

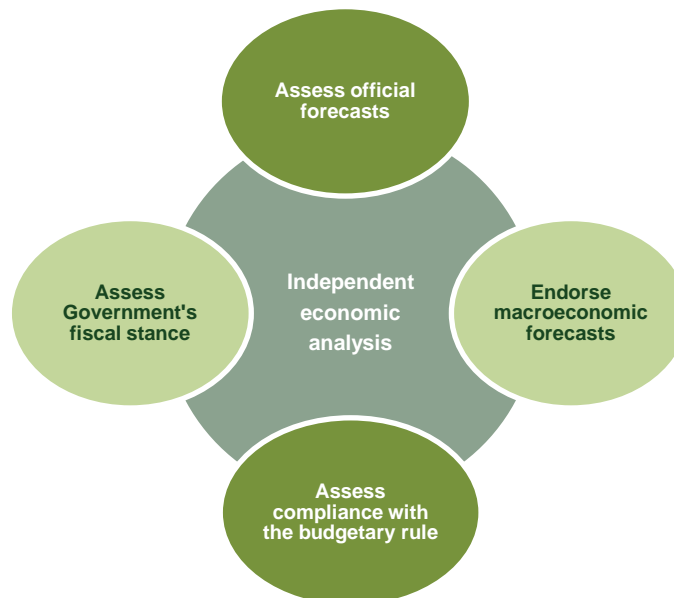
22 Irish Fiscal Advisory Council

22.1 The Irish Fiscal Advisory Council (the Council) is required 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.

22.2 The Council's statutory responsibilities are to

- assess the official forecasts produced by the Department of Finance (the Department) in spring and autumn each year¹
- 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 Pact²
- 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 circumstances³
- endorse, as it considers appropriate, the macroeconomic forecasts prepared by the Department, on which the budget and stability programme updates are based.⁴

Figure 22.1 Functions of the Irish Fiscal Advisory Council



1 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.

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

3 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.

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

Accounts of the Irish Fiscal Advisory Council

- 22.3** 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.
- 22.4** 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 2017.
- 22.5** The accounts of the Council for 2017 have been audited, and the report on the audit was issued on 24 September 2018.
- 22.6** I am satisfied that the accounts give a true and fair view of the assets, liabilities and financial position of the Council at end 2017 and of its income and expenditure for the year.¹

Membership and staffing

- 22.7** 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.
- 22.8** A vacancy on the Council arose following the end of the (then) Chairperson's second term at the end of 2016. The vacancy 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.
- 22.9** 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.
- 22.10** At the end of 2017, the Council was supported by six staff, comprising five economists and an administrator. One staff member was on secondment from another organisation.

Funding

- 22.11** The Council is funded from the Central Fund of the Exchequer, subject to an inflation-indexed annual 'ceiling' amount.² The funding ceiling for 2017 was €820,892 (2016: €822,537).³
- 22.12** Expenditure of the Council totalled around €607,000 in 2017 (2016: €633,000), of which 55% (2016: 60%) 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 €106,000 (2016: €102,000).

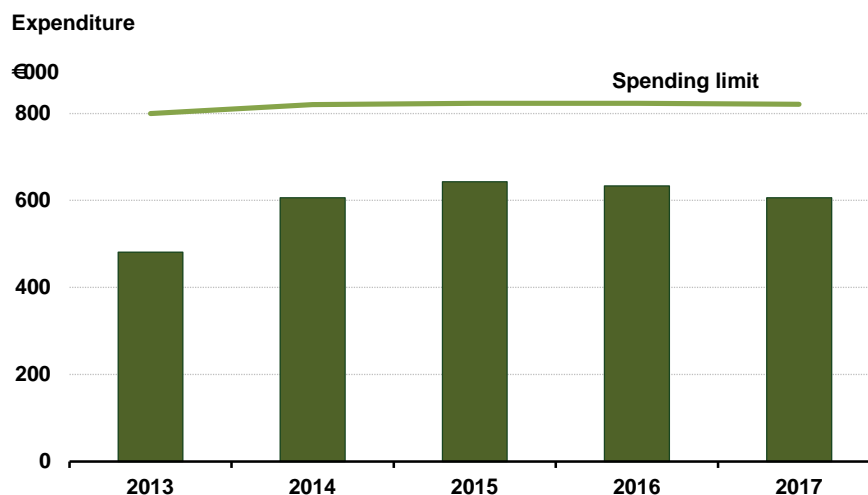
¹ The Council's financial statements have been prepared in accordance with Financial Reporting Standard (FRS)102.

² Paragraph 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.

³ The Department of Finance applied the Central Statistics Office Harmonised Index of Consumer Prices for 2016 of -0.2% when determining the ceiling for 2017.

22.13 A summary of the Council's budget and related expenditure for the period 2013 to end 2017 is shown in Figure 22.2.

Figure 22.2 Financial summary of the Irish Fiscal Advisory Council, 2013 to 2017



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

22.14 Fees and expenses incurred in relation to Council members for 2017 totalled just over €85,500 (2016: €81,000). Fees in respect of two members were paid to their (public sector or international) employer organisations, rather than to the individuals concerned.¹ Expenses paid to Council members mainly reflect travel and subsistence costs incurred by international and non-Dublin based members attending Council meetings, which are held in Dublin.

22.15 Retirement benefit costs of almost €28,800 were recognised by the Council in 2017. The Council operates two superannuation schemes for its staff.

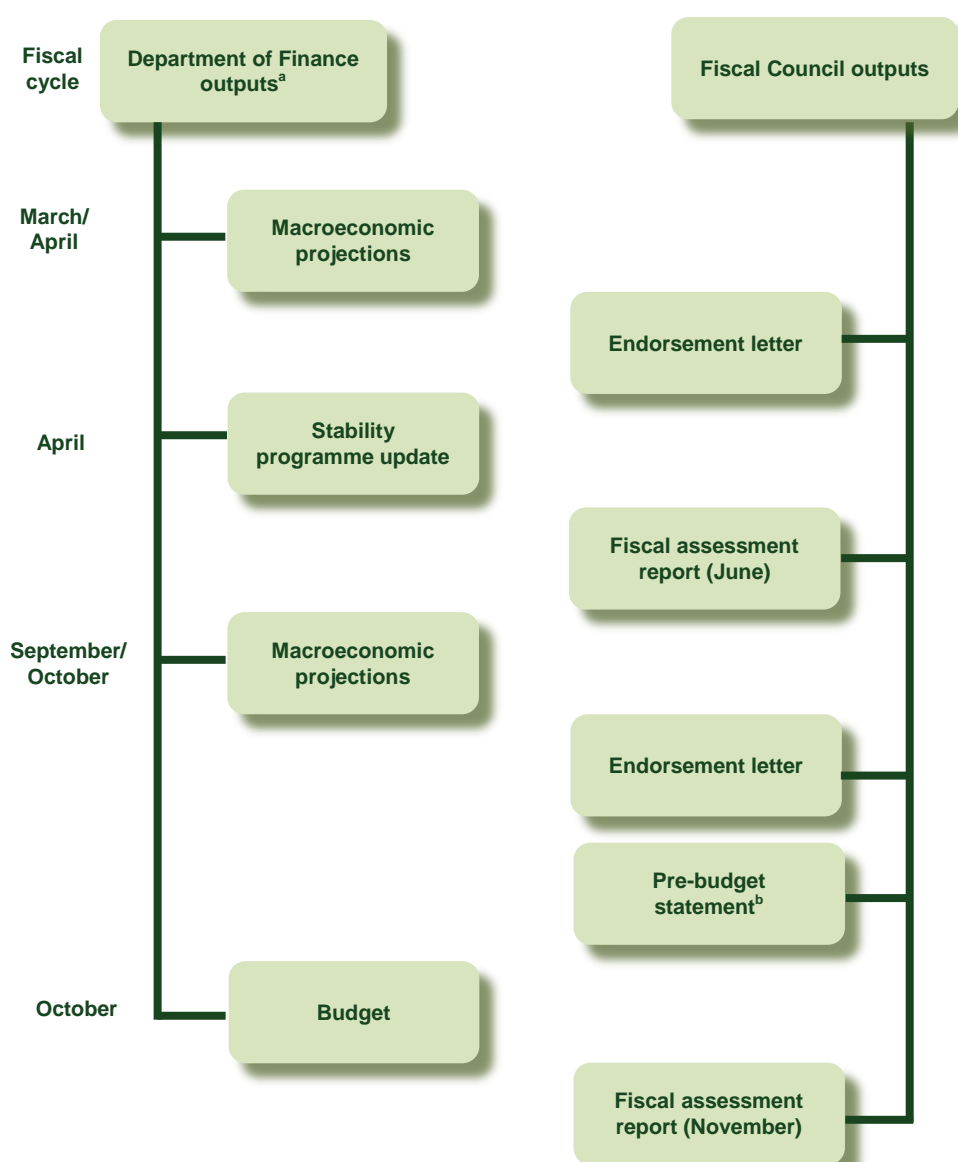
- The Single Public Service Pension Scheme (the Single Scheme) is the defined benefit scheme for pensionable public servants appointed on or after 1 January 2013. Three staff are eligible for retirement benefits under the Single Scheme. The retirement liability for one staff member on secondment to the Council rests with their parent Department.
- The Council has received sanction from the Department of Public Expenditure and Reform to operate a 'model' pension scheme on an administrative basis for the purpose of providing superannuation benefits for staff recruited to the public service prior to the introduction of the Single Scheme. Two staff members are participating in the model scheme.

¹ 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

- 22.16 The Council produces a number of annual outputs in response to outputs from the Department. Figure 22.3 outlines these outputs. In addition, the Council has produced a number of non-statutory reports and papers (see Annex 22A).
- 22.17 Under paragraph 11 of the Schedule to 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. The Council appeared before the Committee on Budgetary Oversight on three occasions during 2017.

Figure 22.3 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.

Peer review of the Council

22.18 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.¹

22.19 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.²

22.20 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. The Council has indicated that it has implemented the other recommendations of the 2015 external review.

1 The evaluation team members were Professor Lars Jonung (Chair), Professor Iain Begg and Mr Michael G Tutty. Mr Tutty was subsequently appointed to the Council.

2 The review (published in June 2015) is available at www.fiscalcouncil.ie

Annex 22A

Irish Fiscal Advisory Council's non-statutory reports, 2013 to July 2018

2013 Working paper

- The Government's Balance Sheet after the Crisis: a Comprehensive Perspective

2014 Analytical notes

- House Price Risks
- Sensitivity Analysis of the Department of Finance Approach to Potential Output Estimation under the EC Methodology
- Tax Forecasting Error Decomposition
- DIRT Forecast Methodology
- Future Implications of the Debt Rule
- Adoption of New International Standards for National Accounts and Balance of Payments

2015 Working papers

- Uncertainty in Macroeconomic Data: the Case of Ireland
- An Analysis of Tax Forecasting Errors in Ireland

Analytical notes

- The EU Expenditure Benchmark: Operational Issues for Ireland in 2016
- Controlling the Health Budget: Annual Budget Implementation in the Public Health Area

2016 Analytical notes

- Public Capital: Investments, Stocks and Depreciation
- Challenges Forecasting Irish Corporation Tax

2017 Working papers

- Producing Short-Term Forecasts of the Irish Economy

2018 (to July) Working papers

- Estimating Ireland's Output Gap
- Designing a Rainy Day Fund to work within the Fiscal Rules

Stand still scenario

- Stand Still Scenario for Government Spending in the Medium Term, 2019 – 2023

Source: Irish Fiscal Advisory Council