

# 18 Irish Fiscal Advisory Council

**18.1** The Irish Fiscal Advisory Council (the Fiscal 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.

**18.2** The Fiscal Council's statutory responsibilities are to

- assess the official forecasts produced by the Department of Finance (the Department) in spring and autumn each year<sup>1</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>2</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>3</sup>
- endorse, as it considers appropriate, the macroeconomic forecasts prepared by the Department, on which the budget and stability programme updates are based.<sup>4</sup>

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**Figure 18.1 Functions of the Irish Fiscal Advisory Council**

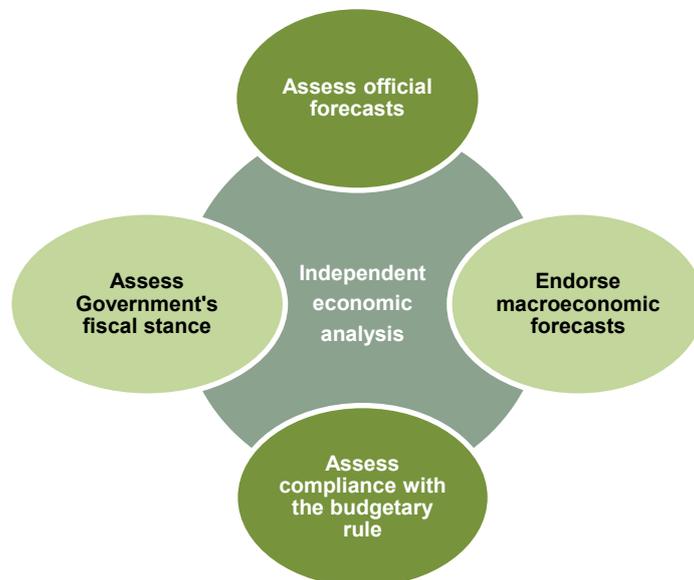
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1 In accordance with the Act, 'official forecasts' are the macroeconomic and budgetary forecasts published by the Department of Finance for the purposes of fiscal planning.

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 Fiscal Council and the Department underpins the endorsement process.



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Source: Irish Fiscal Advisory Council

## Accounts of the Irish Fiscal Advisory Council

- 18.3** The Chairperson of the Fiscal Council is the officer accountable for the preparation and presentation of its financial statements for audit. Under the Act, the Fiscal Council is required to keep accounts of receipts and expenditure in the form approved by the Minister for Finance (the Minister)<sup>1</sup> 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.
- 18.4** 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 Fiscal Council each year. This is the report for 2019.
- 18.5** The accounts of the Fiscal Council for 2019 have been audited, and the report on the audit was issued on 22 September 2020.
- 18.6** I am satisfied that the accounts give a true and fair view of the assets, liabilities and financial position of the Fiscal Council at end 2019 and of its income and expenditure for the year.

## Membership and staffing

- 18.7** The Act sets out that the Fiscal Council shall consist of five Council members (the Council), 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.
- 18.8** Three vacancies arose on the Council during 2019, following the expiration of members' respective terms. The Minister appointed two new members following an open selection process, each for a period of four years, with effect from 18 April 2019 and 1 January 2020. Separately, the Chairperson's term expired on 31 December 2019. One of the Council members, Mr Sebastian Barnes acted in the position until his appointment as Chairperson on 22 July 2020. One remaining vacancy is in the process of being advertised.
- 18.9** At the end of 2019, the Council was supported by seven staff, comprising six economists and an administrator.

## Funding

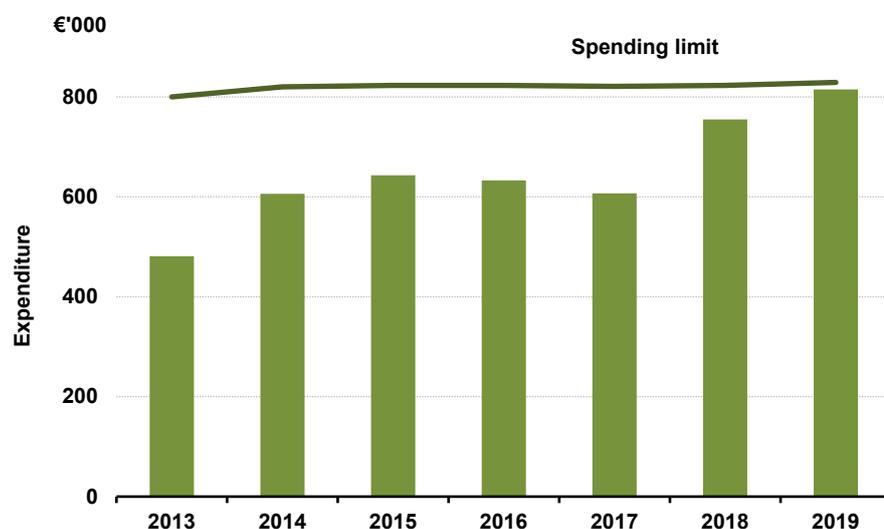
- 18.10** The Fiscal Council is funded from the Central Fund of the Exchequer, subject to an inflation-indexed annual 'ceiling' amount.<sup>2</sup> The funding ceiling for 2019 was €829,000 (2018: €822,500).<sup>3</sup>
- 18.11** Expenditure of the Fiscal Council totalled just over €815,000 in 2019 (2018: €755,000), of which 53% (2018: 53%) related to salary costs. The largest element of the Fiscal Council's non-pay administration expenditure related to an administration fee payable to the Economic and Social Research Institute (ESRI) in respect of office accommodation costs and support services in 2019 which totalled just over €136,000 (2018: €113,000).
- 18.12** In 2019, the Fiscal Council's expenditure was close to the maximum provided for in the Act (see Figure 18.2).

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 (31 December 2012) at €800,000.

3 The Department of Finance applied the Central Statistics Office *Harmonised Index of Consumer Prices* when determining the ceiling for any year.

**Figure 18.2 Financial summary of the Irish Fiscal Advisory Council, 2013 to 2019**



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

- 18.13** Fees and expenses incurred in relation to Council members for 2019 totalled €83,500 (2018: €87,000). Fees in respect of three members were paid to their (public sector or international) employer organisations, rather than to the individuals concerned.<sup>1</sup> Expenses paid to (or in respect of) Council members mainly reflect travel and subsistence costs incurred by international and non-Dublin based members attending Council meetings (which are held in Dublin) and events abroad.
- 18.14** Retirement benefit costs of just over €84,000 (2018: €77,000) were recognised by the Fiscal Council in 2019. The Fiscal 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. Six staff are eligible for retirement benefits under the Single Scheme.
  - The Fiscal 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. One staff member is participating in the model scheme.

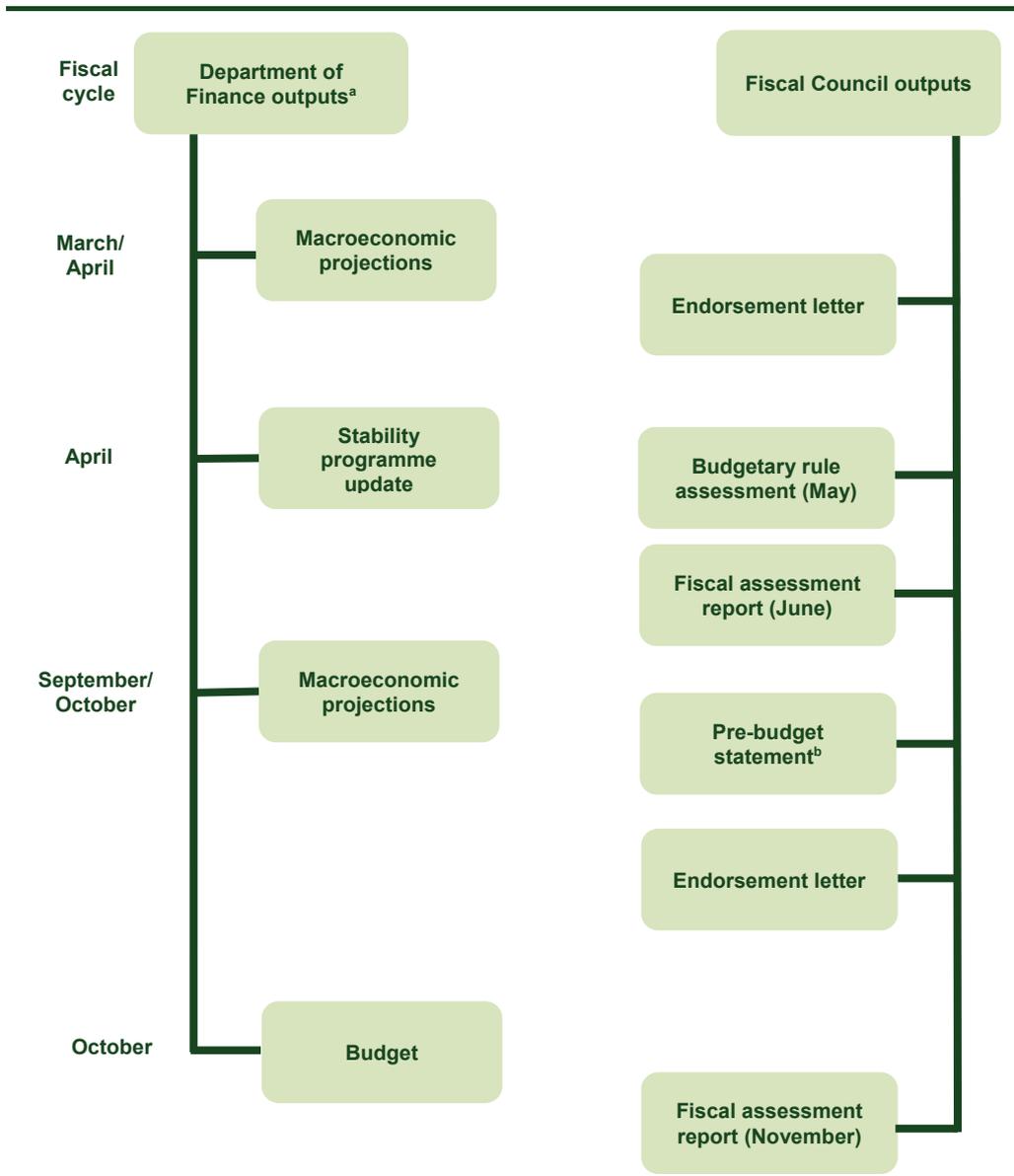
<sup>1</sup> Under the one-person-one salary principle, Council members who are employees of other public bodies do not receive fees in respect of their service on the Council.

### Activity of the Fiscal Council

**18.15** The Fiscal Council produces a number of annual outputs in response to outputs from the Department. Figure 18.3 outlines these outputs. In addition, the Fiscal Council has produced a number of non-statutory reports and papers (see Annex 18A).

**18.16** 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 performance of the Fiscal Council's functions. The Council appeared before the Committee on Budgetary Oversight on three occasions during 2019.

**Figure 18.3 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**

**18.17** In June 2020, in line with its strategic plan 2020 – 2022, the Council commissioned the Organisation for Economic Co-operation and Development (OECD) to conduct an external evaluation to assess the functioning of the Fiscal Council with respect to its mandate under the Act, its governance structures, how effectively it communicates its work and the impact of its work. This review is currently ongoing.

## Annex 18A Irish Fiscal Advisory Council's non-statutory reports

### Figure 18A.1 Irish Fiscal Advisory Council's non-statutory reports, 2016 to July 2020

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<b>2016</b>	<b>Analytical notes</b>
	Public Capital: Investments, Stocks and Depreciation
	Challenges Forecasting Irish Corporation Tax
<b>2017</b>	<b>Working papers</b>
	Producing Short-Term Forecasts of the Irish Economy
<b>2018</b>	<b>Working papers</b>
	Estimating Ireland's Output Gap
	Designing a Rainy Day Fund to work within the Fiscal Rules
	Nowcasting to Predict Data Revisions
	<b>Analytical notes</b>
	A 'Heat Map' for Monitoring Imbalances in the Irish Economy
	<b>Other reports</b>
	Stand-Still Scenario for Government Spending in the Medium Term 2019 – 2023
<b>2019</b>	<b>Working papers</b>
	Ireland's Spending Multipliers
	The Current Account: a Real-Time Signal of Economic Imbalances or 20/20 Hindsight?
	Estimating Ireland's Tax Elasticities: A Policy-Adjusted Approach
	When gravity hits: projecting Ireland's migration
	<b>Analytical notes</b>
	Estimating Ireland's Budgetary Semi-Elasticities
	<b>Other reports</b>
	Stand-Still Scenario for Government Spending 2020 – 2023
<b>2020</b>	<b>Other reports</b>
	Long term sustainability report

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Source: Irish Fiscal Advisory Council