

Budget 2017 speech - Paschal Donohoe TD, Minister for Public Expenditure and Reform

BUDGET 2017

Expenditure Estimates 2017

Paschal Donohoe TD, Minister for Public Expenditure and Reform

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INTRODUCTION

In making my first Estimates Statement to the Dáil, I am aware that my responsibility differs from that of my predecessor in his first year in Office.

In 2011, Deputy Howlin was faced with announcing a very significant reduction in spending for 2012.

Making decisions during this time of crisis was tough.

But toughest of all were the circumstances facing communities and families during the era of a bailout programme, a banking crisis, a surge in joblessness and forced emigration from our country.

Due to these choices, I am now in a position to continue, into 2017, the process of re-investment in Ireland's future that began in 2014.

The Expenditure Estimates I am presenting this afternoon represent increases in current spending of almost €4 billion since we reversed the downward spiral in spending in 2014.

This recovery in current spending has been achieved alongside remarkable growth in investment in our economic and social infrastructure of 26 per cent since 2014.

Thanks to the sacrifices of the Irish people, we are back on the pathway to a dynamic economy and a just and fair society.

Fairness is, of course, about the relative distribution of income in society, but it is also about improving services for our people, and treating all members of our community well.

It is about investment in education for all children and improving our health services.

It is about opportunities to:

- work in a good job;
- run your own business if you choose to;
- live in a good home and in a safe community ;

whilst caring for your family, whatever shape that family may take.

The opportunity for a sustainable, prosperous future must not be squandered by reckless spending or investing poorly.

The decisions announced today are firmly rooted in that sense of responsibility.

STRENGTHENING IRELAND AND IMPROVING PEOPLE'S LIVES

The spending priorities I am setting out today are the starting point of the delivery of our ambition for this country and its people.

These announcements represent a staging post in the first of at least three budgets.

These will continue to strengthen our economy and our society to meet the challenges we face and benefit from the opportunities we create.

The €58 billion which I am announcing today is made up of:

- €53.5 billion in current, day-to-day spending - equivalent to almost €11,500 for every man, woman and child in the country; and
- €4.5 billion in capital spending to deliver the ongoing programme of investment in the Government's Capital Plan.

In total this is an increase of €1.9 billion or 3.3 per cent on the expected 2016 outturn.

This at a time the economy is forecasted to grow by over 4.5 per cent in nominal terms.

The allocation of these very substantial resources in the Estimates underpins key public services impacting on almost every aspect of our lives.

These not only support and strengthen our economy; they also support and strengthen our society.

The proposed additional recruitment of close to 4,500 additional frontline staff, such as nurses, Gardaí and teachers, is a clear demonstration of the Government's commitment to ensuring that increased spending translates into real improvements in people's lives.

SUSTAINABLE SPENDING

Economic growth and the increasing availability of resources for more spending was, prior to our fiscal crisis, taken for granted.

The costs of that approach seared our State.

Sustainable spending simply means Government prioritising what we can afford among the actions that contribute most to strengthening our economy and creating a fairer society.

The litmus-test of that approach is that the increased spending that will take place in 2017 is affordable in 2017, 2018 and beyond.

The unsustainable spending increase of today is the savage, socially destructive spending cut of tomorrow.

I, therefore, make no apology for anchoring today's spending decisions on three key pillars:

Spending that we are confident we can afford now and into the future;

Making progress to a fairer society; and

Protecting our economy, particularly on account of the uncertainty caused by Brexit.

SPENDING REVIEW IN 2017

Just as every household in the country needs to balance what goes out with what comes in, we in Government need to work within what is financially feasible.

After all, this is not our money. It is the public's money.

The budgetary landscape has undoubtedly improved significantly, reflecting careful stewardship of the public finances and the economy.

However, the many competing priorities and demands for resources reinforce the compelling need for efficient and effective public spending.

As Minister for Public Expenditure and Reform, I have consistently reiterated the need to consider the totality of spending when examining budget priorities.

Spending reviews previously played an important role in our efforts to reverse unsustainable expenditure growth.

The purpose of future spending reviews will be to ensure that all expenditure is examined when Government is deciding on its spending priorities.

Better information and stronger evaluations should also guide and inform those decisions.

I am today announcing that a comprehensive spending review will be carried out in advance of Budget 2018.

HONOURING OUR COMMITMENTS

The spending decisions I am outlining today are born of the Programme for Partnership Government, agreed with my Independent colleagues earlier this year.

Many believed that the Government would not still be in place by the time Budget Day arrived, and yet here we are.

We are here because my Independent and Fine Gael colleagues have rooted our approach within the framework of our agreed Government programme.

We, of course, cannot implement all the measures in the Supply and Confidence Agreement or the Programme for Government in a single year or a single Budget.

But today is a substantial beginning.

KEY SPENDING AREAS FOR 2017

The Government is acutely aware of the continued difficulty facing many individuals and families at the present time.

Despite economic growth, too many are still without work.

Despite economic growth, many public services still need improvement.

But because of economic growth, we have the resources to make a difference.

While many aspects of our economy are recovering, our country is not yet recovered, and the fractures within our society remain to be healed.

The significant expenditure measures I am announcing today respond directly to this important need, by continuing the process of rebuilding and restoring our public services.

In doing so this Government is remaining consistent with the broader economic, fiscal and expenditure strategy detailed in the Summer Economic Statement and the Mid-Year Expenditure Report, as well as in discussions at the National Economic Dialogue.

This strategy, embodied in both the Programme for Government and the Confidence and Supply Agreement, is aligned with the EU Stability and Growth Pact, which require us to achieve a balanced budget and reduce our national debt.

This continues to give confidence to international investors and indigenous Irish businesspeople alike - from the corner shop owner to the tech start up entrepreneur - that the Government is serious about protecting and building the economy in which they operate.

It also yields the resources we need for the increased investment in public services that I will now set out for the House.

Housing

Housing is a core priority of the Programme for a Partnership Government.

I am committing some €1.2 billion in funding for Housing to the Department of Housing, Planning, Community and Local Government for 2017.

This funding will allow for continued implementation of the Housing Action Plan. Under the Plan, 47,000 new social housing units will be delivered by 2021.

The capital allocation also includes an Exchequer allocation of €50 million for the €200 million Local Infrastructure Housing Activation Fund, which will accelerate the provision of local public infrastructure to support the development of key sites for private housing in urban areas.

The fund has the potential to facilitate the delivery of up to 20,000 private houses by 2019 through developers working in cooperation with Local Authorities.

From July this year, the Government increased rent thresholds for the Housing Assistance Payment and Rent Supplement.

This was to make it easier for people to access housing and to protect those in danger of becoming homeless.

Today I am providing an additional €105 million for the Housing Assistance Payment Scheme: this will bring the budget for this purpose to nearly €153 million, an increase of 220% compared to 2016.

This will enable an additional 15,000 households to avail of HAP, and together with the capital allocation provided for housing and other measures, will mean that over 21,000 applicants for social housing will have their housing needs met next year.

I am also increasing the allocation for emergency accommodation for homeless people by an additional €28 million approximately, to almost €100 million.

Health

Health is also a core priority of the Partnership Programme and I am announcing increased spending of €497 million for Health in the Estimates for 2017 bringing total spending to €14.6 billion.

Taking account of the supplementary funding provided mid-year, this amounts to the commitment by Government of an additional €1 billion, or a 7.4 per cent increase in health spending from Budget 2016.

This huge level of increased investment not only continues the process of putting our health service on a sustainable footing - it also represents the highest ever level of health funding in the history of our country.

But with this increase in spending, comes huge responsibility.

The job of those charged with managing our health services, is to ensure taxpayers' money is used in such a way that outcomes are delivered, budgets are adhered to and services protected.

The Government will continue to work in the months and years to come to ensure that the twin track agenda of better care and better accountability is delivered.

This Government is committed to protecting the most vulnerable in our society.

In this regard:

- I am increasing medical card coverage to all children in receipt of a Domiciliary Care Allowance;
- I am reducing the €25 Cap on prescription charges for the over 70 year olds to €20 with effect from 1 March;
- I am allocating an additional €15 million to the National Treatment Purchase Fund to reduce waiting lists.

Further detail of measures will be announced by my colleague, the Minister for Health.

Education

I will turn now to Education.

Education is the bedrock of our society and the desire for educational success resonates deeply with all of us.

Since the introduction of free secondary education in 1966, the ongoing positive impact of that historic decision has been manifest in the proportion of our young people completing higher education.

There is no sector of our economy, no aspect of our society, no element of our national life that has not been transformed by the increased education attainment of our people.

We must continue and reinforce this transformation through investment in education.

The education spending I am announcing this afternoon for 2017 of €9.5 billion is approximately 16 per cent of total spending.

The increase in spending of €458m will fund an extensive programme of recruitment in 2017, including an additional 2,400 teaching posts, of which 900 will be resource teachers.

During our discussions on the Budget, my colleagues and I were very conscious of the importance of the third level sector and the vital role it plays in our society and economy.

For this reason, Budget 2017 sees an increase of €36.5 million in funding for the higher and further education sector in 2017.

This represents the first significant investment of resources in Higher Education since our economic collapse.

Earlier this year the Cassells Report highlighted both the economic and societal value of higher education and the scale of the challenge involved.

The report pointed to the availability of three funding sources: the Exchequer, students and some form of employer contribution.

Ensuring that education remains the linchpin of our economic success now requires an intensified focus on a sustainable long-term funding model for the entire Higher and Further Education sector.

I am committed to this goal and to building on the significant investment in education I am announcing for 2017.

The Minister for Education and Skills and I are, therefore, initiating a consultation process on the design and operation of an Exchequer-Employer investment mechanism to operate from 2018 onwards.

This is also intended to help drive continued reform, quality and performance improvement across the Higher and Further Education sector, in line with the objectives of the Action Plan for Education.

I expect that a proposal will be brought to Government in this area by mid-2017, following the conclusion of the consultation process.

Childcare

The Government is clear on the benefits of higher quality and more affordable childcare.

It is good for children, good for families and good for our economy.

In light of the value that Government attaches to further supporting the development of affordable childcare in Ireland, Early Years funding will rise from €345m in 2016 to €465m in 2017, an increase of 35 per cent.

This increase in funding allows for an additional €35 million to support the provision of both universal and targeted services for the care, development and wellbeing of children and young people.

This includes the introduction of a new Single Affordable Childcare Scheme from September 2017, which will provide both means-tested subsidies, based on parental income, for children between 6 months and 15 years and universal subsidies for all children aged 6 months to 3 years.

These subsidies will be paid for children and young people attending a Tusla registered childcare provider - including centre based providers and child minders.

Taken together, these initiatives represent a major step forward in the provision of childcare.

In addition to the childcare package, €86m extra has been provided in respect of the full year costs of the extended Early Childhood Care and Education Scheme, the free pre-school scheme, and the roll out of the Access and Inclusion Model, or AIM, to enable children with disabilities to participate in pre-school education.

Social Protection

Our system of social welfare supports is a vital protection against the uncertainty of unemployment, the hardship caused by

illness or disability and the challenges one encounters when caring for a loved one.

I am pleased to be able to inform the House that the State Pension will rise by €5 per week.

However, in framing a fair budget, we cannot stop at that.

The previous Government worked to protect, as far as was possible, the basic rates of weekly social welfare payments. Nevertheless, it has been seven years since many of these payments were increased.

The collapse of the economy meant that we could not increase such payments. The return of growth and the economic recovery of the last couple of years are the reason why we can now afford to begin to change this.

Carers, the unemployed, and those living with disabilities may not always have the loudest voices, but their needs are no less real.

In framing the Budget, my Government colleagues and I were conscious of this, and of the need to ensure that the benefits of our economic recovery are felt by all.

For this reason, as part of an overall package worth an additional €301 million, all weekly social welfare payments - including the carer's allowance, disability allowance and jobseeker's benefit and allowance - will rise by €5 per week, in line with the increase in the State Pension.

In addition, I am pleased to announce the payment of an 85% Christmas bonus for Social Welfare recipients in 2016.

Many of those in receipt of these payments are our most vulnerable citizens.

We cannot have a just society if we leave them behind.

There will also be improvements in other areas, including Farm Assist, as well as 500 new places on the Rural Social Scheme.

Further details of these and other Social Protection measures will be announced by my colleague the Minister for Social Protection later today.

Justice

In the Justice area, the safety and security of our citizens is fundamental. In the Programme for A Partnership Government, we have committed to increasing the number of Gardaí in the force to 15,000.

Today's Estimates supports this through an allocation of an additional €28 million for An Garda Síochána, as part of a total package of measures of €68 million, bringing total funding for the Justice and Equality area to over €2.5 billion.

The Government is committing to a five-year reform and investment strategy for An Garda Síochána, under which a phased increase in resource levels will go hand-in-hand with the implementation of a far reaching programme of organisational reform.

We will introduce an accelerated programme of Garda recruitment, with 800 new Gardaí to be hired and trained in 2017.

There will also be accelerated recruitment of civilian staff into An Garda Síochána, which will help to address capacity shortfalls and free up a large number of desk bound trained police officers for frontline duties.

Funding is also included in the allocation to support the continuation of key operations by An Garda Síochána in response to gangland and rural crime.

Sport and the Arts

Large spending areas such as social protection, health, education and others are of course of vital importance, and it is right that the bulk of the Exchequer's resources should be focussed on these areas.

However, it is also true that we should support our more diverse sectors and this Budget sees an important development for our arts and sporting sector.

Nobody could be anything but impressed at the tremendous series of events that took place in 2016 to mark the centenary of the Easter Rising.

That could not have happened without the talent and vibrancy of Ireland's artistic community, who in 2016 were granted €49

million to stage such an impressive programme of cultural events.

A significant portion of that funding should remain within the Arts Budget for 2017 to ensure the legacy of this year lives on.

In relation to Sport, I am happy to announce that there will be a new round of the Sports Capital Programme in 2017 and the Ministers at the Department of Transport, Tourism and Sport will announce the details of the new programme in due course.

Defence

Turning to defence, 498 defence force personnel are currently participating in 11 different missions around the world, including vital search and rescue operations in the Mediterranean Sea.

Budget 2017 rightly sees an increase in spending on our defence forces, with additional funding of €16m being allocated to that Department.

PLANNING FOR THE FUTURE

In this centenary year, we have reflected on the legacy of 1916 and the impact it has had on Ireland's history. We must also turn our attention to Ireland's future, and the challenges we may face in the years to come.

Preparing for Brexit

Brexit presents challenges for us on a number of fronts.

Exchange rates remain volatile, and this impacts on trade.

We will have to begin a complex set of negotiations, along with our EU partners, and the range of issues to be dealt with will emerge over time.

We will be supporting industry both to meet challenges and to take advantage of any opportunities that may arise.

For example, by increasing spending in the Department of Agriculture, Food and the Marine by some €119 million.

Within this, we are continuing to invest in Foodwise 2025 in order to aid the development of Ireland's agrifood sector and

strengthen it in the face of what could be more difficult market conditions for exporters to Britain.

With a plan to grow the number of jobs supported by the enterprise agencies to 436,000, additional resources have been provided, primarily for staff resources, for Enterprise Ireland (EI) and IDA Ireland in the context of Brexit.

This funding will provide further support to EI and the IDA in assisting indigenous companies and attracting overseas investment, in a business environment, which will provide both challenges and opportunities.

The Department of the Taoiseach and the Revenue Commissioners will also receive additional funding to navigate the challenges of Brexit.

This work is in addition to the establishment of a Brexit team in the Department of Foreign Affairs and Trade, within existing budget and staffing envelopes.

The Estimate allocations across key Government Departments for 2017 also provide the resources required to quickly build the expertise, capacity and capability on a cross-Departmental basis across Government to deliver Ireland's Brexit ready strategy.

Working for Balanced Regional Development

While Brexit has implications for us all, it is our rural and regional communities who may be looking with most anxiety to the triggering of Article 50 of the Lisbon Treaty by the British Government.

This is a reflection of the concerns of people in some parts of our country where alternative employment may be scarce were they to lose their job, or where investment has historically been lower than in our larger cities.

When this Government was formed, we paid particular attention to rural Ireland and today's Budget reflects our determination to help rural communities.

We cannot allow the threat of imbalanced regional development to endanger our economic growth.

This is why we have increased funding to the Rural Development Programme by €107 million; from €494 million in 2016 to €601

million in 2017. This includes provision of €25 million for a new Animal Welfare Scheme for Sheep to support Ireland's vitally important sheep sector.

Similarly, we have increased funding to the Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs to help fund the Action Plan on Rural Development due to be published at the end of this year.

There is also increased funding the LEADER programme and for Údarás na Gaeltachta.

And we are committing €15 million to progress the procurement of the National Broadband Plan, to provide high speed broadband to areas of rural Ireland where commercial investment is not forthcoming.

BUILDING FOR THE FUTURE

The vitally important increases in current funding are part of today's story.

The other, crucial part is the development of our physical infrastructure. I have already spoken about both the current and capital investment we are making to improve our housing stock.

Overall, I am announcing a total capital spending package of over €4.5 billion across a range of Departments, representing an increase of almost €400 million on the 2016 outturn and reflecting solid progress in implementing the Government's Capital Plan, Building on Recovery, published in 2015.

This represents a 26% increase in capital expenditure in comparison to 2014.

Transport

This spending includes, in transport:

- Expenditure of €319 million on regional and local roads, throughout our country
- Funding to provide for the opening of LUAS cross city by the end of next year; and
- Continued roll out of improvements and construction of national roads projects, including three major PPP projects; Gort to Tuam, Gorey to Enniscorthy and the New Ross By-Pass.

These projects are vital. And they will be delivered.

Action on Climate Change

I am also very much aware of this country's responsibilities to work against the changing climate of our planet and the hugely negative environmental and social consequences that brings. For this reason, amongst others, there is an increased allocation to the new Department of Communications, Climate Action and Environment.

In terms of capital funding in particular, the Department will see an increase of almost €50 million, or 41%.

This will contribute towards our carbon reduction, energy efficiency and renewable energy targets through measures such as;

- the Renewable Heat Incentive,
- Better Energy Grant schemes and
- the Electric Vehicles Subsidy

with a total of €90m for these schemes.

This will reduce the environmental impact of heating our homes, support energy efficiency in the business and public sectors, assist those in energy poverty and enhance the affordability and attractiveness of electric vehicles.

We are also increasing funding to the Green Low-Carbon Agri Environmental Scheme, or GLAS, within the Department of Agriculture, Food and the Marine by €69 million to €211 million with an expected total number of participants standing at 50,000 in 2017.

Capital Review

Of course, an important way to reduce our carbon emissions is through greater use of public transport and a reduced dependence on private transport.

This was a key priority in the Capital Plan and will continue to be when the Plan comes to be reviewed.

Deputies will be aware that since the publication of this Plan, favourable economic conditions have allowed us to increase the total planned spend by over €5 billion, bringing the total

State-backed investment, which includes State companies, to over €47 billion, across the lifetime of the Plan.

Our priorities over the next number of years include those major transport projects such as Luas Cross City, the New Metro North and the DART Expansion programme.

Major health projects like the new National Children's Hospital and a new National Maternity Hospital, a new National Forensic Mental Health Hospital and a number of oncology units.

We also have a major nationwide schools building programme in place to meet the demands of our growing population.

And there are major flood relief schemes for Cork and Enniscorthy planned to commence construction as part of a €44m package for flood relief schemes generally.

It is important to realise, however, that the Plan must be adaptable to meet our changing needs. In this context, I am bringing forward the Capital Review and am pleased to confirm that work on the review will now commence.

I will be in a position to bring a revised and more ambitious programme of capital investment to the House next year.

REFORM OF PUBLIC SERVICES AND AFFORDABLE PUBLIC PAY

Increases in investment and the sustainable management of public service pay are two sides of the same coin.

Today's Budget includes the provision of €290 million for pay increases agreed under the Lansdowne Road Agreement.

This is correctly being provided to civil and public servants following the huge sacrifices they made at the start of the crisis which allowed us to get the public pay bill under control and reform our public services so they are better for the users of those services and, I hope, better places in which to work.

Public pay constraint has been the cornerstone of our strategy to repair the public finances.

Without such restraint we would not now be in a position to provide extra funding to health, education and childcare as we are now doing.

I am very much aware of the demands that exists in the area of public pay.

Public pay restoration must be managed in a way that is affordable for all: for those working in our public services and those who depend on these services and depend on future investment in more frontline staff and resources.

I intend to set in motion the next phase in this process by establishing a Public Service Pay Commission.

This Commission will report to me by the middle of next year and provide inputs on how the unwinding of the Financial Emergency Measures in the Public Interest legislation should proceed.

The work of the Commission will facilitate my engagement with public sector unions and other stakeholders on the successor to the Lansdowne Road Agreement.

In that way we can continue to provide a sustainable and quality public services that are affordable for all.

CONCLUSION

I began my speech this afternoon with a reference to the fundamental shift in our economic environment.

In the face of the worst economic and fiscal crisis in our history, the Irish people adopted a resolute and resilient approach.

In the same way, I strongly believe that we can rise to the challenge of Brexit and indeed that we can continue to build opportunity in all cases where others see risk.

This can certainly be achieved by adopting a shared commitment to the values of:-

Strengthening our economy;

Safeguarding our public finances; and

Creating a fairer society.

These values underpin the reality of the substantial investment in public services which this Government has delivered in this Budget.

The improvements in our public services that this investment will make possible have the simple and basic goal of endeavouring to make life better for all, but especially for the most vulnerable in our society.

Some on the Opposition benches claim that the very act of governing, of making choices, is a desire to create a society where some gain and some lose.

As opposed to what it truly is - which is an attempt to create a better collective future for us all.

The spending increases I am announcing today in such areas as health, housing education and childcare are a testament to how this better future can be secured and safeguarded.

Those of us in the middle ground of politics have a duty to show that cooperation and consensus can work.

To show that our tone can be moderate, but still convincing.

To show that things won't just fall apart and the centre can hold - and stay firm.

It was in this spirit that the Partnership Government was formed and it is in this spirit that I commend these Estimates to the House today.

ENDS