regulatory landscape has also been overhauled at national level since the financial crisis with the Central Bank Reform Act 2010 and the Central Bank (Supervision and Enforcement) Act 2013. In addition, the Central Bank is now acknowledged as being one of the most robust and challenging institutions in Europe. The era of light-touch regulation is over.

Under the Fiscal Responsibility Act 2012, “exceptional circumstances” are defined as either a “period of severe economic downturn” or “a period during which an unusual event outside of the control of the State has a major impact on the financial position of the Government”. This fund is not, therefore, for what the Deputy is suggesting it is for. I can only state that so many times and in so many ways. It is not to bail out banks. Other structures have been designed in recent years for that purpose. Deputies Michael McGrath and Jonathan O’Brien were involved in that process, as were the Chairman and other Deputies. It was to ensure that bailing out no longer occurs and the structures are designed so that shareholders and other eligible liabilities are there to bail in.

Deputy Jonathan O’Brien: We submitted to the Department a number of freedom of information requests for the briefing documents provided to the Minister. In one of those documents, a question was posed as to whether any situation was envisaged in which the rainy day fund would be used to bail out a bank or other financial institution. The answer was that, while the Minister did not expect the rainy day fund to be required to bail out banks, he would caution against closing off future uses of the rainy day fund at that time. While the Government does not expect the fund to be used to bail out banks, it can be. Does the Minister of State accept that?

Deputy Michael D’Arcy: It is important, Deputy-----

Deputy Jonathan O’Brien: It is a simple question.

Deputy Michael D’Arcy: Excuse me, but it is not.

Deputy Jonathan O’Brien: It is a very simple question. Does the Minister of State accept that this fund can be used to bail out banks? The Government does not expect it to be used so, but can it be used to bail out banks? It is a simple “Yes” or “No” question.

Deputy Michael D’Arcy: It is not a simple question. It is important that we move beyond the Deputy’s narrative, which is to say that a pot of money is being made available to bail out banks.

Deputy Jonathan O’Brien: There is a pot of money that “can be” used.

Deputy Michael D’Arcy: That “can be” used. I am not trying to misquote the Deputy. It is important that the rainy day fund be available for a severe economic negative shock. That is why we have it. This is in line with a number of other jurisdictions, albeit theirs are not designed in the exact same way as ours. I am not having a go at the Deputy,-----

Deputy Jonathan O'Brien: That is fair enough.

Deputy Michael D'Arcy: -----but it does him a disservice to say that it can be used. It can be used for a number of things depending on what the Oireachtas decides at some point in the future. There is a pot of money that, by the end of 2023, should amount to €4 billion. It will then be a matter for the Oireachtas, if the Houses see fit, to add to that pot of money to a maximum of €8 billion. If external shocks occur, the pot of money will be available to help out and ensure that we have a buffer.

Deputy Jonathan O'Brien: Can it be used?

Deputy Michael D'Arcy: That is a matter for the Oireachtas to decide.

Deputy Jonathan O'Brien: So it can be used to bail out banks if the Oireachtas decides.

Deputy Michael D'Arcy: That is a matter for the Oireachtas to decide in 2023-----

Deputy Jonathan O'Brien: The Oireachtas can decide that it can be used to bail out banks. Is that correct?

Deputy Michael D'Arcy: It can be used for a number of matters. That is for the Oireachtas to decide.

Deputy Jonathan O'Brien: Including bailing out banks.

Deputy Michael D'Arcy: The Deputy may be on this side of the House then. The choice is for the Oireachtas.

Deputy Jonathan O'Brien: It cannot be used for Brexit purposes.

Deputy Michael D'Arcy: No.

Deputy Jonathan O'Brien: It cannot be used to invest in capital projects or a social housing programme, but it may be used to bail out banks. That is the reality. I am not having a go at the Minister of State, but let us be clear about what was in the briefing notes given to the Minister, which we obtained under a freedom of information request. According to the note in question, the fund cannot be used for Brexit or capital projects under the national development plan even though the latter would be the sensible thing to do in an economic downturn, given that it would create employment. Nor can it be used to deal with the greatest crisis facing the State, that being, the housing crisis. However, it may be used, if the Oireachtas decides so, to bail out banks. Is that factual or not?

Deputy Michael D'Arcy: No. The Deputy is misrepresenting the position. We are spending a large amount of money on capital projects and housing and hundreds of millions of euro are being made available for Brexit.

Deputy Jonathan O'Brien: The Minister of State does not know how much of that there is.

Deputy Michael D'Arcy: This is State money that we want to have available in an exceptional circumstance. We had these moneys available through the National Pensions Reserve Fund, NPRF, and they were used in a certain manner. We want to ensure that they do not get used for bailing out others. There are other tools available.

The note that the Deputy mentioned was made available before the Bill was drafted. We want to have a pot of money available for a wild, unforeseen circumstance. None of us wants to use it for that purpose, but we want it to be available.

Chairman: How stands the amendment?

Deputy Jonathan O'Brien: I will be pressing it. We know what "exceptional circumstance" means, given that this must all be done within the Stability and Growth Pact and the EU defines what an exceptional circumstance is. When we have asked what an exceptional circumstance is exactly, we have only been given two examples - terrorist threats and the migration issue. We have been given no other examples of what could be defined as an exceptional circumstance.

Deputy Michael D'Arcy: I will read the note again. We have decided what an exceptional circumstance is.

Deputy Jonathan O'Brien: The Government needs permission from the EU to decide that.

Deputy Michael D'Arcy: No, we do not. We have legislation in the form of the Fiscal Responsibility Act 2012, under which an "exceptional circumstance" is defined as either a period of severe economic downturn or during which an unusual event outside the control of the State has a major impact on the financial "position of the general government". The moneys in the pot will then be transferred to the Exchequer and be allocated as the Oireachtas sees fit.

Deputy Paul Murphy: Deputy O'Brien was dogged in pursuing the truth that this money can be used for a bank bailout. Eventually, the Deputy has got an admission, albeit more by nodding than by words. The Minister of State made the point that it could only be done with the agreement of the Oireachtas, but that is not quite true. Were an emergency to happen while the Oireachtas was not sitting and it involved, in the Government's opinion, the need to bail out a bank with this money, it could happen without the agreement of the Oireachtas. Is that not the case?

Deputy Michael D'Arcy: I will deal that amendment when we come to it.

Deputy Paul Murphy: The Minister of State just said that it could only happen with the agreement of the Oireachtas, but that is not the case.

Deputy Michael D'Arcy: I will deal with that issue in a moment.

Deputy Paul Murphy: The Minister of State said that by way of justifying it.

My next point, which will mostly repeat Deputy O'Brien's, is that the fiscal rules mean that it cannot be used for any of the real rainy days that we have. For example, it cannot be invested in public services, be used to build houses, etc. It requires an external shock, which will in reality look like another wave of global economic crises. There are some indications that a new financial crisis is on the way. There will then be another bank bailout. In whatever number of years' time, people will look back at the video and transcripts of this meeting and the debates in the Dáil and say that the Government tried to suggest that this fund would not be used for a bank bailout. It would be wiped out by a bank bailout, as the requirement would be multiples of what will be in the rainy day fund. The fund's moneys will not be substantial compared with what would be involved in a bailout. That is the reality of what is happening, although I presume the Minister of State will not agree.

Deputy Michael D’Arcy: I do not agree with the Deputy. The domestic banking crisis that Deputy McGrath and I had the pleasure of sitting through cost everyone - the Irish Exchequer, the UK Exchequer and other governments with institutions based in Ireland that were regulated by other entities - €140 billion. It cost the Irish Exchequer in the territory of €33 billion or €34 billion. The entire architecture of banking has been changed, evolved, moved or whatever term the Deputy wants to use. This fund is not intended for that purpose. The structures under the bank recovery and resolution directive, BRRD, and the Single Supervisory Mechanism, SSM, are Europe-wide and regulate the 200 largest banks within the eurozone. This small pot of money is for an external shock, something that we have not considered and for which we are not prepared. We are putting something aside to be in a position to have money available to deal with a shock if required, for example, an enormous and unanticipated weather storm, something that would only be seen in a Hollywood movie. The objective-----

Deputy Paul Murphy: But the Government would have to get the EU’s permission.

Deputy Michael D’Arcy: No. It is for the Oireachtas to decide in all circumstances.

Deputy Paul Murphy: We would be in breach of the excessive deficit procedure if we-----

Deputy John Deasy: We are debating hypotheticals and what-ifs.

Deputy Paul Murphy: That is the most unlike-----

Deputy John Deasy: One can go on all day here.

Deputy Paul Murphy: If we increased expenditure, because of a weather event whatever, above the underlying rate of structural increase in the economy, we will be in breach of the fiscal rules.

Deputy Michael D’Arcy: Fiscal Responsibility Act, to which this go back to, is in line with European law. It is a matter for the Oireachtas to trigger this if it is required and if the Minister presents it to the Oireachtas. That is what it is for. It is not to bail out banks. It is a disservice to say that it is to bail out banks. There is a structure there for the banks to be bailed-in, via depositors, investors and the new structures that are in place. I cannot keep saying this.

Chairman: Does Deputy McGrath wish to speak on the amendment?

Deputy Michael McGrath: The EU supports the principle of having a fiscal buffer. It supports a rainy day fund. The context of Brexit has been raised, understandably. It is pretty clear under section 6 of the Bill that if Brexit goes badly wrong over the coming weeks, then the money is not going to be paid into the fund. That is the reality. The Minister, Deputy Donohoe, has made that clear. If we are in an emergency situation, then there is provision under section 6 of the Bill not to pay the money into any the rainy day fund. Any public money can be used for a bank bailout. Any tax one pays, be it corporation tax, VAT or income tax, or any money can be potentially used for a bailout to support a financial system, whatever way one wants to phrase it. The circumstances in which these funds can be used are clearly set out in section 7 of the Bill, which we will come to in a moment, one of which is set out in section 1(a) of the Fiscal Responsibility Act 2012, which reads “a period during which an unusual event outside of the control of the State, has a major impact on the financial position of the general government or a period of severe economic downturn.”

The suggestion that Ireland will suffer infringement proceedings from the European Union

for drawing down the resources in the fund is not realistic. The EU, the OECD and all the major international organisations support having a fund of this nature to cater for the potential of things that could go wrong.

Amendment put.

The Committee divided: Tá; 2; Níl, 5.	
Tá;	Níl;
Murphy, Paul.	Burke, Peter.
O'Brien, Jonathan.	D'Arcy, Michael.
	Deasy, John.
	McGrath, Michael.
	McGuinness, John.

Amendment declared lost.

Deputy Jonathan O'Brien: I move amendment No. 3:

In page 4, lines 32 and 33, to delete “, in addition to any assets referred to in *subsection (1)* and, as the case may be, sums referred to in *subsection (2)*,”.

Amendment put and declared lost.

Deputy Jonathan O'Brien: The outcome of the vote was obvious, but I reserve the right to table further amendments on Report Stage.

Deputy Jonathan O'Brien: I move amendment No. 4:

In page 4, to delete lines 35 to 38, and in page 5, to delete lines 1 to 9.

Amendment put and declared lost.

Amendment No. 5 not moved.

Section 5 agreed to.

SECTION 6

Question proposed: “That section 6 stand part of the Bill.”

Chairman: I understand section 6 will be opposed by Deputy Pearse Doherty.

Deputy Jonathan O'Brien: We withdraw our opposition to the section. We had hoped the Minister of State would see sense and accept our amendments to section 5. Given that he has not done so, section 6 will provide some safety by allowing the Oireachtas to vote on the matter. We will withdraw our opposition because we not successful in having our amendments accepted.

Question put and agreed to.

SECTION 7

Amendments Nos. 6 to 8, inclusive, not moved.

Question proposed: “That section 7 stand part of the Bill.”

Deputy Jonathan O’Brien: This brings us back to our earlier conversation. The section relates to the transfer of assets. We tabled a number of amendments on the use of the money. It is clear that we cannot use the money to deal with the crises we face today. In one of our amendments we sought to provide for increased levels of capital investment, which would have a direct, long-term, positive effect on society and the economy, to increase capital investment in social and affordable housing and to remedy or mitigate the impact of climate change and Brexit. However, all of our amendments have been ruled out of order, presumably because either the Government does not want to use the fund for these purposes or it cannot be used for these purposes, something the Minister of State might clarify. We speak about exceptional circumstances, but surely Brexit, if it goes ahead, will be an exceptional circumstance. Surely the fact that the number of homeless persons has exceeded 10,000 is an exceptional circumstance. While it might not be an exceptional circumstance as defined by the Stability and Growth Pact, as a national crisis, it must be an exceptional circumstance, yet the Government will not allow us to use the fund for these purposes.

Deputy Michael D’Arcy: We are dealing with the exceptional circumstance of housing provision in the 2019 Estimates, with an investment of €2.4 billion. A higher sum on housing provision has never been spent previously in the State. We do not yet know what form Brexit will take, but we hope and expect the withdrawal agreement to be agreed to, as it has been by 27 Governments in the Council, as well as by the European Parliament. We expect it to be passed by the British Parliament, too, which will bring to 30 the number of bodies that will have passed it. The only body which has not yet passed it is the House of Commons, but that is a matter for it to conclude, which we hope it will do within the next few days or weeks. We do not yet know that Brexit will be an exceptional circumstance and do not hope or anticipate there will be a no-deal Brexit, but it remains to be seen.

The largest part of the Rebuilding Ireland 2040 plan relates to climate change. We are dealing with circumstances as they arise on the basis of the voted amount in budget 2019 which was published in October 2018. The Deputy stated it was not enough, but I do not want the level of investment to spiral upwards either, as happened before the recession, when we spent more than we had, thus creating a situation where we had to bring in workers to build houses and then had to house those workers. That was a mistake. If we spend more capital in the construction sector, we will have to bring in more workers because currently we do not have enough. Nevertheless, I acknowledge the Deputy’s points. Nobody and no political party is not moved by the fact that there are more than 10,000 people in the country who are homeless.

Deputy Jonathan O’Brien: Amendment No. 8 laid out three ways by which the money could be used. I do not understand the Minister of State’s objection. We can argue about whether we are investing enough in housing provision. The Minister of State says we are, but I say we are not. By refusing to include in legislation that the money could be used to deal with a housing crisis, we are cutting off that option next year, the following year and the year after that. It is not just a matter of the here and now. The Minister of State is of the opinion that enough is being invested. I disagree, but by not allowing the amendments to be included in the Bill, we are cutting off the option forever and restricting ourselves to the three circumstances outlined, which is not prudent.

Deputy Michael D’Arcy: I disagree. The benefit of having a representative democracy

is that a future Oireachtas will have the opportunity to decide on the course it wishes to take in respect of this matter. If Sinn Féin forms part of the next Government and if the latter has a majority in both Houses and decides to change this legislation, that will be a matter for it. The Government believes that the correct and prudent thing to do is to allocate funding of €1.5 billion from the Irish Strategic Investment Fund. We are not currently spending that on housing. I do not hear the Deputy calling for that money to be spent on housing. If Sinn Féin goes into government in the future, it will be able to change the legislation if it has a majority in the Dáil and the Seanad. That would be a matter for it to decide. The Government believes this is the right and prudent thing to do and is in line with what is happening other jurisdictions.

Deputy Jonathan O'Brien: I do not agree with the section because it provides the potential for a bailout of banks.

Question put.

The Committee divided: Tá; 5; Níl, 2.	
Tá;	Níl;
Burke, Peter.	Murphy, Paul.
D'Arcy, Michael.	O'Brien, Jonathan.
Deasy, John.	
McGrath, Michael.	
McGuinness, John.	

Question declared carried.

SECTION 8

Chairman: Amendments Nos. 9 to 17 are related and will be discussed together.

Deputy Michael D'Arcy: I move amendment No. 9:

In page 6, lines 6 to 8, to delete all words from and including “short-term” in line 6 down to and including “State” in line 8 and substitute “fixed income financial instruments or products, which may include Irish sovereign debt,”.

Deputy Michael D'Arcy: The amendments seek to alter section 8 of the Bill to ensure flexibility of the day-to-day management and control of the fund. During drafting, it was intended that there would be freedom to invest in Irish sovereign debt and other financial instruments and products such as short-term bonds. However, the current wording does not adequately provide for this. The proposed amendment also ensures consistency of language between provisions.

Amendment agreed to.

Deputy Michael D'Arcy: I move amendment No. 10:

In page 6, lines 11 and 12, to delete “short-term financial products,” and substitute “fixed income financial instruments or products,”.

Amendment agreed to.

Deputy Michael D'Arcy: I move amendment No. 11:

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In page 6, line 15, to delete “deposit institution” and substitute “financial institution”.

Amendment agreed to.

Deputy Michael D’Arcy: I move amendment No. 12:

In page 6, to delete line 16 and substitute “the issuer of the fixed income financial instruments or products,”.

Amendment agreed to.

Deputy Michael D’Arcy: I move amendment No. 13:

In page 6, line 20, to delete “short-term financial products” and substitute “fixed income financial instruments or products”.

Amendment agreed to.

Deputy Michael D’Arcy: I move amendment No. 14:

In page 6, line 22, to delete “short-term financial products” and substitute “fixed income financial instruments or products”.

Amendment agreed to.

Deputy Michael D’Arcy: I move amendment No. 15:

In page 6, lines 24 and 25, to delete “short-term State debt” and substitute “Irish sovereign debt”.

Amendment agreed to.

Deputy Michael D’Arcy: I move amendment No. 16:

In page 6, line 28, to delete “short-term State debt” and substitute “Irish sovereign debt”.

Amendment agreed to.

Deputy Michael D’Arcy: I move amendment No. 17:

In page 6, between lines 28 and 29, to insert the following:

“(4) In this section “Irish sovereign debt” means debt instruments issued by the State.”.

Amendment agreed to.

Section 8, as amended, agreed to.

SECTION 9

Deputy Jonathan O’Brien: I move amendment No. 18:

In page 6, line 30, to delete “Except as provided for in *subsection (4)*,”.

Chairman: Amendments Nos. 18, 21 and 22 are related and will be discussed together.

Deputy Jonathan O’Brien: I will just speak once because these amendments are grouped.

This relates to the drawdown of funds. Three of Sinn Féin's amendments were ruled out of order and we have gone over that argument so I will not repeat it. It is a proviso for a drawdown that the Minister must get the permission of the Oireachtas to do so. That is not the case, as Deputy Paul Murphy outlined earlier. There is a clause to the effect that, if the Oireachtas is not sitting, the Minister can withdraw the money if he believes it is necessary to do so and then lay a report before the Oireachtas. We do not agree with that and think that any money being withdrawn from the fund should be a matter for the Oireachtas and if that means recalling the Dáil and doing it overnight there should not be an issue with that. We oppose that provision.

Deputy Michael D'Arcy: Responsible Governments must address a multitude of challenges. A responsible Government cannot focus all of its resources on one challenge as that would only exacerbate the other challenges. The establishment of the rainy day fund is a longer term decision which represents part of a wider policy commitment to ensure sound public finances and, in this context, should not be seen as an either-or choice with other policy issues. Sinn Féin's approach in amendment Nos. 18 and 21 is incorrect in seeking to delete sections 4 and 5, which the Government sees as necessary to provide for a situation where the funds need to be accessed while the Dáil is in recess, or is effectively prevented from sitting because of an extreme crisis. Section 9 contains a modification to the procedure set out in subsection (4) for cases of serious urgency. The Government's approach is that if the Minister believes, based upon reasonable grounds, that a payment into the Exchequer is urgently necessary before the next sitting of the Dáil, and the Government approves it, he or she may make the payment into the Exchequer. He or she must then report to the Dáil on the payment and reasons for it at its next sitting.

Sinn Féin's amendment to section 7 has deleted the reference to the financial system and maintaining financial stability as the party is opposed to the fund being used for a future bank bailout. I am happy to clarify that, where the fund is drawn down, it will be to the Exchequer only and where it goes thereafter will be determined by the Dáil or by the Minister in an unforeseen circumstance. Direct payment to any person or organisation is neither contemplated nor permitted.

Deputy Jonathan O'Brien: It will be drawn down into the central fund and then the Minister can direct it wherever he or she wants to from there without a vote of the Oireachtas. The Minister of State referred to cases in which the Dáil may not be able to sit. What is an example of that? We have spoken about weather events.

Deputy Michael D'Arcy: Yes, weather events is the best example and an extreme storm is the best example I foresee. This fund is for unforeseen circumstances so I do not know what that circumstance would be but this gives the flexibility for it to happen if it is required but it must be based upon reasonable grounds which will not be flippant or glib.

Deputy Jonathan O'Brien: It should then be provided for in the legislation that, in those extreme circumstances whereby the Dáil cannot sit, that power would be given to the Minister. Being in recess is not an extreme circumstance. The Dáil can be recalled within 24 hours.

Deputy Michael D'Arcy: That is the point. This covers times when the Dáil is in recess and there is no opportunity to recall the Dáil. That may be a requirement. That is not expected but there should be flexibility.

Amendment put and declared lost.

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Chairman: I rule amendments Nos. 19 and 20 out of order.

Amendment Nos. 19 and 20 not moved.

Deputy Jonathan O'Brien: I move amendment No. 21:

In page 7, to delete lines 9 to 23.

Amendment put and declared lost.

Question put.

The Committee divided: Tá;, 5; Níl, 2.	
Tá;	Níl;
Burke, Peter.	Murphy, Paul.
D'Arcy, Michael.	O'Brien, Jonathan.
Deasy, John.	
McGrath, Michael.	
McGuinness, John.	

Question declared carried.

SECTION 10

Deputy Jonathan O'Brien: I move amendment No. 22:

In page 7, lines 27 to 29, to delete all words from and including “or the Government” in line 27 down to and including “section 9(4)” in line 29.

Amendment put and declared lost.

Section 10 agreed to.

Sections 11 and 12 agreed to.

Title agreed to.

Bill reported with amendments.

Message to Dáil

Chairman: In accordance with Standing Order 90, the following message will be sent to the Dáil:

The Select Committee on Finance, Public Expenditure and Reform, and Taoiseach has completed consideration of the National Surplus (Reserve Fund for Exceptional Contingencies) Bill 2018 and has made amendments thereto.

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