

**STATEMENT OF THE MINISTER FOR
PUBLIC EXPENDITURE AND REFORM
MR. BRENDAN HOWLIN, T.D.
14 OCTOBER 2014**

Introduction

Today we are announcing this Government's fourth Budget.

It is a significant day, and it marks the end of an era of budgetary austerity.

This time last year, we estimated that to meet our budget deficit target would require further cuts of €1.3 billion on the spending side. That we are now in a position to increase expenditure, responsibly, indicates the progress we have made.

To be forced to reduce expenditure for the past six years and seven budgets was unprecedented. It is the scale of the damage inflicted on the Irish people by Fianna Fáil in Government.

We now have some flexibility to meet emerging demands and to invest in our public services. This is a further sign that we are normalising both politics and economics following the greatest economic crisis in our history.

Sustainable Recovery

As the Minister for Finance has indicated, this Government's priority is to keep our public finances on a sustainable path to recovery.

The spending measures announced today are consistent with that goal. As we know only too well, the price to be paid for losing control of our public finances is a high one.

We committed to bringing our deficit to under 3% of GDP by 2015. Today we honour that commitment, not just to our European colleagues but to our own future generations. In fact, our deficit target is 2.7%.

But as a Government, we have never believed in austerity for austerity's sake. I do not believe that further cuts are necessary. Economic and employment growth has always been the best solution to addressing our fiscal deficit.

Of course, arising from our acceptance of the fiscal treaty referendum, our public finances are now governed by the new European fiscal rules. As we pursue our path towards a balanced budget in structural terms, our expenditure growth is limited by our medium term growth capacity.

Comprehensive Review of Expenditure

Today, I will publish the Comprehensive Expenditure Report, setting out expenditure measures for 2015 and Departmental Ceilings out to 2017.

I will also be publishing later this week background papers on our spending options, including Departmental submissions, received as part of the Comprehensive Review of Expenditure.

Expenditure Ceilings

Gross current expenditure for 2015 will be just over €50 billion. This figure represents an increase of €429 million over the 2014 Revised Estimates.

This increase is targeted primarily at critical areas in Social Protection, Health, Education, Justice and Housing.

It is intended also that current expenditure will rise by further amounts in 2016 and 2017. The allocations published today contain some increases to meet service pressures. There will be further improvements announced next October, in line with the Government's priorities. The extent of such increases will be determined by future economic growth and by the level of progress made towards our medium term objectives.

I am also pleased to announce an increase of €10 million in Capital spending for 2015, to over €3.5 billion. There will be further increases in 2016 and 2017.

We are investing in our future and the detailed Capital Review, setting out priorities to 2020, will be published before year end.

This brings the net overall increase in expenditure over last year to €39 million, a position €2 billion better than envisaged in last year's Expenditure Report.

Society - Housing

An out-of-control property bubble played a significant role in the economic crash. We have not been able to build enough houses in recent years to meet the demand that is being driven by our economic recovery. We have a supply deficit which has pushed prices up, particularly in urban areas. This, in turn, has led to a decline in the availability of social and affordable housing both for purchase and for rent.

The Government is committed to addressing this problem. The Minister for the Environment has proposed a number of measures in the recently announced planning bill and will shortly elaborate on Government's social housing strategy for 2015 to 2020. These

measures are complemented by the announcements made by the Minister for Finance today, to stimulate wider housing supply.

The Government is determined to meet the scale of social housing need with a level of investment commensurate with the challenge.

Our strategy involves a multi-annual approach to significantly increasing the provision of social housing; combining a considerable increase in Exchequer investment with innovative funding approaches to improve supply.

Therefore, I am today announcing an overall capital investment of over €2.2 billion for social housing provision for the next three years. This will involve three main strands.

Firstly, over €1.5 billion will be directly invested from the Exchequer by 2017.

Secondly, Public Private Partnerships will be used to invest €300 million in social housing units by 2017.

And thirdly, an off-balance sheet financial vehicle will provide at least €400 million from 2015 onwards to the Approved Housing Bodies.

Turning specifically to next year, I am allocating over €800 million for the housing programme in 2015. Over €450 million of this will be capital expenditure. This represents the first major investment in housing since 2009. Further measures will be taken in 2016 and 2017, with allocations of €500 million and €600 million in those years for social housing capital.

This capital investment will deliver an additional 2,500 housing units in 2015 and over 6,700 housing units by 2017.

As well as increasing the direct Exchequer investment, we also need to explore off-balance sheet approaches to delivering social housing.

The first approach is to develop Public Private Partnerships. These are not the land swap deals between local authorities and developers which so obviously failed several years ago. We are going to adapt the successful model which has helped deliver 23 schools in recent years at a time of limited resources.

The firm objective is to deliver a further 1,500 housing units by 2017 from this mechanism.

The second non exchequer approach is to set up an off balance-sheet financial vehicle to channel investment funds to the voluntary housing

sector. This will operate on an independent, commercial basis to provide financing to Approved Housing Bodies.

The financial vehicle would be open to both private investors and bodies like the European Investment Bank.

It is the intention of the Government that €400 million of public investment would be available, including from the proceeds of the sale of the Bord Gáis energy business. This will leverage private finance and provide for at least another 2,000 housing units over the period 2016 to 2018. The Government thinks it entirely appropriate that the disposal of one state asset should finance a different state asset which meets an urgent need.

Overall, this large-scale investment will fund the provision of over 10,000 housing units by 2018.

In addition to capital funding, the introduction of the Housing Assistance Payment will support the social housing needs of 8,000 households. And an additional 3,000 households will be housed by local authorities through the leasing of houses in 2015.

I am also pleased to announce that an additional €10 million will be provided for accommodation and related services for homeless persons. This will increase the annual expenditure for tackling homelessness to

€5.5 million next year. This goes beyond the Government's existing commitment to maintain expenditure at the 2013 level of €45 million to 2016.

Society - Supporting Jobs and Enterprise

Unemployment is falling faster than almost everywhere else in the EU. It now stands at just over 11%, down from a high of 15.1% in early 2012. We expect it to fall to 10.2% in 2015. This is still too high but the employment support measures we have introduced are paying dividends.

In 2015 €1.6 billion will be made available to provide approximately 300,000 work and training places in support of the Pathways to Work strategy. This will help people acquire the skills necessary to compete for the jobs that are being created.

€12 million has been allocated for the JobPath initiative in 2015. This will match the long-term unemployed with appropriate training and employment opportunities.

We are doubling the number of positions to 6,000 for the long-term unemployed on the Government's wage subsidy scheme, JobsPlus.

As set out in the Government's Statement of Priorities, and to ensure that the benefits of recovery are felt by all workers, we will be establishing the Low Pay Commission in 2015.

The capital allocation of €450 million for the Department of Jobs, Enterprise and Innovation in 2015 will ensure continued strong support for job-creation and enterprise supports with a focus on building on our recent strong export performance.

Another critical component underpinning future growth in jobs is sustained investment in research, development and innovation. The combined research and development funding provision for Enterprise Ireland and Science Foundation Ireland next year is over €260 million and will enable us to leverage significant new funding opportunities externally from industry partners and the EU.

Society - Social Protection

Economic recovery without a commensurate social recovery is obviously not an end in itself. To that end, I am allocating €19.4 billion to Social Protection for 2015.

I am pleased to be able to tell the House today that next year will be the first year since 2009 where there will be no new cuts to Social Welfare schemes.

We are determined that economic recovery should be accompanied by social recovery. Getting people back to work remains this Government's number one priority.

A new Back to Work Family Dividend will be introduced to provide an additional incentive for families to move from welfare to work. This will allow families to retain the full Qualified Child increase of €29.80 per week per child for 12 months after their return to work and 50% of the payment in the second year.

This Government succeeded in protecting basic social welfare rates in the last three Budgets. Now that recovery is taking hold, I believe it is important that the limited scope we have should be used to alleviate the pressures faced by those most in need in our society.

I am pleased to announce that we will increase the rate of Child Benefit by €5 per child in 2015 from January next.

Provided circumstances allow, we will increase Child Benefit again in 2016, by a further €5.

We are increasing the rate of the Living Alone Allowance to €9 per week, benefiting almost 180,000 elderly people from January 2015.

These are the first rate increases to be applied to social welfare schemes since 2009.

The outturn figures for unemployment for this year 2014 are much better than forecast. The Government has decided to allocate a portion of these savings to pay a 25% bonus to social welfare recipients this coming Christmas.

This is a current year payment from 2014 figures. Whether a similar bonus will be paid at Christmas 2015 will again depend on the availability of sufficient savings in next year's Social Protection vote.

Water

The establishment of Irish Water is a necessary measure to put the provision of this critical resource on a long term sustainable footing. Securing a quality water supply into the future is critical both for individual families and for the businesses we rely on for jobs.

But the Government recognises that this measure is the last in a series of measures that have imposed burdens on the Irish people.

To that end, we are determined to alleviate this burden.

My colleague the Minister for Finance has already announced a new tax allowance to reduce the water burden on working families.

To complement that move, I can confirm a new Water Subsidy worth €100 per annum for all recipients of the Household Benefits Package as previously announced.

In addition, this is being expanded to include all recipients of the Fuel Allowance schemes, who are not already covered by the Household Benefits measure.

This will benefit 653,000 households in this country, who will see their water bill reduced by €100 to mirror the allowance available to taxpayers announced by Minister Noonan.

All of these social protection measures will cost €196 million in 2015 and will be funded by the fall in the Live Register. This is a real social dividend delivered by the policies we have progressed.

The Tánaiste will provide more detail on the full range of social protection measures later.

Society - Health

This Government continues to recognise Health as a key priority, and will provide €13.1 billion for the delivery of Health services in 2015.

In 2015, over 2.1 million people - nearly half the population - will have a medical or GP visit card. This includes our extension of GP coverage to the Under 6s and the Over 70s.

We will provide additional staff so that patients can access mental health services such as psychologists and counsellors in the primary care setting.

I am providing an additional €25 million to deal with delayed discharges in hospitals.

I am allocating over €3 billion to support older people and disabled services in 2015, and €2.3 billion for prescription drugs.

I want to pay particular tribute to our hospital services and the people working in them. This Government prioritises these key services. I would remind this house that the number of people working in hospitals has remained at 2011 levels of over 48,000, despite increased demands on services.

The additional funding being provided today will ensure the continued provision of core services, and to enable delivery of Programme for Government commitments to further enhance the health and wellbeing of our population.

Further details will be provided by my colleague, the Minister for Health.

Society - Education

I am allocating €8.3 billion to Education for current expenditure in 2015.

I can confirm that there will be no increases in class sizes. There will be no reduction in the numbers of teachers or special needs assistants.

On the contrary, next year will see more than 1,700 additional new full time posts. This is comprised of 920 mainstream teachers, 480 resource teachers and 365 Special Needs Assistants.

I am also allocating €530 million to Education for capital expenditure. In the lifetime of this Government, over 150 new schools will have been built, together with large scale extensions of another 100 schools.

At Third Level, we have seen the completion of the first phase of the new Grangegorman Campus at the Dublin Institute of Technology.

Other Measures

I would like to briefly outline some other measures.

Justice

€2.2 billion will be allocated to the Justice sector, which will allow for the future recruitment of more Gardaí. As my colleague, the Minister for Justice, will outline later, this funding will also support the Justice Reform Programme. This programme includes plans for the reform of An Garda Síochána, strengthening the remit of GSOC, and establishment of the new Independent Policing Authority, the Court of Appeal, the Irish Human Rights and Equality Commission, and the Charities Regulatory Authority.

Children

€75 million will be allocated to Children and Youth Affairs. This will support the new Child and Family Agency – TUSLA - in its delivery of integrated and effective services including the improvement of residential and foster care services. A capital allocation of €35 million will be used to support additional and improved child detention services. The Minister for Children and Youth Affairs will provide further details on these plans later.

Rural Affairs

Next year will see an increase in the Agriculture Vote, to over €1 billion. The Minister for Agriculture will use this to support the Rural Development Programme, the Seafood Development Programme, the Food Harvest 2020 Plan and the innovative Beef Data and Genomics

Programme. Funding will also support the implementation of the Report of the Commission for the Economic Development of Rural Areas.

Cohesion funding

I am committed to ensuring that the benefits of our economic revival are shared across the whole country. In this context, Ireland has secured €1.2 billion in Structural Funds for the period 2014-2020. This represents an increase of 8% over the previous seven year period and includes a special allocation of €100 million for the Border, Midlands and Western region. This funding will be delivered through operational programmes co-financed by the Irish Government, the European Social Fund and the European Regional Development Fund, with a combined value of just over €2 billion.

The Government was also successful in securing additional funding for a new PEACE Programme for the border counties of Ireland and Northern Ireland. Along with its sister INTERREG Programme, it will form part of a package of funding worth in excess of half a billion euro to the region over the next seven years. The Government attaches a high priority to these cross-border programmes, and I am pleased to say that draft programmes have now been submitted to the Commission by the Government in partnership with the Northern Ireland Executive.

International Aid

Ireland has a very strong record in the area of international development. It has been recognised across the world that we have maintained our engagement in the fight against global poverty and hunger, even in the face of extraordinary economic difficulty at home. Our aid programme prioritises some of the poorest countries in sub-Saharan Africa. For 2015, some €476 million is being provided through the International Cooperation Vote of the Department of Foreign Affairs. Combined with our share of the EU Development Cooperation Vote, and contributions from other Government Departments, this will bring our overall Official Development Assistance to some €600 million.

This level of funding will enable Ireland to continue to play a critical role in some of the most pressing humanitarian crises witnessed for many generations. For instance, we have taken a lead in providing some €14 million this year alone for the victims of the appalling conflict in Syria and its neighbouring region. We provide €10 million annually to support the Palestinian people, and Minister Flanagan, at the international conference in Cairo at the weekend pledged €2.5 million for the reconstruction of Gaza. And we are one of a small number of European countries with an Embassy in Sierra Leone, a partner country for our aid programme. Through the Irish Aid programme in both Sierra Leone and Liberia, and our funding to NGOs working in West Africa, we are currently providing over €16 million in

development assistance, much of which is focused on strengthening health systems, but also directly fighting the Ebola outbreak.

Arts and Heritage

I am announcing an increased allocation of €12 million for Arts, Heritage and the Gaeltacht in 2015. This will be used to sustain the work of the Arts Council, and to support our important cultural institutions and the Irish language. I am also allocating €1 million in capital expenditure. As well as investing in our future, funding is being provided for a programme of commemoration projects related to the social and political developments of the decade from 1912 which helped to form modern Ireland. The Minister for Arts, Heritage and the Gaeltacht will provide more details on these issues later.

Defence

I am happy to confirm continued investment in critical Defence funding, with an allocation of €85 million. The Minister for Defence will use this funding to prioritise Naval Service vessel renewal. Funding will also allow continued participation in overseas peace support operations. I would like to take this opportunity to acknowledge the dedication and commitment of our Defence Forces, both at home and representing Ireland with distinction abroad.

These are just a few of the measures that are set out in more detail in the Comprehensive Expenditure Report.

Public Service Reform

Public Service Reform remains at the heart of this Government's agenda and will focus on ensuring efficiency and improving outcomes for service users.

Investment in public services will be targeted at priority areas and will be linked closely with reform. This Government is not going to allocate resources to services that are unreformed.

The cost savings delivered through the Government's reform programme are being used to support priority frontline services, as I have already set out.

Public Service staff numbers have been reduced by 10% since 2008. I am pleased to announce that there will be no further overall reductions.

An important part of the reform agenda is greater autonomy for Departments and Agencies to manage their own staffing levels. From next year I am pleased to announce that Departments will have discretion over staffing levels within an overall pay framework.

In tandem with the announcements I have made regarding additional teachers and Gardaí, 2015 will also see a resumption of recruitment into the Civil Service. We need to provide opportunities for people to enter

employment in our public services. I also intend to launch the new plan for Civil Service Renewal in the coming weeks.

This marks the end of the moratorium on recruitment but in a targeted and focused way.

Conclusion

I concluded my Estimates address two years ago by saying that the Irish people would, in time, be proud of our collective national response to the biggest economic crisis in our independent history.

The improving economic statistics are the proof of that response.

They are a tribute to the Irish people.

Not everything is mended, not everything is yet as it should be.

We still have a way to go. But our collective achievement in the face of adversity is a considerable one.

There remain challenges ahead.

But, discipline, hard won, will not be jeopardised.

Irish people will not thank anybody who forgets and repeats the mistakes of the past.

As we enter a new era in Irish history, that is this Government's commitment to the Irish people.

ENDS/