

## 24 Irish Fiscal Advisory Council

**24.1** The Irish Fiscal Advisory Council (the Council) was established under the Fiscal Responsibility Act 2012 (the Act) to provide independent assessments of the Government's budgetary plans and projections and to inform public discussion of economic and fiscal matters.<sup>1</sup>

**24.2** The Council is required by law to

- assess the official forecasts produced by the Department of Finance (the Department) in spring and autumn each year<sup>2</sup>
- assess whether the fiscal stance of the Government is conducive to prudent economic and budgetary management including by reference to the EU Stability and Growth Pact<sup>3</sup>
- monitor and assess whether the general government budgetary position is either in balance or in surplus, or is moving at a satisfactory pace towards that condition (the 'budgetary rule' as set out in the Act), and assess whether any non-compliance is as a result of exceptional circumstances<sup>4</sup>
- endorse, as it considers appropriate, the macroeconomic forecasts prepared by the Department, on which the budget and stability programme updates are based.<sup>5</sup>

1 The Council was set up on an interim basis in July 2011 and formally established as an independent statutory body under the Act with effect from 31 December 2012.

2 In accordance with the Act, 'official forecasts' are the macroeconomic and budgetary forecasts published by the Department of Finance for the purposes of fiscal planning.

3 The Stability and Growth Pact is a rule-based framework for the coordination of national fiscal policies in the EU.

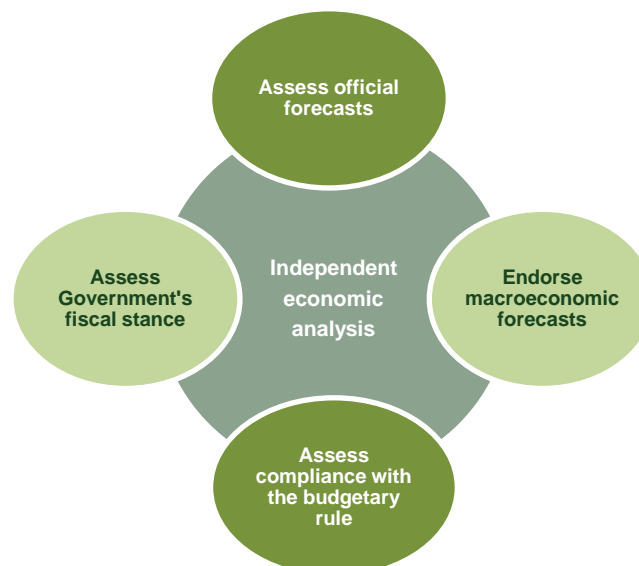
4 Under the Act, 'exceptional circumstances' include a period of severe economic downturn or an unusual event (outside the control of the Government) which has a major impact on the budgetary position of the Government.

5 A joint memorandum of understanding between the Council and the Department underpins the endorsement process.

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**Figure 24.1 Functions of the Irish Fiscal Advisory Council**

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Source: Irish Fiscal Advisory Council

## Accounts of the Irish Fiscal Advisory Council

- 24.3** The Chairperson of the Council is the officer accountable for the preparation and presentation of its financial statements for audit. Under the Act, the Council is required to keep accounts of receipts and expenditure in the form approved by the Minister for Finance (the Minister), and to submit them for audit by the Comptroller and Auditor General within three months after the end of the accounting period to which they relate. On completion of the audit, a copy of the accounts and of the audit report must be given to the Minister, who in turn must lay them before the Houses of the Oireachtas.
- 24.4** Separately, the Act requires the Comptroller and Auditor General to report to Dáil Éireann with respect to the correctness of the sums brought to account by the Council each year. This is the report for 2016.
- 24.5** The accounts of the Council for 2016 have been audited, and the report on the audit was issued on 30 June 2017. The accounts and report were laid before both Houses of the Oireachtas on 20 July 2017.
- 24.6** I am satisfied that the accounts give a true and fair view of the assets, liabilities and financial position of the Council at end 2016 and of its income and expenditure for the year.<sup>1</sup>

## Membership and staffing

- 24.7** The Act sets out that the Council shall consist of five members, including the Chairperson. Appointments are made by the Minister with the term of office generally being four years. Council members may not serve for more than two consecutive terms.
- 24.8** The second term of the Chairperson ceased at the end of December 2016. The consequential vacancy on the Council was advertised and, following an open selection process, the Minister appointed a new member to the Council for a period of four years, with effect from 1 January 2017.
- 24.9** The Minister also appointed a serving council member as Chairperson, and re-appointed another serving council member for a second term, both with effect from 1 January 2017.
- 24.10** The Council is currently supported by six staff, comprising five economists and an administrator. In 2016, two of the staff were on secondment from other organisations.

## Funding

- 24.11** The Council is funded from the Central Fund of the Exchequer, subject to an inflation-indexed annual 'ceiling' amount.<sup>2</sup> The funding ceiling for 2016 was €822,537 (2015: €823,360).
- 24.12** Expenditure of the Council totalled around €633,000 in 2016 (2015: €643,000), of which 60% (2015: 62%) related to salary costs. The largest element of the Council's non-pay administration expenditure related to an administration fee payable to the Economic and Social Research Institute (ESRI) in respect of accommodation costs and support services which totalled around €102,000 (2015: €101,000).

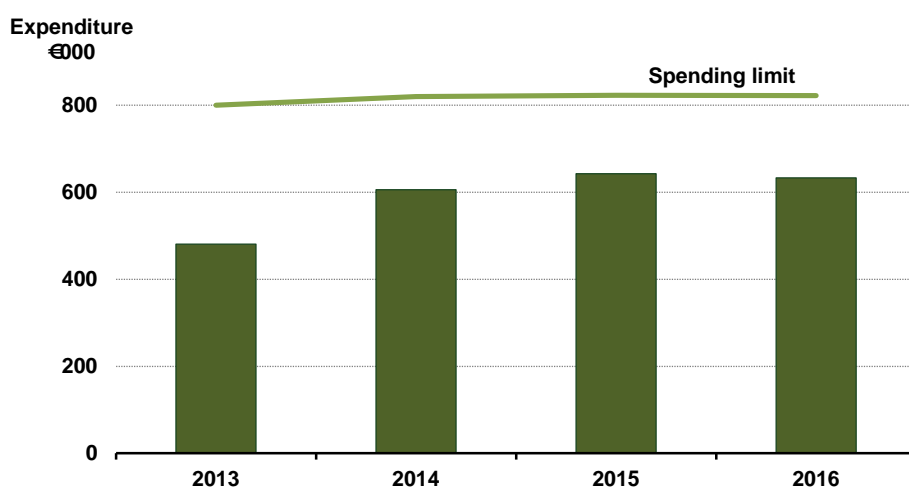
<sup>1</sup> The Council's financial statements have been prepared in accordance with FRS102, the Financial Reporting Standard applicable in the UK and Ireland.

<sup>2</sup> Section 9 of the Schedule to the Act provides for the funding source and sets the baseline level of spending for the Council on commencement at €800,000.

**24.13** Retirement benefit costs of almost €22,100 were recognised by the Council for the first time in 2016. The Council operates the Single Public Service Pension Scheme (the Scheme), the defined benefit scheme for pensionable public servants appointed on or after 1 January 2013. Three staff became eligible for retirement benefits under the Scheme in 2016 having served the two-year vesting period. The costs reflect the benefits earned by these employees and are shown net of their pension contributions which are payable to the Department of Public Expenditure and Reform. The Scheme is unfunded and will be financed (as required) on a pay-as-you-go basis from funds available to the Council.

**24.14** A summary of the Council's budget and related expenditure for the period 2013 to end 2016 is shown in Figure 24.2.

**Figure 24.2 Financial summary of the Irish Fiscal Advisory Council, 2013 to 2016**



Source: Analysis by the Office of the Comptroller and Auditor General and the Irish Fiscal Advisory Council's annual financial statements

Note: The number of staff increased from three in 2013 to six in 2016.

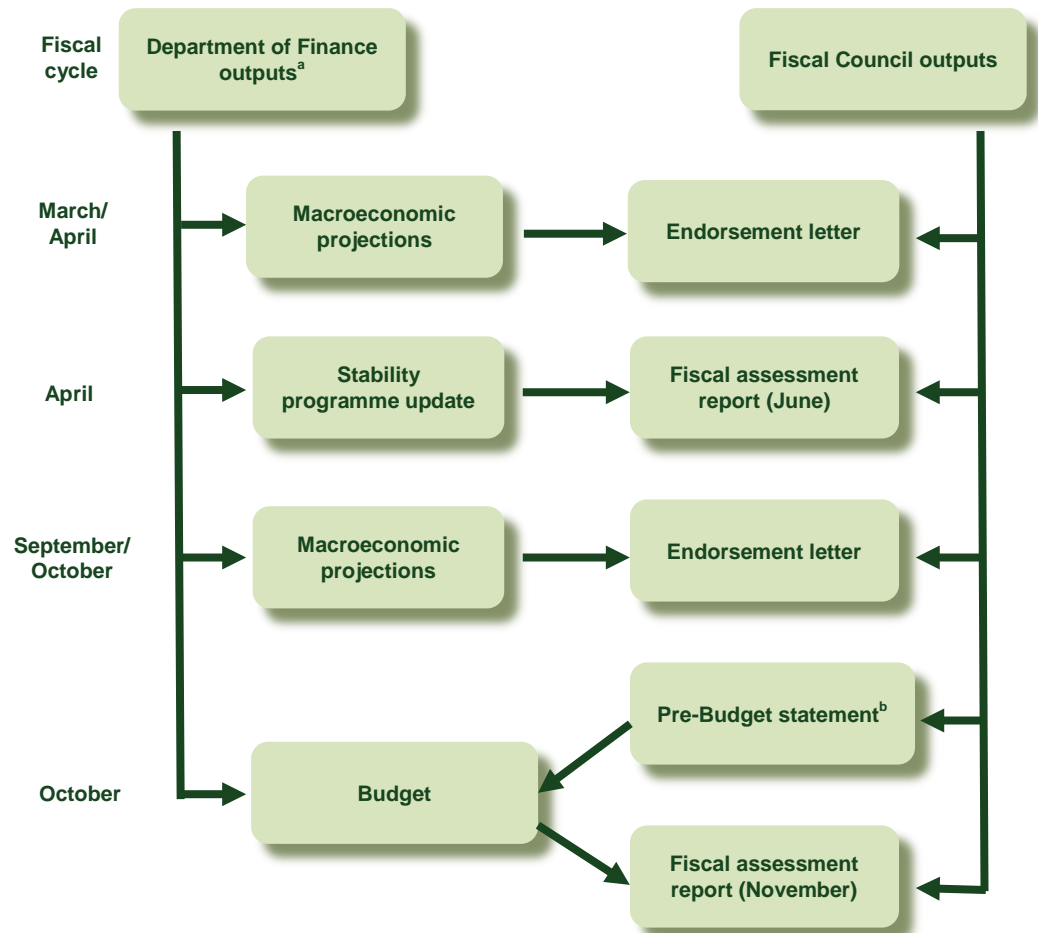
**24.15** Fees and expenses incurred in relation to Council members for 2016 totalled just over €54,000 (2015: €62,500). Expenses incurred by Council members mainly reflect travel and subsistence costs incurred by international and non-Dublin based members attending Council meetings, which are held in Dublin. In addition, payments totalling almost €26,700 were made in 2016 (2015: €24,500) to the public sector bodies that employ the Chairperson and one Council member for costs incurred due to their absence on Council business.<sup>1</sup>

<sup>1</sup> Under the one-person-one salary principle, Council members who are employees of other public bodies do not receive fees in respect of their service on the Council.

## Activity of the Council

**24.16** The Council produces a number of annual outputs in response to outputs from the Department. Figure 24.3 outlines these outputs. In addition, the Council has produced a number of non-statutory reports and papers (see Annex 24A).

**Figure 24.3 Irish Fiscal Advisory Council outputs**



Source: Office of the Comptroller and Auditor General

- Notes:
- a The Department also publishes a summer economic statement around June/July. This statement was introduced as part of the budgetary reform process.
  - b This statement is published annually in September and takes into account, *inter alia*, the summer economic statement.

**24.17** Under Section 11 of the Act, the Chairperson of the Council may be called before a Committee of either House of the Oireachtas to account for the Council's functions.

**24.18** In June 2016, the Council appeared before the Select Committee on Arrangements for Budgetary Scrutiny to present its views on proposed changes to the budgetary process. The Council also appeared before the Committee on Budgetary Oversight twice during 2016.

## Peer review of the Council

**24.19** In 2015, in line with its Strategic Plan 2014 – 2016, the Council commissioned an external evaluation to assess the functioning of the Council with respect to its mandate under the Act and its performance as an independent fiscal institution in support of sustainable growth in Ireland.<sup>1</sup>

**24.20** The review concluded that the Council had fulfilled all the tasks expected from an independent fiscal institution and that it had been visible in public debate, increasing transparency and public knowledge about fiscal matters.<sup>2</sup>

**24.21** The review also noted that there was scope for enhancing the output and impact of the Council and made 25 recommendations. The Council, following consideration, prepared an implementation plan for the recommendations. It subsequently decided, following review, not to implement two recommendations and that another three were outside of its control. To end July 2017, 18 of the remaining 20 recommendations have been implemented and plans for the implementation of the remaining two by the end of 2017 are in progress.

<sup>1</sup> The evaluation team members were Professor Lars Jonung (Chair), Professor Iain Begg and Mr Michael G Tutty (prior to his appointment to the Council).

<sup>2</sup> The review (published in June 2015) is available at [www.fiscalcouncil.ie](http://www.fiscalcouncil.ie)

## Annex 24A Irish Fiscal Advisory Council's non-statutory reports

Figure 24A.1

<b>2013</b>	<b>Working paper</b>
	<ul style="list-style-type: none"> <li>▪ The Government's Balance Sheet after the Crisis: A Comprehensive Perspective</li> </ul>
<b>2014</b>	<b>Analytical notes</b>
	<ul style="list-style-type: none"> <li>▪ House Price Risks</li> <li>▪ Sensitivity Analysis of the Department of Finance Approach to Potential Output Estimation under the EC Methodology</li> <li>▪ Tax Forecasting Error Decomposition</li> <li>▪ DIRT Forecast Methodology</li> <li>▪ Future Implications of the Debt Rule</li> <li>▪ Adoption of New International Standards for National Accounts and Balance of Payments</li> </ul>
<b>2015</b>	<b>Working papers</b>
	<ul style="list-style-type: none"> <li>▪ Uncertainty in Macroeconomic Data: The Case of Ireland</li> <li>▪ An Analysis of Tax Forecasting Errors in Ireland</li> </ul>
	<b>Analytical notes</b>
	<ul style="list-style-type: none"> <li>▪ The EU Expenditure Benchmark: Operational Issues for Ireland in 2016</li> <li>▪ Controlling the health budget: Annual budget implementation in the public health area</li> </ul>
<b>2016</b>	<b>Analytical notes</b>
	<ul style="list-style-type: none"> <li>▪ Public Capital: Investments, Stocks and Depreciation</li> <li>▪ Challenges Forecasting Irish Corporation Tax</li> </ul>
<b>2017 (to July)</b>	<b>Working papers</b>
	<ul style="list-style-type: none"> <li>▪ Producing Short-Term Forecasts of the Irish Economy</li> </ul>