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EUROPEAN COMMISSION
EUROSTAT
Directorate D: Government Finance Statistics (GFS)

Luxembourg, 21 January 2016

FINAL FINDINGS

EDP dialogue visit to Ireland

26-28 November 2014

Executive summary

Eurostat undertook a standard EDP dialogue visit to Ireland on 26-28 November 2014. The purpose of the visit was to review the existing quality framework and audit and internal control arrangements in place, to review data sources for the EDP data compilation as well as to review the implementation of the ESA2010 methodology in the recording of government transactions and in the sector classification of units.

The institutional arrangements currently in place were reviewed. The discussion focused on the existing Memoranda of Understanding in place and on the practical co-operation between the CSO, Department of Finance and the Central Bank, which together comprise the Government Finance Statistics Liaison Committee (GFSLC). The existing quality management measures and audit and internal control mechanisms in place were also discussed. The Irish authorities were asked to provide a new version of the EDP inventory and to incorporate ESA 2010 related recordings and classifications into it.

Moreover the reforms of the local government sector which took place in July 2014 was discussed. The Irish authorities stated that good quality data for the local government sector for the entire year 2014 will be available, even though the reform took place in the middle of the year.

The progress made by the Irish authorities on the open Action points from the EDP visit that took place in August 2012 were also discussed and a few remaining issues from the October 2014 EDP notification were clarified.

The application of the ESA2010 methodological rules was furthermore discussed. The sector classification of several units, like the Irish deposit guarantee scheme, Irish Water and the Strategic Banking Corporation of Ireland were discussed in detail. Particular attention was paid to the register of general government entities and to the list of government controlled entities classified outside the general government sector. It was emphasized during the discussion the importance of having available updated versions of these registers and lists.

As regards the recording of specific government transactions a follow up of the government interventions in the context of the financial crisis was provided by the Irish authorities. Particular attention was devoted to the liquidation of Irish Bank Resolution Corporation (IBRC), which had been classified into the government sector in connection with the introduction of ESA 2010. In addition, the sale of Irish National Lottery Licence was discussed and the Irish authorities were asked to check if the contract was transferable because, under ESA 2010, revenues obtained through the sale are treated differently depending if the contract is transferable or not.

Eurostat appreciates the information provided by the Irish authorities prior and during the EDP standard dialogue visit. Eurostat also thanked the Irish authorities for their co-operation during the mission and considers that the discussions held were productive and constructive.

Final findings

INTRODUCTION

In accordance with Council Regulation (EC) No 479/2009 of 25 May 2009, as amended, on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community, Eurostat carried out an EDP dialogue visit to Ireland on 26-28 November 2014.

The delegation of Eurostat was headed by Mr Eduardo Barredo Capelot, Director of Directorate D: Government finance statistics (GFS) and quality. Eurostat was also represented by Mr Denis Besnard and Ms Mira Lehmuskoski. Representatives of the Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) also participated in the meeting as observers.

The Irish institutions and entities which participated to the meeting were the Central Statistics Office (CSO), the Department of Finance, the Central Bank of Ireland, the Department of Environment, Community and Local Government, the Local Government Audit Service, the Department of Public Expenditure and Reform, the Comptroller and Auditor General, the National Treasury Management Agency, the National Development Finance Agency, the National Asset Management Agency, the National Pension Reserve Fund, NewEra, the Revenue Commissioner, the Strategic Banking Corporation of Ireland and the National Roads Authority.

The previous Eurostat EDP dialogue visit to Ireland had taken place on 30-31 August 2012.

Eurostat carried out this EDP dialogue visit in order to discuss the quality framework and the audit and internal control arrangements in place, to review data sources for the EDP data compilation as well as to review the implementation of the ESA2010 methodology as regards the recording of government transactions and the sector classification of units.

With regard to procedural arrangements, the *Main conclusions and action points* will be sent to Ireland for review. Then, within weeks, the *Provisional findings* will also be sent to the Ireland for review. After this, the *Final Findings* will be sent to Ireland and the Economic and Financial Committee (EFC) and published on the website of Eurostat.

Eurostat appreciated the fact that the Irish authorities contributed to the smooth organisation of the visit with their open and constructive approach during the meeting as well as through the documents provided to Eurostat before and during the visit.

1. STATISTICAL CAPACITY

1.1. Institutional responsibilities and EDP process

Introduction
Eurostat enquired if the transfer of responsibility of EDP data compilation from the Ministry of Finance (MoF) to the Central Statistics Office (CSO) had been fully completed. In this respect, the work of the Government Finance Statistics Liaison Committee was also discussed.

Discussion
The Irish authorities explained that the transfer of the responsibilities was fully completed in 2013 and the new workload included the introduction of government finance data publications as CSO had also been previously responsible for the data production in this field. In addition it resulted in a restructuring of the existing GFS division and increased emphasis on methodology, data processing and documentation.

The Government Finance Statistics Liaison Committee (GFSLC) comprising national GFS data compilers from the CSO, the Department of Finance and the Central Bank continues to function as a forum for cooperation and discussion of ESA2010 methodological and classification issues among the three organisations. The GFSLC operates under formal terms of reference agreed by the group in the September 2013 meeting. This structure also provides a scope for the operation of expert sub-groups, to enable the sharing of information on specific issues. Currently, four such sub-groups are in operation, a PPP and Capital Investment Expert Group, a GGDebt Technical Group, a Taxes Expert Group and a Public Sector Classification Group.

The committee is chaired by the CSO and meets between 2 and 4 times a year. The sub-groups were created to discuss specific issues and to provide guidance on these issue in more detail. The GG Debt group meets quarterly while the other groups meet as needed.

Bilateral Memoranda of Understanding were agreed between the three GFSLC members in 2013. These memoranda are due to be renewed in the coming months in order to reflect updated reporting requirements and division of responsibilities in relation to more recent developments, such as the new reporting required by the Budgetary Frameworks Directive.

Findings and conclusions

1. **The Irish statistical authorities will send the revised versions of Memoranda of Understanding with the Department of Finance and the Central Bank of Ireland to Eurostat when they are signed.**
   Deadline: as soon as available

2. **The Irish statistical authorities will send a list of all existing Memoranda of Understanding relating to EDP/GFS to Eurostat.**
   Deadline: end March 2015[1]

[1] The CSO has since provided this information. Eurostat considers this action point to have been completed.

1.2. Quality management framework

Introduction
Eurostat enquired about the existing quality management measures in the EDP related statistics and about future plans in the field.

Discussion
The CSO informed Eurostat that a corporate strategy "CSO 2020" is being put in place, which would include building up a common quality management procedure for the whole CSO. In addition, it was explained that the Government Finance Statistics Liaison Committee (GFSLC) have a quality assurance role in this area of statistics. In the CSO, quality reports on a pilot basis have been undertaken for some statistics and quality reports for all publications are available. The Irish authorities furthermore highlighted that the main data source for government finance statistic is the Exchequer data, provided by the Department of Finance and that data is audited and Memorandums of Understanding are in place with most major data suppliers. Work descriptions and business strategy plans are in place at the CSO.

Findings and conclusions

Eurostat took note of the current situation and will follow further developments of the quality management procedures in place at the CSO.

1.3. Audit and internal control arrangements

Introduction
Eurostat enquired about audit and internal control mechanisms in place for upstream data.

Discussion
Both draft and audited data is provided to the CSO by the Department of Finance to be used in the statistical compilation process. Due to the highly centralised nature of Irish government finances the vast majority of the data used for government finance statistics and for EDP purposes are based on the Exchequer data which are fully audited. All public units providing data have their own internal control systems in place. Data from other central government units are provided to the CSO on individual basis because any standardised approach would not work in practice, and estimates are ultimately based on audited annual reports when available. An IT project is also going on in the area of the national accounts at the CSO. When it will be completed, it will provide a tool to monitor and guarantee consistency in the macro economic statistics. It would also serve as a data storage environment for the CSO.

Local government data are audited by the local government audit service within the Department of the Environment, Communities and Local Government under its own legislation. The Irish authorities highlighted that the local government sector is very small in economic terms when compared to central government in Ireland. The Irish authorities also informed Eurostat that in order to assure the harmonisation of local authorities' data procedures a General Accounting Working Group (GAWG) for local authorities has been put in place. The GAWG which has its own Action Plan and the CSO is involved in its work.

Findings and conclusions

3. **The Irish statistical authorities will provide to Eurostat the Action Plan of the General Accounting Working Group (GAWG) concerning harmonisation of local authorities' data procedures.**
   Deadline: end January 2015[2]

4. **The Irish statistical authorities will inform Eurostat of the progress of the harmonised IT project on database integration of national accounts and government finance statistics.**
   Deadline: end January 2015[3]

1.4. EDP Inventory

Introduction

Ireland is one of a very few countries which has not yet provided a full draft of the EDP inventory according to its new agreed structure and Eurostat inquired what was the situation in this respect.

Discussion

So far, Eurostat has received only a partial draft of the inventory and the rest of it was supposed to be provided during summer 2014, but the Irish authorities explained that it had not been possible to do that because of work concerning the transition to ESA2010 as well as because of staff rotation. The Irish authorities further explained that it had not been possible to provide the inventory because of a lack of resources to finish the current draft. In these circumstances it was not possible to determine when work would be completed.

Eurostat reminded the legal obligation for Member States to have an up to date inventory available and thus countries are expected to provide an ESA2010 based inventory by the end of 2015. Eurostat also inquired whether the current version (the so called old version) of the inventory has been published nationally. The CSO explained that this was not case yet but it could be done relatively quickly.

Findings and conclusions

5. **The Irish statistical authorities will provide the fully completed new version (ESA2010) of the EDP inventory.**
   Deadline: end June 2015[4]

6. **The Irish statistical authorities will make public the current EDP inventory nationally as soon as possible.**
   Deadline: end December 2014[5]

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[2] The Irish authorities have since provided initial information. The issue continues to be discussed.
[3] The Irish authorities have since provided a note of the IT project and Eurostat considers this action point to have been completed.
[4] The Irish authorities have since provided initial information. The issue continues to be discussed.
[5] The CSO has since published it in their website http://www.cso.ie/en/media/csoie/surveysandmethodologies/documents/pdfdocs/IE-EDP-inventory-Apr-2013.pdf and Eurostat considers this action point to have been completed.

2. REVIEW OF KEY DATA SOURCES

2.1 Public sector accounting and accrual of expenditure/revenue

Introduction
Eurostat and the Irish authorities discussed about accrual accounting in Ireland and what was expected in that field in the future.

Discussion
The Irish authorities explained that accounts prepared on the basis of accruals are available for a number of government bodies in Ireland. Local Authorities, the Health Service Executive and non-market public corporations prepare annual accounts on this basis.

During the 2012 EDP visit, it was revealed that there was, at the level of central government, a reform agenda to move central government departments from cash accounting to accrual-based accounting. As at that time this was at a very preliminary stage, Eurostat asked what was the current state of play as regards moving from cash accounting to accrual accounting. The Irish authorities explained that this was still the intention and that some data and some, payroll data was already collected on an accrual basis. In 2017, according to the current plan, 48 central government bodies would begin migration to a single financial management system.

The Irish authorities were confident, even if the source data was not completely on an accrual basis, accrual data could be generated from a cash basis, even though the main central government expenditure (both voted and non-voted) was reported on a cash basis. The Exchequer Balance is a cash flow measurement which identifies the difference between receipts physically paid and expenditures paid out of the Exchequer Account in each calendar year. Fully audited details of the Exchequer receipts and expenditure outturn are given in the Finance Accounts and Appropriation Accounts. Eurostat asked to see in practice how the cash based Exchequer data was treated to arrive to an accrual concept.

Findings and conclusions

7. **The Irish statistical authorities will inform Eurostat of progress of the introduction of the accrual accounting project at the central government level.**
   Deadline: end June 2015[6]

8. **The Irish statistical authorities will provide a numerical example of how the cash based Exchequer data is treated to arrive to an accrual concept.**
   Deadline: end February 2015[7]

2.2. Local Government

Introduction
Eurostat inquired about the reform in the local government sector which has taken place during 2014 as well as about any practical implication of the revised Accounting Code of Practice (ACOP).

[6] The Irish authorities have since provided initial information. The issue continues to be discussed.
[7] The Irish authorities have since provided this information. Eurostat considers this action point to have been completed.

Discussion
The Irish authorities explained that the restructuring reform of the local government structure took effect on 1st July 2014. The number of local government units decreased from 88 to 31 and it was expected that data could be of a better quality and timeliness in the future as far as these units were concerned. Eurostat enquired about how the transitional year will be handled and the Irish authorities assured that all the new units would have full set of accounts at 31.12.2014, which would cover the whole calendar year. Checks had been undertaken together with auditors in order to assure the quality of the accounts of the new units. The accounts for previous year should be ready at 31 March and only subsequently they will be audited. This will result in revisions for the local government data after the first EDP notification in the year t+1.

The Department of Environment, Community and Local Government is currently working in order to update the Accounting Code of Practice (ACOP), which is expected to be ready at the end of 2014. The content of the ACOP is to be reviewed annually. The ACOP will introduce new guidance on the consolidation of subsidiary companies, in accordance with the latest International Financial Accounting Standards. This should also ensure that the CSO will maintain a comprehensive register of information for the bodies under local government control. The Irish authorities also explained that local government units are always aiming to have a balanced budget and that, therefore the risk that deficit and debt will increase can be considered as very low.

Planning and Development act, 2000 – Part V Levy

Introduction
The Part V levy, which relates to local government residential construction, was discussed.

Discussion
Part V of the Planning and Development Act, 2000, entitles planning authorities (local government) to attach a condition to relevant planning approvals, in the form of a transfer of up to 20% of land zoned, for residential or for other purposes, at "existing use" value, for the delivery of social and affordable housing through land, units or serviced sites. Subsequent amendments to this Act in 2002 and 2010 offered developers/builders a range of alternative ways to meet their Part V requirements, including the payment of a financial contribution. The amount to be paid to the planning authority is agreed between the authority and the applicant and is based on the difference between the existing use value and the development value of the land.

Statistics available from the Department of Environment, Community and Local Government, indicate that a total of €138 million has been collected over 10 years, most of which was collected during the building boom between 2005 and 2008. Any land, units or serviced sites acquired by local authorities at existing use value are treated as additions to gross fixed capital formation (P.51). Where the local authority accepted payments instead of fixed assets, these have been classified as D.92. The CSO is considering amending the classification of the historic Part V cash receipts as a capital tax (D.91) and to continue with the treatment of classifying any fixed assets transferred as P.51.

The classification of these payments was discussed and Eurostat proposed to check with the government finance statistics team what would be their view concerning the possibility to amend the classification of these payments.

Findings and conclusions

9. The Irish statistical authorities will send a progress report of the revised Accounting Code of Practice for local government.
Deadline: end February 2015[8]

10. Eurostat will confirm if the Part V Levy should be recorded as a capital tax (D.91)
Deadline: end January 2015[9]

3. FOLLOW–UP OF THE AUGUST 2012 EDP DIALOGUE VISIT

Introduction
Out of 28 actions agreed during the previous EDP dialogue visit to Ireland in August 2012, 18 have been completed. The outstanding actions below were discussed under the following agenda points:

- 1.1 Institutional responsibilities and EDP process (action 2)
- 2.2 Local government (action 5)
- 5.1 Delimitation of general government (action 18)
- 5.4 Irish Water (action 15)
- 5.6 Follow up of financial crisis interventions (action 10)
- 5.10 PPPs (action 21)
- 6.1 ESA 2010 Transmission Programme (action 28)

In addition to the issues above, two remaining issues from the previous EDP visit remained to be completed. Eurostat asked what progress had been made in connection to the issues of the Credit Union Restructuring Board and the recording of the Irish Lights operations.

Discussion

Restructuring Board (ReBo)
During the previous visit, the following action point had been agreed: "The Irish authorities will update Eurostat, by end-2012, on developments with respect to the Credit Institutions Resolution Fund and the Credit Union Restructuring Board"

During the October 2014 EDP notification, the CSO informed Eurostat of the following: "The Board has been established for a fixed term in order to fulfil certain pre-defined functions, namely to facilitate and oversee the restructuring of credit unions in accordance with Part 3 of the Credit Union and Co-Operation with Overseas Regulators Act 2012. The Board which includes credit union representative bodies, the Central Bank of Ireland and Department of Finance personnel is appointed by the Minister for Finance. The stated intention is for the Board’s operations to be jointly financed by the Credit Institutions Resolution Fund which was established in December 2012 and from levies on the credit union sector. The Government has made €250m available to the Fund to support advances to credit unions that are being restructured and the administrative costs of the ReBo. According

[8] The CSO has since provided a note and the new Code and Eurostat considers this action point to have been completed.
[9] Eurostat has sent its reply at 21st January 2015 which the CSO has since replied and Eurostat considers this action point to have been completed.

to the information from the Department of Finance, the Board has not yet commenced collecting any levy from the industry although it is anticipated that a levy will be imposed. The levy will be designed to meet 50% of the ReBo's running costs."

Based on the information available, the CSO had determined that the ReBo should be classified in General Government.

The Irish authorities further explained the treatment of ReBo related payments in government accounts. The payment from the Central Fund to the Credit Institutions Resolution Fund was treated as a financial transaction in the working balance in the 2012 accounts. Since then data on the Credit Institutions Resolution Fund have been included in a wider data collection exercise on revenues and expenditures conducted by the Department of Finance and provided to the CSO as part of the GFS compilation. In 2013, the Board incurred expenditure of just below €700,000. The CSO was informed by the Department of Finance about the intention to collect 50% of this amount via a levy on the industry, as outlined above, but as no such mechanism has yet been put in place, the CSO did not include this revenue in the government accounts.

During the discussion, it was clarified that the Board administers the Fund and the Fund is already classified into the general government sector, and that the same will be done for ReBo in the April 2015 EDP notification. It was also confirmed that the situation had not changed since the October 2014 EDP notification and it was agreed that the CSO should follow in the future all developments relating to the ReBo.

Irish Lights

During the 2012 EDP visit, the issue of Irish Lights was discussed and the situation was the following: Eurostat noted that a joint CSO/UK Office for National Statistics classification exercise in 2011 resulted in the reclassification of the light dues of Irish Lights as a tax on production (D.29). Irish Lights was to be classified into the General Government sector in both Ireland and the UK with stocks and flows divided according to the proportion of revenue generated in each country. Following action point was agreed by then: "The CSO will send information to Eurostat on the recording of Irish Lights revenues by end-2012."

In the context of this dialogue visit the CSO provided a note concerning Irish lights, which explained the operations of Irish Lights as a partly integrated system of navigation aids in the seas around the UK and Ireland.

The CSO explained that it can be seen that the amounts involved are relatively small and that the deficit impact (if any) was negligible. It was concluded by the CSO that it was possible that, since the Commissioners of Irish Lights (CIL) accounts are not processed, government revenue and expenditure related to Irish Lights operations were under recorded by the CSO.

During the discussion, it was agreed that the CSO will check current revenues and expenditures relating to Irish Lights, include them in the government accounts and follow any future development relating to Irish Lights.

Findings and conclusions

11. The Irish statistical authorities confirmed that the Credit Institution Resolution Fund is already classified into the general government and that the Credit Union Restructuring Board will be classified into the general government sector by the next EDP notification. The CSO will inform Eurostat of any possible changes in the

status of Credit Institution Resolution Fund and Credit Union Restructuring Board in the future.
***Deadline: end March 2015*[10]**

12. **The Irish statistical authorities will include expenditures and revenues related to Irish Lights in government accounts and will inform Eurostat of possible future changes in Irish Lights and its subsequent treatment in the accounts.**
***Deadline: end March 2015*[11]**

4. FOLLOW-UP OF THE OCTOBER 2014 REPORTING

Introduction
Eurostat and Irish authorities discussed recordings at the table 2A, consolidation practises and trade credits. In addition to issues arising from October 2014 reporting, classification of deposit guarantee scheme and recording the euro coins in circulation was discussed later in the meeting (at the agenda points 5.1 and 5.12 respectively).

Discussion
Eurostat was asking in relation to 2013 data of the Table 2A couple of details. Irish authorities had reported that Tax time adjustment: Corporation tax and Prepayments for military equipment under "Other accounts receivable" were both zeroes and Eurostat enquired that if they were genuine zeroes. Irish authorities confirmed that are really zeroes.

Eurostat and Irish authorities discussed about the recording the IBRC related debt and it its consolidation in the EDP tables. Eurostat reminded that consolidation should always be done on the face value in the EDP tables.

Eurostat also inquired of the recordings in EDP table 4 and table 4.1.2 of EDP related questionnaire and pointed out that trade credits should be recorded consistently between these tables. Irish authorities agreed to check the consistency before April 2015 EDP reporting

Findings and conclusions

13. **Eurostat asked the Irish statistical authorities to confirm that consolidation of debt has been made on a face value basis and to update the table 3B of EDP reporting in case of any discrepancy arising from consolidation.**
***Deadline: end March 2015*[12]**

14. **The Irish statistical authorities will check the consistency between EDP reporting table 4 and table 4 of the Questionnaire related to EDP tables for trade credits.**
***Deadline: end March 2015*[13]**

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[10] The CSO has since confirmed that Credit Union Resolution Board is included to the government sector and Eurostat considers this action point to have been completed.
[11] The CSO has since confirmed the inclusion of Irish Lights to government accounts and Eurostat considers this action point to have been completed.
[12] The CSO has since confirmed that the consolidation of debt has been made on a face value basis and Eurostat considers this action point to have been completed.
[13] The Irish authorities have since checked and guaranteed the consistency of trade credits and Eurostat considers this action point to have been completed

5. METHODOLOGICAL ISSUES AND RECORDING OF SPECIFIC GOVERNMENT TRANSACTIONS

5.1. Delimitation of the general government sector

<u>Review of changes under ESA 2010</u>

Introduction
Eurostat asked whether the Irish statistical authorities were planning to do further changes in the delimitation of the general government sector due to the introduction of ESA2010.

Discussion
In the October 2014 notification, the CSO informed Eurostat that it had made the following changes to EDP data due to the introduction of ESA2010: reclassification of IBRC, transfer of pension liabilities to the government (of university staff, etc.), elimination of the adjustment for swaps, capitalisation of R&D and military expenditure and implementation of the requirement to record the full amount of tax credits as government expenditure (at the moment of recognition by government) and not as a reduction of tax.

During the October 2014 EDP notification round, it was agreed that the Commission for Energy Regulation and the Commission for Communications Regulation would be classified into the Government sector with immediate effect.

After the October 2014 EDP notification, the CSO reviewed the register of Government controlled entities not classified in General government, in order to identify other bodies with a regulatory nature. The CSO analysed, in particular, the Irish Aviation Authority, the Private Residential Tenancies Board, the Road Safety Authority and the Private Security Authority. It was agreed that data of all of these bodies would be included in government accounts in the March 2015 EDP notification.

Apart from the above, the Irish statistical authorities informed Eurostat that no major changes would be expected due to the introduction ESA2010.

Findings and conclusions

15. The Irish statistical authorities confirmed that no further major changes would be expected from the introduction of ESA2010.

16. The Irish statistical authorities confirmed that four regulatory bodies (Irish Aviation Authority, Private Residential Tenancies Board, Road Safety Authority and Private Security Authority), as well as some additional bodies, will be classified in general government at the latest by March 2015.
Deadline: end March 2015[14]

[14] The CSO has since confirmed the inclusion of these regulatory bodies to government accounts with one exception, i.e. the Irish Aviation Authority. The CSO has studied the issue further and concluded that the main activity of the Irish Aviation Authority is air traffic control and hence this body remains outside the government sector.

Public Service Obligation Levy

Introduction
Eurostat and the Irish authorities discussed the Public Service Obligation Levy and its associated recordings.

Discussion
In Ireland the Public Service Obligation (PSO) levy is charged to all electricity customers. It was designed by the Irish Government to support the national policy objective of security of energy supply, the use of indigenous fuels (i.e. peat) and the use of renewable energy sources in electricity generation, as set out in legislation.

As an illustration, the 2014/2015 total levy amounts to €335.4 million and was allocated to the following policy objectives: Renewables, Peat, Security of Supply and other costs. The proceeds of the levy are used to contribute to the additional relevant costs incurred by PSO-supported electricity generators which are not recovered in the electricity market. The PSO levy is paid by electricity customers, domestic and industrial, with different rates applying to different customer types.

The PSO levy has not been classified as a tax, to date. Instead, the payments have been included in the accounts of the Commission for Energy Regulation (CER), which, in turn, distributes the payments in accordance with the existing regulations. However, given its increasing importance in recent years, it is now appropriate to review this treatment in accordance with ESA2010. As these levies are compulsory, unrequited payments levied by general government under the policy of the institutions of the European Union in respect to the production of goods and services, they are to be classified as taxes on production and imports (ESA 2010 4.14). The tax is calculated as a fixed tax for household and small business consumers and is based on unit of quantity (kVA) for medium to large commercial customers. The redistribution of these taxes will be classified as expenditures of central government. According to existing information, they seem to have the characteristics of production subsidies (D.39), as the proceeds of the levy are used to contribute to the additional relevant costs incurred by PSO-supported electricity generators which are not covered through the electricity market.

The impact on the general government balance is expected to be limited to timing differences between revenues and expenditures. There will be no impact on general government Maastricht debt due to the effect of accounts payable and receivable recorded in the balance sheet (AF.8). During the discussion, Eurostat considered that these levies should be classified as taxes and their redistribution as subsidies, but it was agreed that the Irish authorities would re-examine how the system is organised and will make an updated proposal to Eurostat about how to treat these payments in the government accounts.

Findings and conclusions

17. The Irish statistical authorities will provide Eurostat with an updated note on the Public Service Obligation Levy, including a recording proposal.
Deadline: end February 2015[15]

[15] The CSO has since provided a note with a recording proposal and Eurostat considers this action point to have been completed.

Register of government controlled entities not classified in general government

Introduction
Eurostat and the Irish authorities discussed the progress made in relation to the outstanding action point relating to the provision of the list of general government bodies.

Discussion
In the context of the 2012 EDP dialogue visit, the CSO had compiled a list of 450 potentially relevant government entities. According to the CSO, these were being examined in detail to check if they should be part of general government. The CSO was confident that no large entities were being excluded from the government sector. During the 2012 EDP dialogue visit, the following action point was agreed: "*The CSO will provide at end-2012 the list of government-controlled entities classified outside the General Government sector based on progress to date, and a finalised list by end-March 2013 (together with an updated list of general government bodies).*" Since that EDP visit, the CSO did provide some information related to the matter, although this was not sufficient for Eurostat to being able to close the issue.

During the ensuing discussion, the CSO explained the practical difficulties it had experienced in building up this sort of list/register. The main problem appears to have been the one of limited resources available for examining the classification of entities and finalise the list. The CSO informed Eurostat that a new process has been started in relation to the classification subgroup of GFSLC in order to implement the work.

Eurostat emphasized the importance of these lists, as they are a key element allowing knowing which units exactly form the public and the government sectors and encouraged the Irish statistical authorities to finalise the work by the summer of 2015 as well as to guarantee in the future the regular updating of the lists.

Findings and conclusions

18. **The Irish statistical authorities will provide to Eurostat 1) the Register of general government bodies and 2) the list of government controlled entities classified outside the general government sector.**
    Deadline: end June 2015[16]

19. **The Irish statistical authorities assured Eurostat that there would not be major consequences for EDP and GFS data based on the finalisation of lists (the list of general government bodies and the list of government controlled entities classified outside the general government sector).**

20. **The Irish statistical authorities informed Eurostat that they will update the list of government bodies annually.**

[16] The Irish authorities have since provided initial information. The CSO has nationally published the "2014 Register of Public Sector Bodies" (http://www.cso.ie/en/media/csoie/surveysandmethodologies/documents/pdfdocs/RegisterofPublicSectorBodiesinIreland2015October.pdf), which is not yet complete but they are working on finalising it. Eurostat continues to discuss the issue with the CSO.

Irish deposit guarantee scheme

Introduction
Eurostat and the Irish authorities discussed the organisation of the Deposit guarantee scheme of Ireland and the classification of the scheme.

Discussion
The Irish authorities explained the Deposit Guarantee Scheme (DGS) is administered by the Central Bank of Ireland and is funded by the credit institutions covered by the scheme. Each credit institution is required to maintain a Deposit Protection Account (DPA) equivalent to 0.2% of their total deposits, in order to fund the DGS. While the legislation is prepared by the Minister of Finance (as this is the only person who has the relevant power), the actual day to day administration is undertaken by the Central Bank and the Minister has no other formal interaction with the scheme.

The CSO had come to a conclusion that the DGS should be classified as part of the Central Bank. It was stated by the CSO that "*Given that the DGS is simply an account in the Central Bank (and is maintained by the Central Bank), we believe that it does not meet the criteria of an institutional unit as given in paragraph 2.12 of ESA 10 (e.g. is not entitled to own goods and assets in its own right, cannot incur liabilities on its own behalf, does not draw up a complete set of accounts etc.). Therefore, we are of the opinion that the correct classification is S.12 (financial corporations).*"

On the other hand, the MGDD I.5 paragraph 12 states that: *"In national accounts, the sector classification of protection funds also depends on the autonomy of decision of such bodies. If for most of these crucial decisions, which should be distinguished from mere administrative tasks, a protection fund appears to have a lack of autonomy or decision-making power; it should not be considered an institutional unit in national accounts and should be included in the unit which mainly controls it. In this respect, the main criteria should refer to decision-making related to the resources of such protection funds, and, in particular, those related to exceptional resources which may be needed."*

Eurostat disagreed with the Irish statistical authorities and expressed its view that the DGS is administered by the law and that the real decision making power belongs to the Minister for Finance and that the Central Bank is just conducting administrative tasks relating to the scheme. For these reasons, Eurostat considered that the scheme should be classified in government.

Findings and conclusions

21. **Eurostat requested the Irish statistical authorities to classify the Irish Deposit Guarantee Scheme in the central government. The Irish statistical authorities will also inform Eurostat how the reclassification of the Deposit Guarantee Scheme will be made, notably under which instrument the liability of the Deposit Guarantee Scheme will be recorded.**
Deadline: end March 2015[17]

[17] The Irish authorities have since reclassified the Deposit Guarantee Scheme to the central government and Eurostat considers this action point to have been completed.

5.2 Implementation of the accrual principle

Taxes and social contributions

Introduction

Eurostat and the Irish statistical authorities discussed the issue of commercial rates. It is a statutory obligation of local government to levy rates on any property used for commercial purposes.

Discussion

In Ireland there are commercial rates which are related to a statutory obligation of local government to levy rates on any property used for commercial purposes. These rates are recorded currently as a tax on production. The Irish authorities proposed to adjust commercial rates by the amount equal to the actual cash collected each year.

The Irish authorities explained that local government operate on an accrual basis and it is legally obliged to invoice bills for all properties which are affected by commercial rates. However, there are several reasons why local government might write off these payment obligations. The CSO had examined data for last 10 years and came to a conclusion that, on average, 87% of assessed amounts have been collected during that time. For that reason, the Irish statistical authorities proposed to adjust commercial rates to be recorded as (D.29) by an amount equal to the actual cash collected each year. This will affect all years since 2004 as taxes were recorded on an accrual basis. The CSO proposed to apply a coefficient of 13% for the latest years until cash data would be made available. As the existing accounting treatment for bad debt write offs entails to treat them as expenditure, currently recorded as intermediate consumption, the CSO proposed to adjust Local and general government output (P.1), intermediate consumption expenditure (P.2) and final consumption expenditures (P.3), with a corresponding impact on GDP.

Eurostat considered that a move to cash-based recording would seem to be appropriate under these circumstances, but wondered whether data would need to be revised, since applying an average uncollected percentage would be quite arbitrary. The Irish authorities explained that an estimate in March t+1 would need to be used, and there would be a revision/correction undertaken for March t+2 data, and that by using a coefficient there would be no need to adjust intermediate consumption. It was concluded that the Irish authorities would study the issue further and update their note on the issue and provide it to Eurostat.

Findings and conclusions

22. **The Irish statistical authorities will send an updated note on the treatment of Commercial rates, and based on that Eurostat will evaluate the proposed treatment.** ***Deadline: end February 2015 for the updated note[18]***

[18] The CSO has since provided an updated note and Eurostat considers this action point to have been completed.

Interest

Introduction
The table filled by the CSO on interest recordings and the recording of interest concerning the State Saving Products were discussed.

Discussion
The CSO had provided before the EDP mission a table of interest recorded on a cash and on an accrual basis, as well as the differences between them. Data in the table were consistent with what was reported during the October EDP 2014 notification, but there were at the same time some recordings in 2011 and 2012 under the line "other, please specify" which had not been explained. Eurostat enquired about these amounts and it was agreed that the Irish statistical authorities would re-check the recordings and provide an updated table to Eurostat with additional explanations, if needed.

In addition, the issue of the recording of the accrued interest to the Small Savings Products was briefly discussed because similar kind of products have emerged also in some other Member States. The Irish authorities confirmed that interest is recorded every year on the instrument for the State saving products which are available for households.

Findings and conclusions

23. **The Irish statistical authorities will revise the table of interest provided for the EDP visit.**
Deadline: end February 2015[19]

24. **The Irish statistical authorities confirmed that, for State Savings products for households, accrued interest is recorded every year on the instrument.**

5.3. Lump sum pension payments

Introduction
Eurostat and the Irish statistical authorities discussed the Eircom pension scheme and the associated recordings.

Discussion
The Minister for Finance assumed the liabilities of the Eircom No 2 Pension Fund in the past, due to the Minister's existing obligation to pay pensions to former civil servants who became employees (or pensioners) firstly, in 1984, of Telecom Eireann (a public telecommunications company) and, subsequently, of Eircom (the entity created from the privatisation of Telecom Eireann in 1999). Throughout this process, the pensions payable to these staff remained a liability of the Minister for Finance. The Telecom Eireann pension scheme was a funded pension scheme. The payments paid to pre 1984 pensioners were treated as a liability of the Minister for Finance to the scheme.

On the establishment of the Eircom No 2 fund in 1999, the Minister made an injection of £800 million to the fund in recognition of this liability. A provision was also made, at the time, for future payments to the scheme, in the event of future deficits, to be made as they fell due.

[19] The CSO has, since, provided a revised table and Eurostat considers this action point to have been completed.

The Irish authorities explained that it is planned that in the future the pension scheme would remain an administrative entity, and that, as per previous commitments, future deficits will be ensured through a mechanism whereby the Minister for Finance will meet the on-going liabilities of the fund 3 months in advance of the payment schedule, once the remaining assets of the fund will be exhausted. This is expected to happen during the period 2018-2020.

The MGDD section III.6 on transfer of pension obligations to government does not address this specific case. However, the guidance contained in MGDD I.3.2 para 32-33 would appear to apply in the event of the activation of the guarantee type assurances provided in 1999. Therefore, the CSO interpretation is that the correct treatment would be to record a capital transfer expenditure of government equal to the assessed actuarial liabilities of the Eircom No.2 Pension Fund when the assets of the scheme will be known to be exhausted and the proposed advance payments are due to commence. However, as the MGDD does not address this specific scenario, the CSO wanted to discuss this issue during the EDP dialogue visit.

The Irish authorities explained to Eurostat that the Eircom scheme is still a funded scheme and that there are 400 million euros left in the fund, which would last approximately until 2019. Pensions are paid out from that amount and the scheme is a defined benefit scheme. Eurostat expressed its view that payments should be recorded as government expenditure when the assets of fund will be exhausted.

Findings and conclusions

25. Eurostat agreed that Eircom pension fund payments should be recorded as government expenditure with an impact on government deficit (B9) once the assets of the fund are exhausted.

5.4. Irish Water

Introduction

Eurostat and the Irish authorities discussed the current situation concerning Irish Water

Discussion

Irish Water had been already discussed already during the 2012 EDP dialogue visit and the following action point had been agreed at the time: *"Eurostat takes note of the preparatory work to create Irish Water and the current projections that this will be a market body. The CSO will send a statistical analysis of the new body to Eurostat when it is created."*

By the time when the EDP dialogue visit took place, in November 2014, the Irish government, had just announced its plan for water charges to be collected and not all the details were known during the visit.

The Irish authorities explained that Irish Water has the legal status of a corporation responsible for water services, but the transfer of assets from local authorities had still not taken place. However, a service level agreement had already been signed between local government units and Irish Water. The government decided that charges for household would start being billed from January 2015. Eurostat also inquired about the difference between the earlier planned rebate for water charges and the conservation grant which had been introduced in the government latest plan. The conservation grant has general social and environmental objectives and would not be provided only to Irish Water customers but also to household using, for example, their own well. Eurostat appreciated the information and the update provided on the issue, but requested the Irish authorities to provide also a statistical analysis of the classification of Irish Water as soon as final documentation would become available. In the meantime it was agreed that, in the absence of a final decision on the classification of Irish Water, the related flows and liabilities should be imputed to government and Irish Water classified as part of the central government sector.

Findings and conclusions

26. The Irish statistical authorities will provide a note on Irish Water and its classification as soon as they have the final information available and, in the absence of final decisions relating to Irish Water, the CSO will classify Irish Water in the general government sector in the March 2015 EDP notification.
Deadline: as soon as possible[20]

5.5. Strategic Banking Corporation of Ireland

Introduction
Eurostat asked about details on the administration and governance of the Strategic Banking Corporation of Ireland (SBCI).

Discussion
The Strategic Banking Corporation Ireland (SBCI) is a new company set up to obtain low cost long-term finance from external finance providers, including multilateral financial institutions, and to lend these funds to qualifying financial intermediaries (e.g., active lenders in the domestic market) who will lend directly to Irish small and medium enterprises (SMEs). It had been established as a private limited liability company under the Companies Acts. New legislation had been enacted under the form of the Strategic Banking Corporation of Ireland Act 2014, determining the operational framework and governance of this new institution.

The Irish authorities explained that the SBCI will include a small team of around 10 staff during the first phases of its operation, with further staff to be recruited as and when the mandate and extent of the activities undertaken by the SBCI would be expanded. The activities of the SBCI will be facilitated by the NTMA on the basis of a service level agreement and in line with the provisions of the Strategic Banking Corporation of Ireland Act 2014.

Equity capital will be provided to the SBCI by the Minister for Finance using funds from the NPRF's portfolio (NPRF ~ National Pension Reserve Fund). The paid-up element of equity capital in the SBCI will be €10 million. This equity will be supported by a further €240 million of callable capital which will only be paid if required. Debt capital will be provided by German KfW (150 million), by the NPRF which will provide a convertible loan (240 million). The European Investment Bank (EIB) indicated that it would complete the funding

[20] The Irish authorities have since provided information on the issue and Eurostat has provided the following opinion on the classification of Irish Water in the government sector.
http://ec.europa.eu/eurostat/documents/1015035/6761701/Advice-2015-IE-Classification-of-Irish-Water-UpdateIII.pdf/4f3b1446-6675-40ec-8e8e-416e213faa5c

(circa 400 million). The Minister for Finance will provide a state guarantee to the EIB and KfW but not to the SBCI itself.

According to the Irish authorities, the SBCI front line lending partner institutions will charge the same risk premium to customers as would be charged by any commercial lender. The benefit to the SMEs from the SBCI lending will come into the form of the limited additional margin which will be charged by the SCBI for its provision of long term funding, which will amount only to what will be required to cover SBCI's own financing and operating costs. To determine the national accounts treatment of SCBI, the CSO had examined the business plan of the company and, according to its analysis, the SCBI can decide independently to whom it lends and has complete autonomy of decision over the amounts and conditions of its lending.

The analysis of the CSO concluded that, given the commercial remit of the SBCI, its substantive control over its assets and liabilities and its decision-making autonomy over the conduct of its activity, the SBCI meets the criteria to a sufficient extent to be classified as an institutional unit. Although the SBCI will be under public control, due to its clear commercial remit, its application of a risk margin comparable to the one required by other commercial lenders and its projected risk-adjusted rate of return, the CSO concluded that the SCBI can be considered as a commercial entity and classified as a public financial corporation.

Eurostat enquired during the discussion if there would be new funding without government guarantees in the future and the representatives of the SBCI expressed their hope to borrow beyond government guarantees in the future and to seek an independent credit rating as soon as possible. The policy purposes of the operations of the SBCI were also discussed, as well as the restrictions on the operations of SBCI based on the legal act. During the discussion, Eurostat expressed its concerns of the classification proposal. Because of the complex nature of the issue and the lack of full information, it was concluded that Eurostat and the CSO would continue to discuss the correct classification according to the rules of the MGDD, with the aim to reach a decision in the near future.

Findings and conclusions

27. Eurostat and the CSO will continue to discuss the classification of the Strategic Banking Corporation of Ireland (SBCI) with the intention of reaching a decision by March 2015 and the CSO will provide all governing legal acts of SBCI to Eurostat when available.
Deadline: end March 2015[21]

5.6. Follow up of financial crisis interventions

Introduction
Eurostat and the Irish statistical authorities discussed the situation in the context of the IBRC liquidation and the forecasts concerning the National Asset Management Agency Investment Limited (NAMA-IL).

[21] The Irish authorities have since provided information on the issue and Eurostat has provided the following opinion on the classification of the Strategic Banking Corporation of Ireland (SBCI) in the government sector http://ec.europa.eu/eurostat/documents/1015035/6761701/Advice-2015-IE-Classification-of-Strategic-Banking-Corporation-of-Ireland.pdf/60a59485-1aff-4f8e-8864-143411c097d6

Discussion

<u>IBRC liquidation</u>

During the 2012 EDP visit, it had been agreed that : "*Eurostat takes note that the options relating to the restructuring of the promissory notes in the Irish Bank Resolution Corporation (IBRC) continues to be discussed. The Irish authorities will provide Eurostat with a progress report on the restructuring issues by end-2012.*"

The Irish authorities provided an update of the situation of the IBRC during the EDP visit. Legislation was passed in 2013 appointing Special Liquidators to execute the liquidation of IBRC and it seems that the outcome has significantly exceeded expectations. Sales processes have been concluded for the majority of assets and this ensured that no assets will be transferred to NAMA, a fact that has significantly lowered the amount of government contingent liabilities. All the debt which had been acquired by NAMA as part of Promissory Note transaction has been now repaid. Even though the process seems to have had better than expected results, there are still certain concerns that a full recovery of the funds is likely to take many years, due to the ongoing litigations. It is therefore too early to estimate if there will be any return to subordinated bondholders or a return on equity for the government.

<u>NAMA</u>

The National Asset Management Agency Investment Limited (NAMA-IL) is a special purpose company through which the National Asset Management Agency (NAMA) acquired problematic assets from Irish banks. 49% of NAMA-IL shares are held by NAMA (which is classified in general government (S.13)). The remaining 51% of NAMA-IL's shares are held by private investors. A majority private ownership is in fact a necessary condition for such a special purpose entity to be classified outside general government, pursuant to Eurostat's decision of 15 July 2009 on public interventions during the financial crisis.

The current situation of NAMA-IL was presented in the meeting. According to the original plan, NAMA-IL would sell all assets and complete its core work by 2020 but current expectations are that NAMA will have repaid all its senior debt already by 2018. NAMA expect to repay their subordinated debt in 2020. By September 2014, it had repaid €14.5 billion out of its €30.2 billion senior debt. According to the projections at the time of dialogue visit there would be € 500 million profit at the end of 2018.

NAMA-IL has created a company called National Asset Residential Property Services (NARPS), 100% owned by NAMA-IL, through which it participates in the real estate market for social housing. Eurostat enquired what would happen to NARPS if, according to plans, NAMA-IL will have completed its core work by 2018. The Irish authorities explained that that NARPS was created as an investment vehicle that will be sold (subject to NAMA Board decision at the appropriate time) as part of NAMA's ongoing deleveraging.

Findings and conclusions

Eurostat took note of the current situation and future projections related to the liquidation of IRBC liquidation and to NAMA-IL.

5.7. Social housing

Introduction
Eurostat and the Irish statistical authorities discussed the existing social housing schemes in Ireland.

Discussion
The Irish statistical authorities presented the issue of the current social housing schemes. Social housing is delivered by both local government and the approved housing bodies (AHBs) through a number of mechanisms, including direct provision of acquired or constructed units, rental of privately owned units through short and medium term leases, financial support of approved housing bodies, the rental accommodation scheme (RAS) and, finally, housing assisted payments (HAP). The largest of such schemes is the RAS scheme, which has been in existence since 2005 and is currently the main alternative delivery mechanism, with almost 30,000 families housed in privately owned units over the past 9 years. The CSO currently records the social transfer benefit element related to these schemes to government in national accounts.

Eurostat enquired about the available data and the related expenditure information for these schemes. Source data are available through local government accounts and separate data exist for the RAS scheme. Although the new social housing strategy has just been recently released and it contains some new initiatives, the Irish authorities were confident that data would be available also concerning potential new schemes.

Findings and conclusions

Eurostat took note of the current social housing schemes in Ireland.

5.8. EU flows

Introduction
Eurostat and the Irish authorities discussed the recordings of EU flows.

Discussion
The CSO had provided a note before the visit in which they provided details on the recording practises relating to several EU funds (European Regional Development Fund, European Social Fund and Cohesion Fund) . A calculation practice has been created which allows the CSO to eliminate the effects on B.9 for government, also in cases where there would be a significant time lag between the time expenditures incurred and the corresponding claim made on the EU budget. The Irish authorities also confirmed that EU flows were accounted on an expenditure basis. The note presented how these flows were recorded in ESA Tables 2 and 6 and in EDP Tables 2a and 3b.

Eurostat noted that, even though all the recordings in ESA tables 2 and the EDP table 2a seemed to be B.9 neutral, there were some inconsistencies related to ESA table 6 and EDP table 3b. Eurostat asked the Irish statistical authorities to check the recordings once again and to provide an update for these two tables.

Findings and conclusions

28. The Irish statistical authorities will send an updated version of the note on EU flows.
***Deadline: end December 2014*[22]**

5.9. Guarantees

Introduction
The discussion concentrated on standardised guarantees.

Discussion
During the October 2014 EDP round, the Irish statistical authorities informed Eurostat that: "*Based on an examination of the relevant sources, we do not believe that there any standardised guarantees which are granted by general government."* Eurostat asked if the issue had been further examined and the Irish authorities replied that there are no standardised guarantees in Ireland and separately confirmed that there are no student loan and export credit guarantees.

Eurostat inquired whether the zeroes reported in the EDP questionnaire in the case of assumed debt, cash calls and repayments by the original debtor related to guarantees are real zeroes. The Irish statistical authorities confirmed that they are real zeroes and explained that government had always acted before the guarantees were called and that except guarantees provided to financial institutions, there is only a very small number of guarantees provided.

Findings and conclusions

29. The Irish statistical authorities confirmed that there are no standardised guarantees in Ireland and that, other than IBRC related (which have been consolidated since the reclassification) government guarantees, no other government guarantees have ever been called.

5.10. PPPs

Introduction
Eurostat and the Irish authorities discussed on the termination clauses related to Irish PPP projects and two concession projects.

Discussion
Ireland has some PPP projects and concession-type contracts, but it has been previously agreed that all such contracts should be assessed under PPP rules. During the 2012 visit, the following action point was agreed: *"The Irish authorities will provide Eurostat as soon as possible with a breakdown of revenues of the Limerick tunnel and Clonee/Kells concession projects in past years, between tolls from users, government minimum revenue payments and government operation payments."*

The CSO provided a note relating to that issue, where it was explained that there are two types of government payments available under the contracts, and namely Operating Payments

[22] The CSO has, since, provided an updated note and Eurostat considers this action point to have been completed.

which are fixed payments to the private partner from the National Roads Authority (NRA) and a variable Traffic Guarantee Payment which depends on traffic levels and the resulting toll revenues. A failure on the part of the PPP company to make all or part of the road available would have the result of reducing these payments such that an extended non-availability of the road would result in the private partner losing their entire payment. As a consequence, the CSO took the view that the majority of availability risk under this fall-back payment mechanism lies with the private partner. And since construction and availability risk are transferred to the private partner, it is the view of the CSO that the capital assets of these projects should be recorded on the balance sheet of the private partners.

Based on the information provided by the Irish authorities, Eurostat could conclude that toll guarantees would not be available in the case of non-availability and as such the presented payment structure would not change the classification of these projects.

During the 2012 visit it was also agreed that: *"Eurostat explained that the "exact market value of the asset" test in the 2012 edition of MGDD was intended to avoid a situation where a defaulting contractor would be paid the amount of the highest bid, without adjustment to exclude future profits and service costs. The CSO undertook to provide further information on the issue."* This is relating to the issue of a standard termination clause in PPP contracts in Ireland. Since then the CSO has provided a paper on the issue in January 2013 to which Eurostat subsequently asked to complement with numerical example, which the CSO has provided.

The CSO explained that their view remains that the existing Irish standard PPP contract model provides sufficient safeguard from risk in the event of operator default during the operating phase of the contract as to ensure an "off-balance" sheet classification in all four compensation on termination scenarios as presented in their original submission. It was the CSO's view that the numerical model provided fully supports the original analysis and that updates to the MGDD since this paper was first submitted reinforce the original interpretation of the guidance on this issue.

The MGDD (ESA 2010) Chapter VI.4.3.4 Termination clauses and change in the nature of the contract, paragraph 52 states: "*If the default takes place during the operating phase, the contract should explicitly mention that the compensation due to the partner, if any, at the time government takes over the asset from the partner, should not exceed the current market value (as defined in ESA 2010, Chapter 7 Balance sheets) of the asset (taking into account the likely cost required to bring the asset to an adequate condition), as reliably estimated by independent experts. If the conditions are not met (e.g. compensation based on the present value of future flows foreseen in the contract or some amounts not reflecting the current value of the asset), the transfer of (availability or demand) risks to the partner is deemed to be insufficient.*"

Eurostat said that it was important in the Irish procedure that the exact value of the remaining asset should be evaluated by an independent body. Eurostat could conclude that there does not seem to be a significant risk that government would take over the asset for a sum out of proportion of its exact value and this previous action point was considered as closed. The Irish statistical authorities also informed Eurostat that, in the near future, there will be a few new PPP projects concerning accommodation and roads and the contracts of those projects will be available to the CSO. The Irish authorities also confirmed that there have not ever been changes to the existing contracts which would affect the assessment of risk allocation.

Findings and conclusions

30. Eurostat confirms that it can close the action point related to the Limerick tunnel and Clonee/Kells PPP projects.

31. Eurostat confirms that it can close the action point related to termination clause of the existing Irish standard PPP contract model, following CSO analysis of the relevant clauses in the contract and the inclusion of an explicit reference to the appointment of an independent expert in the 'no-retendering' compensation on termination scenario.

5.11 Capital injections and dividends

Introduction
Eurostat and the Irish authorities discussed the recording of dividends in government accounts.

Discussion
Eurostat asked the CSO to provide information about dividends paid to the government over the period of 2010-2013 and to see the results of the super-dividend test. The Irish authorities had discovered that one company, *Bord na Móna,* failed the super dividend test for the year 2012 (the company was loss making) and offered to correct it for the April 2015 notification round (and also for Tables 25 and 27).

In addition to that, the issue of dividends paid by ESB (Electricity Supply Board) to government was discussed, as in the 2013 Annual report of the company it was announced that:

> During 2013, the Board of ESB approved a revised dividend policy, which has been agreed with the Government and is intended to cover the period to at least the end of this decade. The key parameters of this policy are:
> • The target dividend pay-out ratio will remain at 30% for 2013 and 2014, in addition to the targeted Special Dividends from the disposal of non-strategic generation capacity in 2013 - 2014 of €400.0 million.
> • From 2015, the target pay-out ratio will be increased gradually.
> • ESB will aim to pay an interim dividend within each financial year, with the balance to be paid as a final dividend post year-end.

The CSO provided a detailed calculation of ESB dividends and concluded that those dividends paid by ESB passed the super-dividend test. During the discussion, it was agreed that the Irish authorities would follow ESB dividends closely in the coming years as the policy approved by the company would continue until the end of the decade. It was also agreed that, as there are many different kinds of dividends paid over the calendar year, the Irish authorities would provide a note on the recording of those dividends.
Findings and conclusions

32. The Irish statistical authorities will correct the treatment of Bord na Móna dividends for 2012 because it failed the superdividend test for that year.
Deadline: end March 2015[23]

[23] The Irish authorities have corrected the treatment of Bord na Móna dividends during April 2015 notification round and Eurostat considers this action point to have been completed.

33. The Irish statistical authorities will provide a note concerning the timing of dividends (interim, final and special dividends) of ESB.
Deadline: end March 2015[24]

5.12 Recording of coins in circulation

Introduction
Eurostat and the Irish authorities discussed the recording of the coins in circulation in Ireland.

Discussion
The MGDD paragraph VIII.2.2 Measurement of government debt for the EDP, contains a Box 1 – Coins issued by government, where it is said that, as stated in the Box 5.2 "Currency issued by the Eurosystem" in ESA 2010, by convention for the Members States of the euro area, these currencies are treated as liabilities of the central bank (S.121), financial instrument currency (AF.21), although coins issued are in most cases liabilities of central government (S.1311). As a counterpart, the central bank holds an asset, and the central government incurs a liability, which is recorded, by convention, as another deposit (AF.29)."

In the EDP tables of Ireland there has been for many years a line in Table 2A called "Adjustment for Central Bank notes & coins income". During the October 2014 EDP notification, the question was raised about what was included in this line, especially for the year 2012.

The Irish authorities explained that the revision for 2012 data was due to the fact that the Central Bank received a payment of €26.7 million from the Exchequer. This amount was related to the redemption of euro coins which were returned to the Central Bank and to the expenses incurred for coin production less the proceeds received from coin issued. Therefore, according to the CSO, this transaction should only be considered in terms of expenditure by government with no change in assets or liabilities.

Eurostat agreed that the amount might include some minting cost of the Central Bank but asked the Irish authorities to check what is the exact content of € 26.7 million and what is recorded in the EDP tables 2A and 3B relating to the coins in circulation.

Findings and conclusions

34. The Irish statistical authorities will send a note to Eurostat explaining the amounts recorded in 2012 for the coins in circulation returned by the Central Bank to the central government.
Deadline: end March 2015[25]

5.13. Other – Leases and licences, emission trading permits.

Introduction
Eurostat and the Irish authorities discussed the sale of the Irish National Lottery Licence.

[24] The CSO has, since, provided a note on ESB dividends and Eurostat considers this action point to have been completed.
[25] The CSO has, since, provided more information on the issue and Eurostat considers this action point to have been completed.

Discussion
Ireland sold the Irish National Lottery Licence in a process where, in October 2013, it has been announced that Premier Lotteries Ireland had been selected as preferred applicant of the license, which will have a duration of 20 years. The licence should have begun by the end of November 2014. Premier Lotteries Ireland is a private company, with An Post being a minor shareholder.

The total sales price paid for the 20-year licence was €405 million (with 202.5 payable in March 2014 and 202.5 million in November 2014). The licence did not come into effect at the contract signing date (the operator did not get the right to sell lottery tickets immediately). So far the CSO has recorded the advance payments received as financial transaction "Other accounts payable" F.8 in 2014 accounts (no impact on B.9)

It was not completely clear what was the nature of the contract or, more fundamentally if the holder of the licence can transfer/sell the license to another operator. According to ESA 2010 paragraph 15.37, if the licence cannot be transferred, it should be recorded as rent over the period of lifetime of the licence and not as the sale of an asset. The Irish statistical authorities informed Eurostat told that it had not been possible to evaluate whether transferability of the licence was foreseen in the contract, as the contract could not be examined by them up to now. Eurostat emphasised the fact that the evaluation of the nature of the transaction has to be based on the contract itself and asked the CSO to provide the contract also to Eurostat for classification purposes.

Findings and conclusions

35. **The Irish statistical authorities will provide to Eurostat a statistical analysis of the Irish National Lottery Licence recordings based on the licence contract and provide the contract of the Irish National Lottery License to Eurostat.**
Deadline: end March 2015[26]

6. OTHER ISSUES

6.1. ESA 2010 Transmission Programme

Introduction
Eurostat and the Irish authorities discussed issues relating to GFS data transmissions.

Discussion
During the 2012 EDP visit the following had been agreed: *"The CSO will address timeliness and other issues in ESA GFS tables bilaterally with the Eurostat's GFS data team."* For the follow up of this action point the CSO had provided a note. According to the CSO, since 2012, the improvements reported elsewhere to processing and compilation system have also resulted in improved timeliness of transmissions. In addition, the colleagues working in the GFS section of the CSO has liaised with colleagues in the Sectoral Accounts division of CSO in order to examine revision policies and practices and minimise vintage issues. There have been no timeliness issues in most recent transmissions.

[26] The Irish authorities have, since, provided initial information. The issue continues to be discussed.

In respect of vintage issues, some of them remain as the general policy in National Accounts is to restrict revisions to the quarters of the current year, once annual estimates for years up to N-1 have been locked down for the year N of the National Income and Expenditure (NIE) publication in June/July. The GFS practice of implementing revisions to back periods as they arise has caused difficulties with vintage issues in the past. As a result, the CSO has agreed to a revisions practice which is better aligned with the general National Accounts practice, while taking account of GFS/EDP requirements. The Irish authorities said that sometimes it is challenging to cope with Eurostat's conflicting demands arising between the National Accounts Working Group and the Financial Accounts Working Group. In particular, a special mention had to be made on the new timetable for quarterly sector accounts (t=85 days) and EDP reporting (t+90 days). Eurostat stated that it will take note of the issues mentioned but that at the same time the CSO should be congratulated for the well executed introduction of the ESA2010 in the accounts.

Findings and conclusions

Eurostat took note of the current situation.

6.2. Any other business

Introduction
The Irish authorities informed Eurostat about of the transformation of the National Pensions Reserve Fund into the Ireland Strategic Investment Fund

Discussion
The Irish authorities informed Eurostat about the National Pensions Reserve Fund (NPRF) reorientation into the Ireland Strategic Investment Fund (ISIF). Against the background of poor economic growth and high unemployment in 2011, the Irish Government decided to establish the Ireland Strategic Investment Fund (ISIF), which will use the resources of the NPRF (€7.1 billion as at 30 September 2014, excluding the Fund’s directed investments in the banks) for investment in the Irish economy. All the assets of NPRF will be transferred to ISIF and this will start to operate as soon as it will be instructed to do so by the Minister for Finance and after that NPRF will be dissolved.

The National Treasury Management Agency (NTMA) is responsible for ISIF and the NTMA shall invest the assets of the ISIF on a commercial basis to support economic activity and employment in Ireland. The assets shall be invested in a way which will secure the rates of return that the Agency considers appropriate as regards the level of risk of the assets. The NTMA may aim for different levels of return for different investments and types of investments, provided it seeks to secure, over the long term, a total return for the Fund greater than the annual cost of government debt.

The decision to set up the ISIF will refocus the NPRF from a fund invested in global stocks, bonds and alternative investments into a nationally focused investment fund. The Irish authority confirmed that ISIF will be classified into the government sector similarly to NPRF.

Findings and conclusions

36. The Irish statistical authorities confirmed that the NPRF (National Pension Reserve Fund) is classified into the general government and its successor ISIF (Ireland Strategic Investment Fund) will be also classified into the general government after it has taken over the activities of the NPRF.

ANNEX. LIST OF PARTICIPANTS

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Sarah Lawless
Nico Petris
Declan Reid
David Tuohy
Kieran Culhane
Sorsha Foran
Edward Kearney
John Palmer

Department of Public Expenditure and Reform
Annette Connolly
Joan Curry
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Central Bank of Ireland
Mary Cussen
Ronan Hickey

National Development Finance Agency
Conor Gunn
Margaret Donnellon
Niamh Connolly

Department of Environment, Community and Local Government
Colm Downey
Maria Graham
Sinead Kehoe
Adele Lacy
Barry Ryan

Comptroller and Auditor General
John Riordan

Local Government Audit Service
Richard Murphy

National Asset Management Agency
Brendan Mc Donagh
Felix Mc Kenna
Seán Ó Faolaóin
Donal Rooney

National Pension Reserve Fund
Emma Jane Joyce
Eugene O'Callaghan

National Roads Authority
Michael Kennedy

NewEra
Andrew Ennis

Strategic Banking Corporation of Ireland
Nick Ashmore

Revenue Commissioner
Keith Walsh

Eurostat
Eduardo Barredo Capelot
Denis Besnard
Mira Lehmuskoski

DG ECFIN
Stefano Santacroce

ECB
Jorge Diz Dias

Eurostat EDP dialogue visit to Ireland 26-28 November 2014

Starting on 26 November 2014 at 14:30

Draft Agenda

1. Statistical capacity issues

1.1. Institutional responsibilities and EDP processes

1.2. Quality management framework

1.3. Audit and internal control arrangements

1.4. EDP Inventory

2. Review of key data sources

2.1. Public sector accounting and accrual of expenditure/revenue

2.2. Local Government

3. Follow up of the August 2012 EDP dialogue visit

4. Follow-up of the October 2014 EDP reporting – analysis of EDP tables

5. Methodological issues and recording of specific government transactions

5.1. Delimitation of the general government sector

- Review of changes under ESA 2010
- Register of government controlled entities not classified to general government
- Irish deposit guarantee scheme

5.2 Implementation of the accrual principle

- Taxes and social contributions
- Interest

5.3. Lump sum pension payments

5.4. Irish Water

5.5. Strategic Banking Corporation of Ireland

5.6. Follow up of financial crisis interventions

- IBRC liquidation
- NAMA

5.7. Social housing

5.8. EU flows

5.9. Guarantees

5.10. PPPs

5.11 Capital injections and dividends

5.12 Recording of coins in circulation

5.13. Other – Leases and licences, emission trading permits.

6. Other issues

6.1. ESA 2010 Transmission Programme

6.2. Any other business