

2016

# EXPENDITURE ESTIMATES



**Statement of the Minister for Public Expenditure and Reform  
Mr. Brendan Howlin T.D.  
13 October 2015**

## **Introduction**

Today we are announcing this Government's fifth Budget.

I am pleased to report that due to our strong recovery and stable public finances, it is the second budget in succession in which we are able to increase support for our public services.

The days of spending cuts are behind us.

In April, in the Spring Economic Statement, I said that there may be up to €750 million available in 2016 for additional public expenditure measures. I am happy to say that we are now in a position to allocate these extra resources.

It is worth remembering the distance we have travelled since 2011.

When the Government was elected, the budget deficit stood at 12.5% of GDP. This year it will be 2.1%.

In 2010, the year of the infamous promissory notes, the headline rate stood at over 30%. A staggering deficit.

Next year, notwithstanding the increases in expenditure announced today, we forecast the deficit to be just 1.2%.

Only a few years ago, some commentators questioned the sustainability of our debt.

As Minister Noonan has stated, from a peak of over 120%, next year our debt to GDP ratio is forecast to be 93%.

We have made tremendous progress in bringing our national debt down towards the European average.

Unemployment, which peaked at over 15% is now 9.4%. We have created over 130,000 jobs since 2012.

We have the highest level of economic growth in the OECD. Our economy is now larger than its pre-crisis peak.

It is, by any standards, a remarkable turnaround.

And it is a tribute to the resilience of the Irish people.

### **Fairness**

I want to deal with one issue that generates considerable debate.

It has become popular to say that under this Government, inequality has risen. This is simply not true.

Our adjustment has been a difficult one, but a fair one. Those with the most have given the most.

Income inequality after taxes and social transfers has reduced during the crisis. The progressivity of our income tax system means we have been one of the most effective countries in the OECD at reducing inequality.

To ignore this fact and to point to income inequality before tax transfers is to ignore one of the central roles of any Government; to protect the most vulnerable of our citizens.

But the best weapon against inequality is not the social welfare system.

It is decent jobs and fair wages.

A fair society is one where those who work hard receive decent rewards.

One of the first acts of this Government was to reverse the unnecessary and cruel €1 per hour cut to the minimum wage. A cut of over 11%.

In July of this year, the Low Pay Commission recommended that the minimum wage be increased further, by 50c to over €9 per hour. The Commission recognised that a recovery based on low wages, was no recovery at all.

Today, I am very pleased to confirm that the Government will implement the Commission's proposal. From January 1<sup>st</sup> 2016, the new statutory minimum wage will rise from €8.65 to €9.15 per hour.

This means that under this Government the minimum wage has been increased by nearly 20%.

This Government is committed to making work pay.

During the first three years of this Government, despite necessary reductions in public expenditure, resources were targeted where they were most needed.

We protected core social welfare rates.

I am especially proud that we maintained the State pension.

Since the beginning of 2012, we have invested more than €1.25 billion in school buildings. We have built 102 new schools and completed 71 large scale school extensions.

Despite huge pressure, we sought to protect the young, the old, and the vulnerable.

But we are conscious of the need to continue to address the challenges that face Irish families. Our aim is to ensure that recovery is felt in every home and in every community across the country.

Later, I will outline how the measures contained in this budget will help us achieve that aim.

### **Fiscal Rules**

But first, I want to repeat the context in which all budgetary decisions must now be made. The fiscal rules - ratified through referendum by the people of Ireland in 2012 - ensure that public expenditure cannot rise above the potential growth rate of our economy. Our commitments under the Stability and Growth Pact are real.

In 2015, economic growth and greater than expected tax receipts have allowed the Government to improve services in a number of key areas. While remaining firmly within our fiscal parameters, we have an opportunity to plan for the long term by targeting areas with demographic and demand pressures.

The extra funding allocated in 2015 will ensure that enough resources are also available for Departments to provide services in 2016.

The measures give us a platform from which we can build. They mean that resources will be directed at areas with the greatest need and are consistent with long term sustainable planning and development.

### **National Economic Dialogue**

At the National Economic Dialogue in July, we listened to employers groups, trade unions and community organisations. Our engagement with these groups helped to ensure that additional funding would be targeted at areas in which they would have the greatest impact. The spending measures contained in Budget 2016 are consistent with this approach.

### **Lansdowne Road Agreement**

The Lansdowne Road Agreement typifies our commitment to responsible expenditure management. Legally, pay reductions in the Public Service were predicated on there being a financial emergency. Thankfully, those emergency days are behind us. Therefore, an orderly unwinding of the financial emergency legislation which reduces pay is the prudent and correct thing to do. Moreover, as economic growth returns and private sector wages increase, it is only right that our nurses, Gardaí and teachers see their take home pay improve. During the crisis, their sacrifices allowed us to sustain our public services.

Efficient public services are essential to a modern society. When we came into office, reform of the Public Service was a key component of our strategy to meet the enormous challenges we faced. I am proud of the considerable reforms that we have delivered since 2011. I want to commend public servants for their effort and commitment in this regard. I believe that the

implementation of our Civil Service Renewal Plan and the wider programme of Public Service Reform will continue to play a key role in Ireland's recovery.

Unwinding the financial emergency legislation can only be done in a way that does not jeopardise the public finances. We learned the hard way that sustainability is key. Pay levels – like the public finances themselves – need to be managed in a responsible, sustainable way, with the long term interests of the country at their core.

### **Expenditure Ceilings**

The expenditure allocations outlined today reflect this approach. In 2016, gross current expenditure will be over €51.4 billion. Capital expenditure will be over €3.7 billion.

### **Capital Plan**

The Departmental ceilings published today include funding for the first year of expenditure on projects announced as part of our six year capital programme.

The €27 billion Exchequer investment will allow for large scale investment in our Education, Health and Transport sectors.

### **Current Expenditure**

Under current expenditure, allocations will target critical areas in childcare, education, social protection, employment, health and housing.

Multi annual expenditure ceilings allow Departments to plan ahead. They take account of new measures and provide for population growth across sectors. In line with economic growth, and within the parameters of the fiscal rules, planned public expenditure will rise, moderately, in 2017 and 2018.

### **Childcare**

Childcare is a key priority for Government.

At the National Economic Dialogue in July, and indeed in a range of reports published in this area, there was broad agreement on the need to focus on the issues of affordability and quality in relation to childcare. Investment in childcare has both social and economic returns. It acts as a key labour activation measure, particularly for women – allowing those who wish to work to take up work. And it improves educational and social outcomes, by providing our children with the best possible start.

I am therefore increasing the current expenditure allocation to the Department of Children and Youth Affairs to over €1.1 billion.

I am happy to say that the increased allocation allows me to bring forward a package of measures to ease the burden on working families.

We are extending the amount of time parents can avail of the Early Childhood Care and Education Scheme.

From now on, children will be eligible for free childcare from three years of age, up until they are five and a half, or until they start primary school.

I am particularly pleased to be able to announce over €15 million in new funding to facilitate the full participation of children with disabilities in the scheme.

We are also introducing a range of quality measures for early education including audits, inspections and training, and restoring capitation levels in the sector.

To support parents in low paid employment, or in training and education, we are creating 8,000 places through the Community Childcare Subvention Programme. And to help with after school care, we are providing €3 million to develop after school services in school buildings.

Last year, I said that if circumstances allow, we would increase Child Benefit by €5. I am happy to say that our success in reducing unemployment allows me now to do this. In 2016, child benefit will be €140 per month for every child.

Finally, to recognise the needs of modern families and the role of fathers in the household, I am happy to announce that we will legislate for statutory paternity leave of two weeks. This change will take effect from next September.

The improvement in our public finances has given us the opportunity to assist hard working parents.

The package announced today will be of particular help to working mothers. And by increasing participation in the labour force these measures will also be a key contributor to growth.

## **Education**

I am allocating €8.5 billion to Education for current expenditure in 2016.

Education depends on Educators. Teachers have the capacity to transform a child's life. The quality of our teachers is consistently recognised in OECD comparisons.

Education is also the engine of economic growth. Our teachers have a big responsibility. They teach our citizens of tomorrow.

We have an excellent cadre of highly qualified young people coming into the profession and I am pleased that the job openings that they feared would not be there, are now materialising.

I can confirm that the allocation for 2016 will provide for over 2,260 new additional teaching posts, including 600 new resource teachers.

This is in addition to the extra 610 special needs assistants and 190 resource teachers already announced this year.

We will also reduce the pupil teacher ratio.

At primary level, we are reducing it from 28 to 1 to 27 to 1.

At second level, it will fall from 19 to 1 to 18.7 to 1.

Over the last five years we have supported Education. As our public finances improve, we will continue to develop this important sector.

## **Social Protection**

I am allocating €19.6 billion to the Department of Social Protection, in 2016.

Within this allocation, I am particularly anxious to protect and support our older citizens.

We will therefore increase all pension payments by €3 per week in 2016. This is the first increase since 2009.

To help the thousands of men and women who take care of their loved ones with dignity and compassion, I am restoring the value of the Respite Care Grant to €1,700.

I am also pleased to announce that we are increasing the fuel allowance by €2.50 per week to €22.50. The increase will benefit people dependant on long term social welfare payments and those unable to provide for their own heating needs.

A shared prosperity is one where every person, regardless of income, feels the benefit of our economic recovery.

So, to complement the changes to the USC that help the low paid, we are increasing the threshold for the Family Income Supplement by €5 per week for families with one child and by €10 per week for families with two or more children.

Together with the rise in the minimum wage, this budget confirms our commitment to helping the low paid.

We want to make work pay.

Finally, our strong record of reducing unemployment and restoring the public finances, means that this year we can increase the Christmas bonus for those in receipt of social welfare to 75% – a threefold increase on last year's payment.

The Tánaiste will announce further details of the social welfare package later.

## **Jobs/Enterprise**

The best form of social protection is a job.

The reduction in unemployment from a peak of 15.2% to 9.4% has been this Government's single biggest achievement. But this is still too high. Budget 2016 will support further job creation.

Total funding for the Department of Jobs, Enterprise and Innovation will be €792 million.

385,000 Irish jobs, around one in five, are in businesses supported by our enterprise agencies. Under the Capital Plan, just under €500 million will be provided in 2016 to support these agencies.

Many of the businesses they support are at the forefront of research and innovation. They create well paid jobs and enhance opportunities for young graduates and the unemployed.

A key focus of activity next year is to ensure that the benefits of economic recovery, particularly in terms of employment, reach all parts of the country. In this regard, a specific IDA Regional Property programme will support the Regional Action Plans launched earlier this year.

## **Health**

I am providing €13.2 billion for the delivery of health services next year.

I am happy to say, this restores the resourcing of our Health Services to its pre-crisis level.

This year, free GP care for the under 6s and over 70s was put in place. This represented the first step in the phased introduction of a universal GP service and is benefitting over 300,000 senior citizens and children.

Linked to this was the introduction of cycles of care in relation to Type 2 diabetes and asthma.

In 2016, subject to successful negotiation with doctors representatives, it is planned to extend GP care without fees to all those under 12.

This marks the next phase in the implementation of Universal GP care.

Funding is also being made available to provide therapeutic services for children, particularly for speech and language therapy.

Over two million people are now covered by a medical or GP visit card. This is a 25% increase on 2010, and substantially improves people's access to primary care services.

In our hospitals, 880,000 day cases will be carried out by the end of the year – an increase of nearly 20% over five years.

This year, for the first time, Government placed the Fair Deal nursing home scheme on a fully-funded, demand-led basis. This will continue in 2016, with Government funding of €940 million. Everyone who needs Fair Deal funding will be approved within 4 weeks.

We have also protected front-line staff numbers.

Since the beginning of last year, hospital staffing has increased by 3,000.

We have hired around 1,000 extra nurses over the same period.

As our recovery continues, we will continue to support and expand our health service.

## **Housing**

One of the worst legacies of the economic crisis is our dysfunctional housing market. Years of underinvestment in social housing has led to an accommodation crisis, particularly in urban areas.

Last year, the Government announced a €2.2 billion package to begin to deal with this legacy. The package was a multi-annual investment aimed at addressing over a decade of neglect.



Under our Social Housing Strategy, over €500 million is available this year to build or acquire new homes.

I am also increasing the current allocation for social housing by a further €69 million, to €414 million. This funding will enable local authorities to secure accommodation for an additional 14,000 households.

I am keen to make use of all available funding to address immediate housing needs. So, pending further developments on the special purpose vehicle announced under the Social Housing Strategy, I am making €10 million available from the proceeds of the sale of Bord Gáis Eireann for an affordable housing pilot scheme. This will be an ongoing annual commitment to secure a long term increase in the supply of housing for affordable rental.

The human cost of the legacy of boom and bust housing development is the number of people without a home. Addressing homelessness, particularly among families, is a key priority for Government.

Under the Capital Plan announced recently, funding is available to provide 500 modular housing units for homeless families.

I am also increasing the current allocation for emergency accommodation of homeless people, by an additional €17 million.

The increase will bring Exchequer support to €70 million – up 56% since 2014 – and will help homeless families transition to long term sustainable housing.

### **Arts and Heritage**

2016 will be an historic year for our country.

It is right that we mark the centenary of the 1916 Rising with commemoration events that we can all be proud of. The Rising was the event that propelled our nation on the path to independent statehood. We need to mark it with respect, be aware of its complexities and appreciative of its idealism.

We are the beneficiaries of its legacy.

In recognition of this, €50 million has been provided for an extensive range of events and initiatives under our Commemorations Programme.

It will also allow for the development of the GPO Interpretative Centre, the National Monument on Moore Street, Teach an Phiarsaigh in Ros Muc and the Athenaeum in Enniscorthy.

The allocation for the Department of the Arts, Heritage and the Gaeltacht will also provide an additional €3 million for a new scheme of one-off grants to arts and cultural centres throughout the country.

I would like to briefly now outline some other measures.

### **Justice**

I am providing over €2.2 billion to the Department of Justice for current expenditure.



Last year, the Minister for Justice announced that the Garda training college in Templemore would re-open and remain open.

I am happy to announce that in 2016, funding has been made available to recruit and train an additional 600 Gardaí.

Resources have also recently been made available for improved ICT and for the new Policing Authority.

The Government is committed to supporting An Garda Síochána.

The human tragedies in Carrickmines and Omeath over the weekend are a stark reminder of the fragility of life.

In the aftermath of such terrible events, the moral support of the community and the professional help of our Gardaí, fire crews, medical staff and social workers, marks out definitively what we are as a society and as a people.

In the same way as we need to care for and protect our own people in the most dreadful of times, we must also be prepared to do the same for others. The refugee crisis on Europe's borders demands a practical and generous response from the Irish people, who have a long and proud history of international humanitarianism. The spontaneous and heartfelt response of communities across the country, which is evident in the huge number of offers of assistance and volunteerism, shows that we will not be found wanting.

€25 million will be provided to ensure Ireland is not found wanting in this regard. Funds will be spent on accommodation, additional staffing, integration programmes, and on new Emergency Resettlement and Orientation Centres.

### **Defence**

€903 million has been allocated to the Department of Defence.

Ireland's participation in humanitarian operations in the Mediterranean and ongoing peacekeeping missions in the Middle East and elsewhere, is a testament to the professionalism and dedication of our armed forces. The recently published White Paper on Defence provides a framework for a modern, adaptable force that can carry out operations both home and abroad.

For services at home, I am happy to announce that €2 million has been made available to put the Emergency Aeromedical Service on a permanent footing. This service will save lives and give comfort to rural communities.

### **International Development**

Even in very difficult times, this Government maintained our commitment to fighting global poverty and hunger. As the public finances improve, we will strengthen that commitment.

Today, I am allocating over €640 million for Official Development Assistance.

€486 million will be managed by the Department of Foreign Affairs, with the remainder being administered through other Government Departments and the EU Development Co-operation Budget.

Irish funding will make a significant contribution to the international aid effort in countries such as Syria, Iraq, Ethiopia and Somalia.

The Programme will also continue to help people in our key partner countries in some of the poorest parts of the world.

### **Agriculture**

I am allocating €1.3 billion to the Department of Agriculture, Food and the Marine.

Additional funding has been allocated, in particular, to a new agri-environmental scheme and to capital investment schemes under the Rural Development Programme. This year's allocation will also fund a range of new schemes under the Seafood Development Programme. The Programme will drive investment in fisheries and seafood development out to 2020.

Further details of the Estimates are set out in the Expenditure Report.

### **Investing in the Future**

Budget 2016 is about the future.

It is about using our resources to support communities in every part of the country. It is about creating jobs, so that people can look forward to a better life. It is about using the results of our hard earned stability to improve our lives, better our communities, and plan ahead.

I said last year that the Budget marked a turning point - the end of the era of budgetary austerity.

### **Conclusion**

At the election in 2011, this Government made two key promises.

We promised we would fix the public finances and restore growth to our economy.

We have made good on those promises.

We promised too, that we would never again allow the State to fall in into similar peril.

The spending increases announced today are moderate, sensible and commensurate with our economic requirements.

We continue to make good progress.

Our debt is falling. Our deficit is narrowing. Unemployment is coming down.

The previous Government's budgetary failure helped to lead us to crisis.

Between 2000 and 2008, gross spending was increased by 139%.

In the run-up to the 2007 election, between 2005 and 2007, public spending was ramped up by over 25%, or over €11 billion in nominal terms.

By comparison, in 2016, public expenditure will be just 4% higher than in 2014. Over this time, tax revenues are forecast to increase by over 14%.

And GDP is forecast to increase by 18%.

Through prudent and careful management of the State's finances, this Government brought the country back from the brink. Our recovery, though not yet complete, is not only a justification of our policies, but a condemnation of the easy alternatives proffered by some. Who speaks of Syriza now?

While maintaining the responsible approach that got us here, we are committed to investing in our public services; assisting those most in need; creating jobs; providing a platform for future growth; ensuring that every family and every community, in every part of the country, can share in a better future.

Today, we reap the benefits of the hard work and resilience of the Irish people, as we set our course for a better Ireland.

**ENDS**