Minister for Public Expenditure and Reform

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Address to Dáil Éireann on Expenditure Estimates 2014

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Introduction

This Budget and Estimates sets out to deliver on this Government's promise to the Irish people at the last General Election – to fulfil our commitments under the troika programme foisted on the Irish people by the previous Government and to restore Ireland's economic sovereignty.

In pursuit of this goal, the two Government parties agreed a strategy for this Budget and Estimates. It involves reducing the tax and spending consolidation from €3.1 billion to €2.5 billion, targeting a general government deficit of 4.8% for 2014 and in the process, achieving a primary balance.

This strategy seeks to reassure international investors that we are committed to reducing our deficit to below 3% of GDP by 2015, as we work to exit the troika programme.

It seeks to put us on a path to long term debt sustainability and to ease the burden on future generations.

It seeks to encourage growth in the domestic economy by targeting a consolidation no greater than is necessary to achieve our fiscal goals and by investing for future economic growth.

And equally importantly, it seeks to minimise the effects of austerity on the Irish people.

Economic Policy

This is the last of our Budgets under the fiscal constraints of the troika programme. We have made good on our commitments to the international community that has supported us. We do not underestimate this effort. It is a testament to the fortitude of the Irish people.

'No austerity' is the catch-cry of those that have argued that there were alternative strategies available to this Government.

Nobody is ideologically committed to austerity. Austerity is what is left, after Fianna Fáil in Government drove the economy into the ground and led us beholden, like the famine victims of old, to seek relief outside this country.

Some have argued that rather than seeking consolidation of our position with international support, we should have harnessed whatever remained of our resources and, with a final throw of a dice, spent it all in an effort to reflate our economy, regardless of the international economic environment. But, we tried that before, in 1977, and it led to more than a decade of hardship.

As I have stated consistently, Government policy is not focussed solely on getting the deficit down. We have supported enterprise and job creation through direct investment and structural reforms, measures which are beginning to bear fruit. We have also sought and secured better terms on our international loans.

Our task now is to plan for the future. We must ensure that the sacrifices of the last few years are not in vain and that we use the progress made as a platform for future growth and development.

Expenditure Consolidation

The expenditure measures I am announcing for 2014 amount to €1.6 billion out of an overall consolidation of some €2.5 billion.

We have come a long way in meeting our fiscal targets. At end of 2010 the deficit was over 30%. Our target deficit for 2014 is 4.8%. Since we took office in 2011, this Government has managed to reduce spending in a balanced, strategic and responsible way.
This is in stark contrast to the previous government, who oversaw a litany of disastrous decisions that failed the Irish people.

Real Consolidation

The progress that we have made in bringing stability to the economy and meeting our fiscal targets must be viewed in the context of increased demands on services.

Not only have we reduced spending in absolute terms, we are delivering more services with that reduced money.

We have a growing population, which increased by almost 350,000 between 2006 and the last census in 2011.

The numbers in receipt of Jobseeker's payments have increased by almost 200,000 or 130% between 2008 and 2012.

Numbers in Education have increased by 78,000 or 8%, from 961,000 in 2008 to 1,039,000 last year.

Medical Card holders have increased by 540,000 or over 40% between 2008 and 2012, from 1.35 million to 1.89 million.

The number of people of pensionable age has increased by 65,500 or 13.5% since 2008.

Budget Reform

There are few areas where reform has been as manifest as it has been in the budgetary process.

We have moved, in line with the new European arrangements, to an October Budget which should ensure we can achieve one key goal of Oireachtas committees: the examination of spending plans before the money has been spent. This should bring about a qualitative difference in our debate about spending over the next few years.

Our first task upon taking office as a new Government was to undertake a Comprehensive Review of Expenditure. This was not a once off measure. The review of what we do, how we do it and whether we are using our resources appropriately and achieving our policy goals has become the new normal. To this end, a further Comprehensive Review of Expenditure and a review of the Capital Investment Framework will commence in the coming months.

Public Service Reform

I would like to acknowledge the contribution that public servants have made to our recovery.

Over the course of the last 5 years, the Public Service has reduced in size by almost 10%. The cost of the pay bill has fallen even further, by some 17%, and the Haddington Road Agreement that I reached with Public Service unions earlier this year will permit that cost to fall further again.

These savings need to be protected and sustained, which means that we must continue to demand further efficiency in the system. And we must ensure that Public Service managers across every sector make full use of the 15 million extra hours and the other hard-won workplace flexibilities agreed in Haddington Road.

However, as we reform and improve, there are immediate pressures that need to be addressed. In recent times, I have come to the view that there are areas of the Public Service where we simply need to provide some additional staff, after five years of downsizing.

For this reason, the target for Public Service numbers next year has been adjusted to allow some scope for additional staff in our classrooms, hospital wards and for front line policing.

These important additional resources are a Reform Dividend, only made possible because of the savings being delivered across the system as a whole; and it can be done while still reducing the pay bill next year by over €500 million.

I intend publishing a revised Public Service Reform Plan by year end, building on what we have achieved and setting out new ambitions for reform. That plan will focus on innovation in terms of service delivery and an increased focus on outcomes.

As one example of this, today the Government is announcing a pilot phase for a new model of financing social interventions in Ireland called Social Impact Investment. This uses private capital to provide better outcomes for citizens.

To determine the potential for Social Impact Investing in Ireland, the pilot phase is seeking private sector investment partners to provide long-term stable homes for homeless families in the Dublin region. The project will provide families, and in particular children, with better lives through increased levels of school participation; reduced levels of anti-social behaviour; and reduced levels of adult homelessness. This measure is radical and reforming and demonstrates my commitment to exploring any model of intervention that can better use resources to protect the most vulnerable in society.

Investing in Jobs

The Minister for Finance has set out a series of measures to promote employment. This is a priority in my Department also.

Our current five year capital framework sets out a €17.1 billion investment programme out to 2017 to maintain and improve the country's infrastructure. In recognition of the importance of stimulating economic activity, we have sought to augment that programme where possible, consistent with our troika commitments.

In July of last year, I announced a €2.25 billion infrastructure stimulus package. These projects are progressing as planned. Five of the nine PPP projects have already issued to market and the flagship Grangegorman DIT project - valued at over €200 million – is due to issue by the end of this month. 13,000 direct and many more indirect jobs are expected to be created by this programme.

Earlier this year, I announced a further €150 million of direct exchequer capital investment and a further €250 million of PPPs.

The extra Exchequer money is being invested in 28 school projects, maintaining our local road network and a local authority housing insulation scheme.

We are now including social procurement contract clauses in our schools capital works for the first time ensuring that a proportion of the workforce is drawn from the long-term unemployed.

Investment in our recovery is, of course, not confined to central Government.

Commercial semi-state investment over the next three years is set to reach €5 billion.

Through NAMA, the Minister for Finance will be investing €2 billion in the Irish commercial property market over the next few years.

We are transforming the National Pensions Reserve Fund into the Ireland Strategic Investment Fund, to invest on a commercial basis in projects in Ireland that support economic activity and employment. The value of the NPRF discretionary portfolio at end-June 2013 was €6.4 billion.

Members will be aware that the Government recently successfully concluded the award of the National Lottery Licence for a figure in excess of €400 million.

I have already said that €200 million of this dividend is ring-fenced to ensure the construction of the National Children's Hospital, under the direction of my colleague, the Minister for Health.

I am pleased to be able to announce that a further €200 million in capital spending arising from the balance of lottery licence proceeds will be used to support local economic activity and job creation. These projects will, of course, be subject to the Public Spending Code.

The €200 million to be invested from the Lottery Licence in 2014 will help to fund:

- road maintenance and repair works;
- a new round of Sports Capital Grants;
- the building of a new National Indoor Training Arena at the National Sports Campus;
- the Better Energy Programme;
- housing adaptation grants for older people and people with a disability;
- the National City of Culture Initiative;
- the development of a large scale multi-functional events centre in Cork;
- the Wild Atlantic Way Driving Route tourism project; and
- a number of 1916 Commemoration Projects.

The Funding allocations for these and other projects will be included in the Revised Estimates Volume 2014. I will refer to further allocations from this programme later in my speech.

Arising from our State asset sales programme and the classification of the State's investment in Irish Water, I hope to be in a position to announce a further programme of capital investment in 2014.

Healing the Scars

The last six years has left both emotional and physical scars on this country. Nowhere is this problem more acute than in the area of housing.

We have allocated €10 million to resolve the problems at Priory Hall, a particular blot on the national psyche and an example of all that was wrong under the last Government.

€10 million will be provided for an unfinished housing estate resolution initiative. Details of the scheme will be announced by my colleague, the Minister for Housing.

I will also be allocating €30 million of the lottery licence proceeds to recommence the State's house building programme. This will facilitate up to 500 additional housing units between a small number of new builds and the return of previously uninhabitable units to the housing stock.

These are both areas I would hope to return to in the future as resources allow.

Job Creation and Activation

As I stated earlier, job creation continues to be the top priority for this Government. While the numbers in employment have risen by 33,800 this year and the unemployment rate is down from 15.1% in 2012 to 13.3% in September, we all recognise the challenge that remains. We will continue to invest in the people who, through no fault of their own, find themselves out of work.

Pathways to Work 2 sets out our strategy for tackling unemployment and, in particular, long term unemployment. The total 2014 allocation for activation places in education and training and work experience is €1.6 billion. This will provide nearly 300,000 places in work, education and training programmes across the Departments of Social Protection and Education and Skills, an increase of 18,000 or 7% since 2012. Importantly, of these places, 94,000 will be reserved for the long term unemployed, an increase of 78% on the 2012 provision.

I am providing an additional €9 million in capital expenditure to complete the roll out of the "one stop shop" Intreo offices to provide better services for the unemployed.

I am allocating a further €14 million to a "Youth Guarantee Fund", which will support additional activation places for people under 25.

It is in this context that we are extending the €100 reduced rate of Jobseeker's Allowance and Supplementary Welfare Allowance to existing recipients who reach 22, and for new entrants aged up to 24 on or after 1 January 2014. The reduced rate of €144 will apply to those reaching 25 from January 2014. It should be noted that the rate for those availing of the Back to Education scheme is €160. It is in education and training that our young people should be.

We will also continue our support for employers across all sectors in creating and sustaining jobs. Our enterprise policies are continuing to secure new investments, employment and export growth. Taking account of requirements in these sectors, I am allocating total capital expenditure of just under €450 million for the Department of Jobs, Enterprise and Innovation to drive the jobs and enterprise agenda.

Current Expenditure

I am proposing to allocate €49.6 billion to voted current expenditure in 2014.

Health

The demands of a growing and ageing population pose a particular challenge for funding the provision of health services and health reform.

I am allocating almost €13.3 billion for Health in 2014. This includes an additional €187 million against profile to fund reforms and to help ease some service pressures.

In line with the Programme for Government, I am allocating €37 million to fund the roll out of Free GP Care for children aged 5 and under as a first step in our programme to provide Free GP Care for all.

I am also allocating €20 million for the development of community mental health services as envisaged under *"Vision for Change*".

I have agreed to a much reduced headcount savings target of 1,000 to protect frontline services.

While Health is a key priority for Government, the fact is that it accounts for 27% of public expenditure and, therefore, cannot be immune from making a contribution to our recovery efforts.

In order to fund its contribution to our fiscal targets, we have to strike a balance between funding services through significant savings on pay, savings on drugs and measures relating to eligibility for medical cards and increased charges.

New savings measures will include:

- €50 million on drugs from generic substitution and reference pricing;
- €113 million from a review of all medical cards to remove ineligible and redundant cards;
- €25 million from a lowering of the income thresholds for the Over 70s Medical Cards to €900 per week for a couple and €500 for a single person;
- €30 million for private bed charges in public hospitals.

Further details of the Health Estimates will be announced by my colleague, the Minister for Health, later today.

Social Protection

I am pleased to announce that the burden of the adjustment on Social Protection expenditure will be reduced by €150 million in 2014, to €290 million. This is the third year in succession that this Government has delivered a lower consolidation than that set out by its predecessor and reaffirms our commitment to both health and social protection.

Social Protection expenditure remains the largest single area of public spending, accounting for almost 40% of gross current expenditure. This area of expenditure cannot be excluded from savings.

The Household Benefits Package remains a significant area of spending, accounting for over €280 million in 2013. In order to reduce costs, we have decided to discontinue the remaining telephone allowance for all recipients from 1 January. This measure will save €44 million.

We will standardise the rate of maternity benefit at €230 per week for new claimants from January 2014. This will save €30 million in 2014.

The number of waiting days for entitlement to Illness Benefit is being increased from 3 days to 6 days. This will save €22 million.

However, I am pleased to confirm that there will be no reduction in the basic social welfare rates for people of working age and pensioners.

I am pleased to confirm also that Child Benefit rates are being maintained at €130 per month.

And finally, there will no reductions in the rate or duration of the weekly fuel allowance.

Further details of the Social Protection package of measures are set out in the Expenditure Report and will be outlined in full by my colleague, the Minister for Social Protection, later today.

Education

As I have already outlined, education has been a considerable beneficiary of our capital investment programme. We are building more schools to meet the needs of our growing school age population.

I am allocating just over €8.7 billion to the Education sector. As a result, I am pleased to be able to report that we are not increasing either primary or post primary class sizes.

I am also making provision for the recruitment of over 1,250 new classroom and resource teachers for the school system.

A further €5 million is to be allocated to extend the reach of the books to rent programme in primary schools.

Justice

We will be providing additional funding to the Department of Justice and Equality to increase staff for the Garda Vetting Service. Also, in the Justice sector, it is expected that the new Court of Appeal and the Legal Services Regulatory Authority will be established during 2014.

As previously announced, we will begin a new Garda recruitment programme next year alongside the independent review of the force agreed under the Haddington Road Agreement.

Summary / Conclusion

Making my Estimates speech last year, I said I was confident that, as a people, we would come through this mess – a mess created by those opposite and which endangered the very viability of our State.

Today I am more than confident, I am certain.

Yes, there will still be difficult days ahead.

Yes, there will still be difficult decisions to make.

But we are picking up speed and our goal is in sight.

I commend these Estimates to the House.

ENDS/