



EUROPEAN COMMISSION
EUROSTAT

Directorate D: Government Finance Statistics (GFS) and quality

Luxembourg, October 2017

- FINAL FINDINGS -

EDP dialogue visit to Ireland

23-24 January 2017

Executive summary

Eurostat undertook an EDP dialogue visit to Ireland on 23-24 January 2017 as part of its regular visits to Member States and with the aim to assess the existing statistical capacity, review the implementation of ESA 2010 methodology, review the recording of specific government transactions and ensure that provisions from the ESA 2010 Manual on Government deficit and debt and recent Eurostat decisions are duly implemented in the Irish EDP tables and national accounts.

The institutional responsibilities in the framework of the reporting of data under the EDP and the data source were reviewed. The discussion focused on the data source for local government. The CSO has provided a full draft of the EDP inventory according to ESA 2010 and fulfilled one of the remaining issues from the last dialogue visit.

Then, some issues from the October 2016 EDP notification were discussed in more detail. In particular, the *Supplementary table for financial crisis* and the possibility of the breakdown of the EDP table 3B into the Main entity and the other central government bodies were discussed.

Regarding the delimitation of general government, a detailed discussion took place on the progress made to the outstanding action point relating to the government controlled entities classified outside the general government sector. Discussion focused on entities under the control of local authority. Then, the sector classification of Irish universities, the Approved Housing Bodies and the Employee Share Ownership Trustees were discussed in more detail. Eurostat asked the Irish statistical authorities to investigate further these issues.

The discussion continued on the recording of interest, the recording of EU flows and military equipment.

The present situation concerning the public interventions during the financial crisis was discussed in order to check whether the planned targets, set up by the Irish authorities, would be fulfilled. Eurostat asked the Irish statistical authorities to closely monitor the development of the situation of NAMA-IL.

Concerning the Public Private Partnerships (PPP), two samples of typical PPP contracts related to road and school, and the activation of the refinancing clause in case of Gort Tuam PPP Contract were discussed. Eurostat confirmed that the activation of the refinancing clause of Gort Tuam PPP Contract cannot be considered as a trigger for reclassifying the contract on the government balance sheet.

Further, the list of infrastructure concessions projects was discussed. As most of the infrastructure concessions projects in Ireland are included in the list of PPP contracts, they are consequently also part of the contingent liabilities related to off-balance public private partnerships. Eurostat asked the Irish statistical authorities to remove them from this PPP list.

Finally, some other issues were also discussed such as capital injections, dividends and privatization. Eurostat asked a detail explanation of the implementation of the super-dividend test for the Central Bank.

The elements of the Social Housing PPP Programme were discussed as well as the sale of UMTS licences and the recording of the EFSF pre-paid margin.

A number of other issues, such as Lease and licences, Guarantees, Government claims, Financial derivatives, Sale and leaseback operations, Energy performance contracts and Emission permits were also briefly discussed.

Eurostat appreciated the documentation provided prior to the EDP dialogue visit and the good cooperation on the EDP-related issues from the Irish statistical authorities. Eurostat also thanked the Irish statistical authorities for their co-operation during the visit and consider that the discussions were transparent 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 23-24 January 2017.

The delegation of Eurostat was headed by Mr Luca Ascoli, Head of Unit D1: Excessive deficit procedure and methodology". Eurostat was also represented by Mr Philippe de Rougemont, Ms Galjinka Dominic and Ms Simona Franck. 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. Ireland was represented by the Central Statistics Office (CSO), the Department of Finance (DoF), and the Central Bank of Ireland (CBI). In addition, representatives from the following entities participated in the discussion for some specific points in the agenda: the Department of Housing, Planning, and Local Government, the Department of Public Expenditure and Reform, the National Treasury Management Agency (NTMA), the National Development Finance Agency (NDFA), the National Asset Management Agency (NAMA), the Department of Education and Skills, Higher Education Authority, Transport Infrastructure Ireland and Housing Agency.

Eurostat carried out this EDP dialogue visit in order to review the implementation of ESA 2010 methodology, ensure that rules of the ESA 2010 Eurostat Manual on Government Deficit and Debt are complied with and that Eurostat decisions are duly implemented in the Irish EDP and Government Finance Statistics (GFS) data. The main aims of the dialogue visit were to discuss the data sources for local government, sector classification issues and PPP contracts that are typical of the Irish situation.

In relation to procedural arrangements, the *Main conclusions and action points* would be sent to the Irish statistical authorities for their comments. Then, within weeks, the *Provisional findings* would be sent to the Irish statistical authorities in draft form for review. After possible changes (if any), the *Final Findings* will be sent to the Economic and Financial Committee (EFC) and published on the website of Eurostat.

Eurostat appreciated the documentation provided prior to the EDP dialogue visit and the good cooperation on the EDP-related issues from the Irish statistical authorities. Eurostat also thanked the Irish statistical authorities for their co-operation during the visit and consider that the discussions were transparent and constructive.

1. Statistical capacity issues

1.1. Institutional responsibilities in the framework of the compilation and reporting of EDP and government finance statistics

Introduction

Eurostat and the Irish statistical authorities discussed the functioning of the Government Finance Statistics Liaison Committee (GFSLC) structures and further development in updating the existing bilateral Memoranda of Understanding.

Discussion and methodological analysis

From 2013 onwards, the Central Statistics Office is responsible for the compilation of non-financial, financial accounts and Maastricht debt and the compilation and transmission of Ireland's EDP notification tables. The Department of Finance provides forecasts.

The Irish statistical authorities cooperate formally through the GFSLC, which comprises representatives of the CSO, the Central Bank of Ireland (CB) and the Department of Finance (DoF). The GFSLC structures also make provision for the establishment of different expert groups on specific topics. Currently there are 5 expert groups: PPPs and Capital Investment, General Government Debt, Taxes, ESSPROS and Public Sector Classifications. The General Government Debt group meets quarterly while the other groups meet as needed, but at least once a year concerning the PPP group and the Taxes group. The Public Sector Classifications group has usually ad-hoc meetings. In addition to expert groups, there is one CSO employee who works in the Department of Finance. According to the CSO, the GFSLC structures seem to work well, providing a formalised mechanism for the exchange of views and information.

Eurostat enquired on what would have happened if there was a disagreement between representatives of the institutions in order to reach a decision. The Irish statistical authorities explained that the CSO takes the final decision.

The CSO co-operates with the Department of Finance in designing data collection from non-market agencies and extra-budgetary funds, which are used for the production of preliminary estimates, until audited annual accounts are available.

Also, the CSO works with the Department of Housing, Planning, and Local Government to design data collection templates for the production of GFS estimates for local government which are used for the production of estimates until the annual audited accounts become available although, at the moment, without bilateral MoU signed.

Formal Memoranda of Understanding (MoU) exist between the CSO and MoF and between the CSO and the Central Bank. These MoUs define roles and responsibilities, set out arrangements for the transmission of data and specify areas of co-operation between the bodies involved. They were finalised in early 2013 and are currently being renewed. A draft version of updated MoU between the CSO and the DoF was provided prior to the mission.

According to the draft Memoranda between the CSO and the DoF, the Department of Finance has a responsibility to inform the CSO, as quickly as possible, of the occurrence of any event which may have an impact on the compilation of GFS. Such events may include but are not confined to: transactions, legislative changes, changes to the structure of existing bodies or establishment of new bodies. This Memorandum of Understanding is valid for 24 months from the date of signing. There are usually no substantial changes, just updates in relation to new regulations/requirements, such as ESA 2010.

The CSO is currently looking at options to co-ordinate a number of MoUs with the Central Bank in relation to Financial Accounts, Balance of Payments and GFS/EDP.

Eurostat enquired whether the CSO has signed a MoU with any other data providers. The CSO explained that there is one more MoU being developed with the National Treasury Management Agency (NTMA) in respect of data collection.

Findings and conclusions

Action point 1. *The Irish statistical authorities will provide Eurostat with the Memorandum of Understanding between the Central Statistics Office (CSO) and the Central Bank when signed.*

1.2. Data sources and revision policy, EDP Inventory

Introduction

Eurostat and the Irish statistical authorities reviewed the data sources for the local government. Eurostat enquired about the project to move central government public accounting to an accruals basis and whether the progress is made on the finalisation of the register of local government bodies and improved reporting of revenue and expenditure data.

Discussion and methodological analysis

Data sources for the Central government

The Irish statistical authorities informed Eurostat that the project to move central government public accounting to an accrual basis is still in an exploratory stage. They are currently examining the feasibility of a transition from cash to accrual accounting for central Government Departments and Offices, taking account of the wider reform agenda and in particular the Financial Management Shared Services (FMSS), which is currently still in development, and developments at EU level concerning the future implementation of harmonised accounting standards.

The CSO explained that in Ireland there exists no coding system and no specific budgeting or accounting chart of accounts. A main source information for the 1st notification is derived from the so-called e-Estimates system, which is transmitted by the Department of Finance to the CSO in the form of an excel file (containing 3000 lines). Subsequently, the CSO uses the 'Appropriation Accounts', which are available in time for the second EDP reporting (September n+1), and contains a balance sheet, an income statements and supplementary information.

Then, Eurostat enquired about a new data source used, for the first time in June 2016, concerning compensation of employees (D.1) coming from tax and social security declarations rather than budget reporting. The CSO considered that the new source data was advantageous as being timely and permitting a homogeneous treatment across sectors. Eurostat asked whether there was a significant gap between the two data sets and if yes, where are the adjustments to be made in the EDP reporting.

Eurostat and the Irish statistical authorities discussed the coverage of bank accounts of the central government bodies. Eurostat stressed that all bank accounts of government bodies in the Central Bank and commercial banks, should be reported. The CSO explained that they use

NTMA data source for Currency and deposits (F.2) as well as the Central Bank data and they agreed to verify that all accounts are correctly reported in F.2.

Findings and conclusions

Action point 2. *The Irish statistical authorities will provide to Eurostat a detailed explanation on the new data sources used for Compensation of employees (D.1), showing a reconciliation table with data from the Department of Public Expenditure and Reform databank as well as the various ESA categories concerned by this adjustment.¹*

Deadline: by July 2017

Action point 3. *The Irish statistical authorities will check the coverage of government bank accounts for the purpose of non-financial and financial accounts compilation, and inform Eurostat.²*

Deadline: by April 2017

Data sources for the Local government

Discussion and methodological analysis

There are two main data sources for local government, annual and quarterly, both on an accrual basis and prepared by The Department of Housing, Planning and Local Government (The Department). The coverage of Local Government currently comprises 31 Local Authorities, namely city and county councils.

The annual data source consists of data reported in the Annual Financial Statements (AFS) based on the Accounting Code of Practice (ACOP) and produced by the Financial Management System (FMS). The AFS consists of (a) Income and Expenditure Account Statement, (b) Balance Sheet, (c) Funds Flow Statement, (d) Notes to the Accounts and (e) Appendices. Appendices provide details and further analysis of revenue income and expenditure, capital account revenue and expenditure and disclosures on interests in companies and joint ventures.

The quarterly data source consists of data on; cash balances, debtors and other balance sheet data. The data become available by 15th of the third month following the reference quarter.

The data used for Local Government are based on these quarterly returns of the financial assets and liabilities of local authorities. The estimated income and expenditure figures are adjusted to be consistent with the net lending/borrowing figures calculated in these quarterly financial returns (B.9f).

The quarterly data of the year n reported for the April (n+1) EDP reporting are updated by unaudited annual data available in time for April (n+2) EDP reporting and replaced by audited annual data for the October (n+2) EDP reporting as final estimate of net lending/borrowing (B.9).

In some cases the revenues and expenditures of entities under control of the local authority have been consolidated into the accounts. The Irish statistical authorities explained that it is

¹ This action point has not been completed.

² The Irish authorities have since provided initial information. The issue continues to be discussed.

not currently possible to distinguish which of the entities that have been consolidated into the financial statements are market corporations, therefore outside general government. The CSO is currently in the process of gathering information that will enable them to determine which, if any, bodies under local government control pass the market / non market test; and which revenue and expenditure flows should be removed from the calculations. The Irish statistical authorities stated that the overall impact on the aggregates is expected to be minimal.

On the other hand there may be some non-market public corporations which are excluded from the WB and they should be included under the line "Net lending / borrowing of other local government bodies". The CSO has designed and conducted a survey questionnaire to capture the information and data needed to conduct this exercise. The assessment of the results is currently still in progress. The work on establishing the comprehensive list of local government controlled units is still on-going.

It had been planned to implement the ACOP standards to local authorities companies for AFS 2016. However, the General Accounting Working Group (GAWG) for local authorities concluded that it would have been necessary to complete the first step of the process, i.e. assessment of the Local Authorities Companies questionnaire.

Findings and conclusions

Action point 4. *The Irish statistical authorities will inform Eurostat on the result of the survey on local authorities, to identify the bodies controlled by the Local Government (in order for them to be included in the Questionnaire on government controlled units, as appropriate), to identify their status and to carry the market-non-market test.*

Deadline: by the end of 2017

Action point 5. *Eurostat strongly encourages the Irish statistical authorities to create a formal working group on local government accounts and to report to Eurostat on the work programme and functioning of this group.³*

Deadline: by the end 2017

Revision policy

Discussion and methodological analysis

The first full set of preliminary results for year (n) is published in April year (n+1) (April EDP notification). Revisions for earlier years arising from updated data sources or methodological changes may be made at this time.

In June year (n), the main Irish national accounts annual publication "National Income and Expenditure, year (n-1)" is produced, including a detailed breakdown of government income and expenditure. These may include revisions due to updated data sources or methodological changes implemented since the April notification, and these revisions will be incorporated in the quarterly GFS transmissions at end June. The national practice is to 'front-load' revisions as far as possible at this stage, due to other national accounts publications being benchmarked for the next 12 months to the current National Income and Expenditure results.

³ The CSO has since provided information that, at the regular meeting with the Department of Housing, Planning and Local Government regarding the development of Local Authority accounting data for statistical compilation purposes, it was agreed in principle that a formal group should be established.

Therefore, the end-September year (n) (October EDP notification) will broadly correspond to the data published in June unless a significant revision is required due to, for example, a reclassification or material revisions to source data. Estimates for earlier years are generally not revised at this point unless a clear material issue is identified. Small revisions are deferred until the following April (n+1) EDP notification.

In the April EDP notification (n+1) and October EDP notification (n+1), further revisions to year (n) may be made due to updated data sources, classification decisions or other methodological changes. The EDP tables are still flagged as '*half-finalised*' at this stage.

In the October (n+2) notification, EDP data for year (n) are regarded as '*final*', following the inclusion of data from final audited accounts of local government.

Findings and conclusions

Eurostat took note of the existing revision policy.

EDP inventory

Discussion and methodological analysis

Eurostat thanked the CSO for providing a first draft of the ESA 2010 EDP inventory in December 2016. Eurostat had started to check the draft version and had already made some proposals for corrections / improvements, which was provided to the CSO after the meeting. The CSO agreed that the new EDP inventory should be published as soon as possible.

Eurostat asked the CSO when the annex A - the Bridge table will be provided. The CSO explained that, as the budget has no coding system and no specific budget or accounting chart of accounts, it would be difficult to produce such a bridge table. Finally it was agreed that the CSO will simply report to Eurostat the bridge table between public data (approximately 3000 lines) using the data from the e-Estimates system in excel file and national accounts.

Findings and conclusions

Action point 6. *The Irish statistical authorities will provide Eurostat with the bridge table between public data (in excel file – approximately 3000 lines) and national accounts, based on the data from the e-Estimates system.*⁴

Deadline: by October 2017

Action point 7. *The Irish statistical authorities agreed to update the draft ESA 2010 EDP Inventory on the basis of Eurostat comments and reflecting the recent changes introduced, and to ensure a prompt publication.*

Deadline: by the end of August 2017 with the main aim to be published by the end of October 2017

⁴ The CSO has, since, provided the note. Eurostat considers this action point to have been completed.

1.3. Compliance with Council Directive 2011/85

Introduction

Eurostat and the Irish statistical authorities discussed the implementation of the Council Directive 2011/85 on requirements for budgetary frameworks of the Member States, in particular Articles 3(2) and 14(3),

Discussion and methodological analysis

The Irish statistical authorities implemented the provisions of the Directive and largely follow the guidelines of the Task Force on the implications of the Council Directive 2011/85 on the collection and dissemination of fiscal data (March 2013).

Regarding the publication of cash-based fiscal data, monthly and quarterly data are available for all sub-sectors on the DoF website.

Concerning the implementation of Article 14(3), the data on non-performing loans, on liabilities of public corporations and on participations of government in the capital of corporations are published on the DoF website. It seems that very limited metadata is published nationally, e. g. providing clarification on completeness, definitions, use of estimations or timeliness.

Data published nationally are consistent with the figures provided to Eurostat in the questionnaire on 'Supplement on contingent liabilities and potential obligations'.

The Reconciliation table between monthly and quarterly cash-based fiscal data and ESA10 based data is published on the website of DoF.

Data as required by Directive in its Article 3(2) are published by the Department of Finance.

Findings and conclusions

Eurostat took note of the implementation of Council Directive 2011/85.

2. Follow up of the November 2014 EDP dialogue visit

Introduction

Eurostat and the Irish statistical authorities discussed the progress made since the previous dialogue visit in November 2014.

Discussion and methodological analysis

Out of 36 action points agreed during the previous visit, 35 had been entirely completed and the remaining one is considered as partially done (action point (AP) 18):

AP18 - "*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.*"

A document sent prior the mission contains a list of units to be included in the Register of Public Sector Bodies (reference year 2015) and information on the methodology and classifications employed in its compilation. The work on the local government survey and consequent updates to the register is still on-going.

The outstanding action point 18 was discussed under the relevant agenda point.

Findings and conclusions

Eurostat thanked the Irish statistical authorities for the completion of a large number of action points.

3. Follow-up - Analysis of EDP tables - Actual data October 2016 EDP reporting

Introduction

Eurostat and the Irish statistical authorities discussed EDP tables 2A/C and 3B/D and progress made in compiling the Supplementary table for reporting government interventions to support financial institutions.

Compilation of Table 2A

Discussion and methodological analysis

The fee from the sale of the National Lottery Licence is recorded as “Other Tax” and as the licensee paid for the full amount (covering the 20 year period), the tax will be accrued over 20 years. The value of the cash received up front in 2014 has been valued to reflect the future value of the tax accrual amounts. Eurostat asked the CSO where this adjustment is made in table 2A. The CSO explained that the decrease of the value to the licence is currently included in the line "Non-financial transactions not included in the WB". Eurostat stressed that the total amount due should be included in the ‘Other accounts payable’, which should be then reduced each year by the income streams.

Eurostat asked the CSO to move the amounts of capital injections concerning the conversion of preference shares into ordinary shares, from the line "Financial transactions included in the working balance" to the appropriate adjustment category (Other adjustments), since this amounts are not part of the WB.

The accrual adjustment for Gross Fixed Capital Formation (GFCF) of the central government is shown altogether with the accrual adjustment for other voted expenditure in Table 2A. Eurostat enquired about the data sources used and the availability of data for the April EDP reporting. The GFCF data source for accrual adjustments for the central government is the Appropriation Accounts, which are available in time for the September (n+1) EDP reporting.

Eurostat also asked about the significance of this adjustment and the CSO replied that figures are not significant and agreed to show them separately in the next EDP notifications.

Findings and conclusions

Action point 8. *The Irish statistical authorities will move in the T2A the decrease of the value of the licence (resulting from taxes accrued), from the line "Non-financial transactions not included in the working balance", to the line "Other accounts receivable/payable".*⁵

Deadline: by April 2017

Action point 9. *The Irish statistical authorities will move the conversion of preference shares into ordinary shares from the line "Financial transactions included in the working balance" to the line "Other adjustments" in T2A.*⁶

Deadline: by April 2017

Action point 10. *The Irish statistical authorities will reflect whether it would be possible to find a proxy which would allow to estimate the accrual adjustment of GFCF for April Notifications of year (n-1) and inform Eurostat.*⁷

Deadline: by June 2017

Action point 11. *The CSO will provide Eurostat with figures for accrual adjustments for GFCF for the period 2012-2015 and will show separately, in the future, this accrual adjustment for GFCF in the EDP tables.*⁸

Deadline: by April 2017

Compilation of Table 2C

Discussion and methodological analysis

The data used for Local Government are based on quarterly returns of the financial assets and liabilities of local authorities. The information is not detailed enough to provide all the necessary information on non-financial transactions. As a result, the estimated income and expenditure figures are adjusted to be consistent with the net lending/borrowing figures calculated in these quarterly financial returns (B.9f). Consequently, a "residual value" is reported in the Table 2C. This residual amount tends to fluctuate between negative and positive over time and does not indicate any systemic pattern.

⁵ The CSO has, since, implemented the change as agreed during the mission. Eurostat considers this action point to have been completed.

⁶ The CSO has, since, provided information that the impact of this conversion did not appear in the line "Financial transactions included in the working balance" but rather affected the B.9 of the ISIF (formerly NPRF). The amount of the capital transfer recorded in 2015 has now been moved from the ISIF balance to the line "Other Adjustments". Eurostat considers this action point to have been completed.

⁷ This action point has not been completed.

⁸ The CSO has, since, implemented the change as agreed during the mission. Eurostat considers this action point to have been completed.

The working balance is taken as the “Overall Surplus/ Deficit for the year” from the Income & Expenditure Account Statement. This is after a correction on transfer from/to reserves to part fund capital transactions is introduced.

When the annual financial statements as final estimate are used, the line of "time adjustment" in the Table 2C contains adjustments for the debt provisions and commercial rates which are available for year (n) in time for October (n+2) EDP reporting.

Findings and conclusions

Action point 12. *The Irish statistical authorities will examine ways to improve local government B.9 calculation, currently derived from the financial accounts (i.e. from the financial side), with a view to reduce (and to ultimately eliminate) the ‘residual’ entry appearing in table 2C and inform Eurostat.*

Deadline: by April 2018

Action point 13. *The Irish statistical authorities will insert in EDP table 2C the title applicable for the working balance.⁹*

Deadline: by April 2017

Action point 14. *The Irish statistical authorities will check the entries for "time adjustment..." in the table 2C for the years 2014-2015 in "Non-financial transactions not included in the working balance" and inform Eurostat.¹⁰*

Deadline: by April 2017

Compilation of Table 3B and 3D

Discussion and methodological analysis

Eurostat enquired with the CSO about the possibility to produce separate tables for the main entity (3B1) and for the other government bodies (3B2). Eurostat explained that those tables can be very useful for the verification of the EDP data, allowing directly crosschecking with the EDP table 2A and consequently speeding up the EDP assessment.

The CSO explained that, due to the structure of data processing for financial accounts, this breakdown is not readily available and it would require substantial manual intervention and a degree of estimation. It seems that, for the CSO, the main problem is traditionally, the Exchequer (Budget) has been regarded as the main CG entity. The CSO considers it difficult to define the precise boundary of the main central government entity.

⁹ The CSO has, since, implemented the change as agreed during the mission. Eurostat considers this action point to have been completed.

¹⁰ The CSO has, since, implemented the change as agreed during the mission. Eurostat considers this action point to have been completed.

Eurostat suggested that the Exchequer could be seen as the main entity for producing table 3B1 but left the final decision to the Irish statistical authorities.

Eurostat enquired about the significant revaluation entries in loan assets reported in the table 8 "Reconciliation of stocks and flows of central government claims for central government" of the Questionnaire relating to the EDP notification tables. The Irish statistical authorities agreed to further investigate the origin of the significant revaluation entries in loan assets held by Central Government.

Findings and conclusions

Action point 15. *The Irish statistical authorities will reflect on what could be an appropriate way to produce tables 3B1 and 3B2 with a view to produce a sensible disaggregation of the central government subsector for cross-checking purposes.*

Deadline: by April 2018

Action point 16. *The Irish statistical authorities will investigate the origin of the significant revaluation entries in loan assets held by Central Government (presumably IBRC assets) and determine the appropriate accounting treatment (revaluation, OCV, or capital transfers) and report to Eurostat.*

Deadline: by October 2017

Action point 17. *The Irish statistical authorities will examine the opportunity to systematically cross-check financial compilation, currently carried out on the basis of changing stock balance sheet, with existing information on annual cash-flow statements and report to Eurostat.*

Deadline: by October 2017

Supplementary table for financial crises

Discussion and methodological analysis

Prior to the mission, the CSO filled in the Part 3 "Transactions in financial assets, actual liabilities of general government" of the Supplementary table for reporting government interventions to support financial institutions. The CSO stressed that the work done to produce the Part 3 allowed to identify as a result some errors in Part 2, which were explained. Having completed Part 3, the CSO considers that this process has added to the quality of the data compilation and they will continue to produce this in the future. They do not expect any further changes to Part 2 for years prior to 2015.

Findings and conclusions

Eurostat appreciate the effort of the Irish statistical authorities in producing these specific tables and welcomed the CSO plan to continue with the compilation of the Part 3 of the Supplementary table for financial crisis.

4. Methodological issues and recording of specific government transactions

4.1. Delimitation of the general government sector

Approved Housing Bodies

Introduction

Eurostat and the Irish statistical authorities discussed the sector classification of Approved Housing Bodies (AHBs) as well as the Social Housing PPP Programme which will comprise the Design, Build, Finance, Maintain, and Operate (DBFMO) of approximately 1,500 social housing units

Discussion and methodological analysis

Following a bilateral meeting on social housing initiatives in October 2016, Eurostat requested the CSO to review the classification of the AHBs, expressing the view that the role of government financing should be given greater weight in the classification decision than had been the case at the time of the 2014 review. The AHBs have been classified up to now in S.15. As of December 2016, there are 546 entities listed, as having AHB status.

The CSO had reviewed their sector classification and concluded that these entities should remain classified to S.15 under ESA 2010, but only until the current social housing provision model remains in place, and such bodies do not incur debt on the market. Should the expected new developments in relation to social housing materialise, the status of these bodies under any revised relationship with the housing authorities (local authorities) or any other government body would be reviewed at that point.

If planned initiatives around social housing give rise to a situation where the day to day operations of these bodies would be more closely controlled by government, the classification decision should then also be reviewed.

The CSO is currently working with the interim regulator to review the suitability of AHBs data for the purposes of the statistical classification.

Eurostat noted that the AHBs had the obligation to prioritize the tenants put forward by the local government, and the issue of their ability to rent to other clients was discussed. Eurostat wondered if the client of the AHBs as a result were not de facto local government, or at least whether this element provided sufficient 'control' on these NPI (in the meaning of ESA 20.15 and 20.309).

Eurostat considered that the classification of AHBs needed to be reviewed in the light of ESA 2010 and of the rules for determining the classification of NPIs controlled by government, as reflected in paragraph I.2.3 of the MGDD. It was recalled that non-market producers controlled by the government should be classified in the government sector.

Findings and conclusions

Action point 18. *As regards approved housing bodies, the issue of their classification will need to be revisited in the light of ESA 2010, taking into account the discussion held and the points raised by Eurostat.*¹¹

Deadline: by June 2017

The sector classification of universities

Introduction

Eurostat and the Irish statistical authorities revisited the assessment of the control of universities in order to determine whether universities should be a part of the public sector.

Discussion and methodological analysis

The Irish universities, seven of them, are Non-profit institutions (NPIs) considered as market producers and subsequently classified in the sector of non-financial corporations, based on the treatment of both academic fees and the purchase of specific research services by government as sales of universities as well as on the results of the market/non-market test.

The CSO informed Eurostat that, at the time of the transition to ESA 2010 in 2014, the issue was not reviewed as it was expected that there would be new developments in the situation of Irish universities.

The CSO explained that they are currently in the process of collecting the most recent data from the universities in order to perform the market non-market test. In addition, the CSO invited the Department of Education and Skills to discuss the situation as far as the level of control of the universities from government is concerned.

Eurostat enquired about how research grants paid by government and fee contributions received by universities are treated in national accounts.

The Irish statistical authorities also informed Eurostat that they are exploring the potential of the use of standardised guarantees in the future in the context of the provision of student loans and consequently increase the income from students' fees in the total income of universities. No decision has been taken on this matter to date.

Findings and conclusions

Action point 19. *The Irish statistical authorities will reflect on whether Irish universities should be considered private or public and inform Eurostat.*¹²

Deadline: by October 2017

Action point 20. *The Irish statistical authorities will inform Eurostat on how research grants paid by government and fee contributions received by Irish universities are treated in national accounts.*¹³

¹¹ This action point has not been completed.

¹² The CSO is in the process of gathering additional data on the revenues of the universities.

Deadline: by April 2017

Action point 21. *The issue of the importance of the government financing criteria in the appreciation of government control on NPIs will be discussed at one of the next EDP methodological TFs of Eurostat.*

The questionnaire on government controlled units classified outside the general government

Introduction

Eurostat and the Irish statistical authorities discussed the progress made in relation to the outstanding action point¹⁴ relating to the provision of the list of government controlled entities classified outside the general government sector. Discussion focused on entities under the control of local authority.

Discussion and methodological analysis

The content of the Questionnaire reported to Eurostat at the end of 2016 was discussed in detail, since the information provided is also important in the context of Directive 2011/85. Those data are used for the compilation of data series on 'Liabilities of government controlled entities classified outside general government', published at national level and by Eurostat.

Eurostat enquired about the possibilities to improve the coverage and completeness of the data reported. There are 97 entities listed for which the data on liabilities is reported as M (not applicable) and some units for which the 2014 data were used. The CSO explained that those are subsidiaries of other units for which data are not available. The Questionnaire is mostly filled in manually by using data published on companies' web sites. Eurostat observed for some units, which are marked as part of the MFI¹⁵ list, an inconsistency between the NACE classification code and their involvement in financial activities. The CSO agreed to investigate this issue in order to determine whether their inclusion in the MFI list, or their NACE classification, could be incorrect. Eurostat advised the CSO to investigate whether some information gathered by the business register could be used for the Questionnaire.

Eurostat asked the CSO to fill in the column for institutional sector.

Some units report zero employees and Eurostat enquired whether those units could be dormant or in liquidation or already closed-down. Further, it was not clear whether some of those units with a NACE code 6420¹⁶ code would be considered as holding companies or head offices.

¹³ The CSO has, since, provided information. The student fee contribution paid by the government is classified as social transfers in kind. Payments to universities for research are classified as market sales. The grant payments for research from the HEA are classified as subsidies on products if they are regarded as being paid on a capitation basis. Other research grants from Enterprise Ireland, Science Foundation Ireland and the Dept under the Programme for Research in Third Level Institutions are classified as either "Other subsidies on production" or "Investment Grants" depending on whether they are current or capital.

¹⁴ EDP Dialogue Visit 2014, AP18 "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."

¹⁵ Monetary financial institutions

¹⁶ Activities of holding companies

The CSO confirmed that they would reclassify a unit if the market-nonmarket test falls below 50% for three consecutive years.

The Irish statistical authorities informed Eurostat that, during 2015, the CSO agreed with the Department of Housing, Planning, and Local Government to survey local authorities in order to establish the status of bodies under their control. The responses to these surveys were received by the CSO during late 2015 / 2016 and the processing of this data is still ongoing. Data quality checks are currently being performed in advance of further work to perform the market/non-market test on each entity.

Prior to the mission, the CSO provided a table which showed the numbers of entities under the control of each local authority with a preliminary estimate for the potential debt impact of these bodies. The total consolidated impact on debt in relation to 2014 is small, about 0.12 % of GDP.

Eurostat enquired when the final results of this survey would be included in the Questionnaire. The Irish statistical authorities replied that it would be possible for the next transmission of the Questionnaire in December 2017.

Findings and conclusions

Action point 22. *The Irish statistical authorities will investigate on the appropriate NACE classification indicated in the Questionnaire of government controlled entities classified outside the general government sector, for those units part of the MFI list for which their NACE classification seems inconsistent with their involvement in financial activities. The Irish statistical authorities will investigate units listed from line 40 to 89 of the Questionnaire in order to examine their nature and to see whether the inclusion of those units on the MFI list is correct.*

Deadline: by October 2017

Action point 23. *The Irish statistical authorities will investigate the possibility to use the business register in order to fill the Questionnaire of government controlled entities classified outside the general government sector and inform Eurostat.*

Deadline: by October 2017

Action point 24. *The Irish statistical authorities will fill in the column for institutional sector by unit of the Questionnaire of government controlled entities classified outside the general government sector.*

Deadline: by October 2017

Action point 25. *The Irish statistical authorities will investigate cases of entities with zero employees reported in the Questionnaire of government controlled entities classified outside the general government sector, in order to see whether they are units that are dormant or in liquidation or closed-down, with a view to remove them from the list and/or reclassify them in government.*

Deadline: by October 2017

Action point 26. *The Irish statistical authorities will investigate cases of entities included in NACE 6420 which have no employees reported in the Questionnaire of government controlled entities classified outside the general government sector, to see whether they can be*

considered as holding company or head offices, in order to see whether they should be reclassified in the general government sector.¹⁷

Deadline: by June 2017

Employee Share Ownership Trustees

Introduction

The Irish statistical authorities asked for some guidance regarding the classification of Employee Share Ownership Trustees (ESOTs).

Discussion and methodological analysis

In working to complete the questionnaire on government controlled entities, the CSO have come across a number of bodies, like the Dublin Aviation Authority Pension Corporate Trustee Ltd, the Eirvia Employee Share Ownership Plan Trustee Ltd and the Electricity Supply Board Employee Share Ownership Plan Trustee Ltd, which are related to existing public corporations, and for which the Irish statistical authorities are unsure on how they should be classified. Those units had not been reported in the Questionnaire in 2016.

Eurostat enquired about the characteristics and the activities of ESOTs.

In Ireland, Employee Share Ownership Plan (ESOP) is the term commonly used to describe an all-employee share participation plan. Historically ESOPs are most prevalent where semi-state bodies are being privatised or sold, although any company may choose to implement one. The ESOT is a tax favoured vehicle which typically holds shares for employee participants for distribution over time. It does not itself afford participants direct access to shares in a tax efficient manner. Tax relief is afforded to participants by way of share appropriations via the Approved Profit Sharing Scheme.

Findings and conclusions

Action point 27. *The Irish statistical authorities and Eurostat will reflect on the sector classification of Employee Share Ownership Trusts (ESOTs).*

Deadline: by October 2017

4.2 Implementation of the accrual principle

4.2.1. Taxes and social contributions

Introduction

Eurostat and the Irish statistical authorities discussed in general the recording of taxes and social contributions as described in the note provided prior to the mission.

Discussion and methodological analysis

In Ireland, the method used for recording of accrual taxes and social contributions is the time-adjusted cash amounts. Pay as you earn (PAYE) income taxes on wages, excise duties and

¹⁷ This action point has not been completed.

Employee/Employer Pay-Related Social Insurance (PRSI) are time adjusted by one month, while VAT by two months. All remaining taxes and PRSI remitted by self-employed persons are assessed on a cash basis.

Eurostat enquired about the recording of tax refunds, in particular whether there were any postponement observed, comparing to what is stated in the law. The Irish statistical authorities explained that refunds are recorded on a cash basis and that no postponement has been observed so far. Further it was explained that the final settlements are recorded when the cash is paid. Interest, fines and penalties for non-payment are recorded with the associated tax on a cash basis.

The Irish statistical authorities informed Eurostat that there has been no tax amnesty in recent times and if tax amnesties would have arisen, it would be recorded on a cash basis.

Eurostat asked whether the accrual adjustment for social contributions is included in the Table 2A as B.9 of Social Insurance Fund under "Non-financial transactions not included in the working balance". The CSO explained the accrual adjustment for social contributions is recorded under "Other accounts receivable".

Findings and conclusions

Eurostat noted the information provided by the Irish statistical authorities.

4.2.2. Interest

Introduction

Eurostat and the Irish statistical authorities discussed the correctness of interest recording.

Discussion and methodological analysis

Before the visit, the CSO had provided Eurostat a table showing the recording of interest in the Tables 2A and 3B for each individual instrument.

Eurostat recalled the difference between recording interest in Table 2A and Table 3B. Eurostat observed that the amounts for accrual adjustments in Tables 2A and 3B are identical, which would usually not be the case.

The Irish statistical authorities explained that the Central Government accounts are prepared on a cash basis. Any flows associated with premiums and discounts on government securities are amortised over the life of the bond and captured in the line "Difference between interest accrued and paid" in Table 2A. Premiums are treated as negative expenditure.

The Irish statistical authorities agreed with Eurostat that the presentation of interest in the EDP tables should be reviewed and, if necessary, improved.

Eurostat also discussed with the Irish statistical authorities a new reporting template (presented for the first time at the December 2016 EDPSWG meeting) – focusing on State operations. The NTMA kindly agreed to have a look at it, and to fill the table to the extent possible – as well as to provide feedback comments to Eurostat on this new template.

In relation to derivatives transactions, Eurostat recalled that the unwinding of swaps (notably) occurring at time of reimbursement of foreign exchange debt under hedge should lead to entries in financial derivatives (F.7) in both ESA table 27 and EDP table 3. In EDP table 3, a matching amount would need to be also entered under the line *Appreciation(+)/depreciation(-)(3) of foreign-currency debt*. This notably concerned, for Ireland, IMF borrowing (in SDRs), which is likely subject to hedging by the NTMA. However, this line in EDP table 3B shows only marginal amounts for Ireland.

Eurostat noted that this issue of the appropriate accounting of hedging swaps unwinding has been raised by a number of Member States in the past. Proper guidelines were to be circulated soon by Eurostat.¹⁸ Eurostat noted that the proposed recording was meant to ensure that the transactions in derivatives would be consistent/identical in ESA table 27 and in EDP table 3 – a choice made by Eurostat for transparency reasons.

Findings and conclusions

Action point 28. *The Irish statistical authorities will clarify the recording of premium and discounts in the working balance, and adapt the accrual adjustment for interest accordingly in table 2A, if necessary. Based on the comments made by Eurostat, the CSO will report an amended version of the table on interest compiled by the CSO in preparation of the mission.*¹⁹

Deadline: by April 2017

Action point 29. *The NTMA will examine ways to fill in the Eurostat proposed draft new template (presented at the EDPSWG in December 2016) and provide comments where necessary.*²⁰

Deadline: by April 2017

Action point 30. *The Irish statistical authorities, namely the NTMA and the CSO, will examine whether termination of hedging swaps are reflected correctly in the EDP tables (both as financial derivatives with an entry under revaluation) and inform Eurostat. Eurostat will provide appropriate guidance on this specific issue (EDP Guidelines).*²¹

Deadline: by April 2017

4.2.3. EU flows

Introduction

¹⁸ Eurostat circulated on 21 March 2017 an updated version of *The Guidelines for completing the general government deficit and debt notification under the EDP*. This updates adapts the texts to ESA 2010 and also inserts a few additional guidelines notably (a) on consolidation of entries under issuance above/below par (p. 36), (b) on coupon sold (p.43), (c) on financial derivatives (p.40), and (d) on entries under *appreciation (+) /depreciation (-) of foreign-currency debt* resulting from the unwinding of debt hedge (p.45).

¹⁹ The CSO has since provided the table on interest which shows the breakdown by the debt instrument and also shows the recording of premiums and discounts.

²⁰ The Irish authorities have since provided initial information. The issue continues to be discussed.

²¹ The Irish authorities have since provided a preliminary response. The issue continues to be discussed.

Eurostat and the Irish statistical authorities discussed the recording of EU flows.

Discussion and methodological analysis

Before the visit, the CSO had provided a detailed note on the recording practises relating to EU funds. A calculation method 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 when expenditures incurred and when the corresponding claim are made on the EU budget. The EU flows are recorded on an expenditure basis. The note explains in detail how these flows are recorded in the ESA Tables 2 and 6 and in the EDP Tables 2A and 3B. The Department of Public Expenditure and Reform is the Paying Authority for EU projects co-financed from the ERDF and provides the CSO with the necessary information, detailing the amounts of expenditures, claims, receipts and distributions. The data available allows the identification of advance payments and/or reimbursements. Payments, when received by the Exchequer, are lodged into the Paymaster General account while awaiting disbursement instructions from the ERDF Paying Authority. For the 2014-2020 Structural Funds period ERDF receipts (in respect of ERDF Payment Claims) are disbursed to Exchequer and ERDF advance payments/pre-financing may be either disbursed to Exchequer or following instruction from the Member State (D/PER) the ERDF advances/pre-financing may be disbursed to the Department of Housing, Planning and Local Government in respect of the 2014-20 Urban Development Fund. When compiling the accounts for the General Government, these receipts are recorded only when they are transferred into the Exchequer Account.

Eurostat enquired about the data availability for the local government. It seems that, at present, Ireland does not have details on EU flows at local government level.

Findings and conclusions

Action point 31. *The Irish statistical authorities will examine ways to identify appropriate data sources in order to estimate the EU correction for the local government.*²²

Deadline: by June 2017

4.2.4. Military equipment

Introduction

Eurostat and the Irish statistical authorities discussed the recording of military equipment.

Discussion and methodological analysis

The levels of military expenditure in Ireland are insignificant in their totality, for the last few years, the percentage is around 0.5% of central government expenditure.

The Irish statistical authorities explained that the main source of information is a questionnaire which is filled in bi-annually by the Ministry of Defence. Most contracts for large equipment include prepayments. On delivery, some payments may be withheld pending confirmation that the equipment functions correctly. The robust figures in relation to

²² The Irish authorities have since provided initial information.

deliveries (from the Ministry of Defence) and cash payments made (from the accounts audited by the Comptroller and Auditor General's Office) are used to make an adjustment in the Table 2A under Other accounts receivable / payable in order to ensure that the B.9 for military expenditure is consistent with known data.

Findings and conclusions

Eurostat took note of the recording of the military equipment in Ireland.

4.3. Recording of specific government transactions

4.3.1. Government operations relating to the financial crisis – follow up

Introduction

Eurostat and the Irish statistical authorities discussed the present situation concerning the public interventions during the financial crisis.

Discussion and methodological analysis

National Asset Management Agency Investment Limited

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. The NAMA, which is classified in the general government sector, holds 49% of NAMA-IL shares while 51% of NAMA-IL shares are held by private investors. Majority private ownership is 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.

Eurostat enquired about the current situation of NAMA-IL, in particular whether NAMA-IL would repay its senior debt by 2018 and complete its core work by 2020, as announced during the 2014 EDP dialogue visit.

The Irish statistical authorities updated Eurostat on key financial performance of NAMA-IL and confirmed that NAMA-IL is on target to redeem all EUR 30.2 billion of its original senior debt by the end of 2017 and its subordinated debt of EUR 1.6 billion by 2020. By the time it completes its work, NAMA-IL expects to deliver a surplus which is currently estimated to be of about EUR 2.3 billion.

Eurostat stressed that NAMA-IL has to be reclassified in the sector of general government after private shareholders will be redeemed.

Eurostat noted that while NAMA-IL was undisputedly private from a legal point of view, taking an economic ownership approach – which is crucial under ESA 2010 rules – may lead to a different result. The CSO may thus reflect on this issue, which is also under discussion within the Eurostat Task Force on methodological issues.

Findings and conclusions

Action point 32. *The Irish statistical authorities will closely monitor the development of the situation of NAMA-IL and reclassify it in government at least by the time private shareholders will have been redeemed (expected in 2020).*

Deadline: by 2020

Irish Bank Resolution Corporation liquidation

Discussion and methodological analysis

The Irish Bank Resolution Corporation (IBRC), as a financial defeasance structure, has been included within the boundary of the General Government sector since September 2014.

The Irish statistical authorities provided Eurostat with the IBRC Progress update report and informed about the statistical treatment of payment to the Exchequer made in December 2016. The Special Liquidators issued, in 2016, a first interim dividend of 25% to all admitted creditors of the liquidation, including EUR 280 million relating to Department of Finance claims. In 2013, the payment by the Exchequer of EUR 1.1 billion to meet obligations to IBRC deposit holders under the guarantee schemes in operation, was treated as a loan from the Exchequer to IBRC, on the understanding that the Exchequer would be treated as a creditor of IBRC in the liquidation process and that there was a reasonable expectation of repayment. The “interim dividend” is thus the first tranche of the expected repayments.

Eurostat asked on the valuation of IBRC loans in government accounts. The Irish statistical authorities explained that the assets of IBRC were recorded on the government balance sheet at IFRS fair value as reflected in the consolidated statement of financial position. Eurostat noted that this valuation could be considered as deviating from ESA 7.70, although recognising that there may be good reasons to deviate from this paragraph in this very specific context. This issue was under discussion within the Eurostat Task Force on methodological issues and a specialised sub-group (Dedicated Expert meeting).

The decision to use this basis for the valuation of loan assets as well as other financial assets of IBRC also took into account the presence on its balance sheet of the promissory notes issued to Anglo Irish Bank and Irish Nationwide Building Society in 2010. These assets had been provided in order to improve the deficit in IBRC’s asset base arising from impaired loans. Prior to the reclassification of IBRC, the promissory notes issued by government in 2010 were recorded in the government accounts as capital transfers amounting to EUR 30.6 billion. Previously, in 2009, the Irish State had also provided a capital injection to Anglo Irish Bank of EUR 4 billion.

The Irish statistical authorities explained that if the IBRC loan had been of a sufficient quality to have been recorded in their accounts at nominal value at the outset, the 2010 promissory notes (recorded at the time as deficit-impacting capital injections) would not have been required to restore the equilibrium of the balance sheet. Therefore any write-down (or partial write-off) of the loan value has essentially been covered by the issuance of the promissory notes. Any recording of loans at face value in the third quarter of 2011, followed by the recording of capital transfers at time of write-off would be to double count these assets and, later on, the expenditure associated with their eventual impairment. The inclusion of the promissory notes on the IBRC balance sheet compensates the impairment of the loan book and it essentially means that this impairment has been recognised and its deficit impact already accounted for in the government accounts.

Findings and conclusions

Eurostat took note of the current situation on IBRC and confirmed the correctness of the statistical treatment of the 'interim dividends' as a loan repayment.

Action point 33. *The Irish statistical authorities will examine the valuation of Irish Bank Resolution Corporation liquidation (IBRC) loans, currently at fair value rather than at nominal value, and inform Eurostat (see also point 14). This issue is currently under discussion in the Eurostat dedicated expert meeting on defeasance structures.*

Deadline: by October 2017

Strategic Banking Corporation of Ireland

Discussion and methodological analysis

The Strategic Banking Corporation Ireland (SBCI) was established as Ireland's National Promotional Institution for Small and Medium Enterprises (SMEs), with a goal to increase and facilitate the availability of appropriately priced and flexible funding to SMEs. The SBCI has been determined as a government controlled entity with the characteristics of a captive financial institution and consequently has been classified to the general government sector since its inception in line with the Eurostat's letter of advice of March 2015²³.

The Irish statistical authorities provided Eurostat with an update on this issue. Initial equity capital has been provided to the SBCI by the Minister for Finance using funds from the National Pension Reserve Fund (NPRF) portfolio, now the Ireland Strategic Investment Fund (ISIF). The paid-up element of equity capital in the SBCI is EUR 10 million which is supported by a further finance facility of EUR 240 million from ISIF, and will only be drawn if, and when, required. In January 2017, the SBCI received Ministerial Approval to convert EUR 25 million of this loan facility to equity shares. Debt finance facilities have also been provided by KfW²⁴ (EUR 150 million), by the European Investment Bank (EIB) (EUR 400 million), the NTMA (EUR 250 million) and the Council of Europe Development Bank (CEB) (EUR 200 million). Further, the Minister for Finance has provided a state guarantee to the KfW, the EIB and the CEB not directly to the SBCI itself. The SBCI front line lending partners charge the same risk premium to customers as they would be charging to any commercial lender. The benefit to the SMEs from the SBCI lending is through a limited additional margin, which will be charged by the SCBI for its provision of long term funding, as these amounts will only be required to cover SBCI's own financing and operating costs. On average, SMEs receive a discount of circa 1.1% on SBCI finance compared to the market interest rate for SME loans.

Findings and conclusions

Eurostat took note of the current situation on SBCI.

4.3.2. PPPs and concessions

Public Private Partnerships

Introduction

Eurostat and the Irish statistical authorities discussed two samples of a typical PPP contract, i.e. in the field of roads and schools, and the activation of the refinancing clause in case of the Gort-Tuam PPP Contract.

²³ <http://ec.europa.eu/eurostat/documents/1015035/6761701/Advice-2015-IE-Classification-of-Strategic-Banking-Corporation-of-Ireland.pdf>

²⁴ The KfW is a German government-owned development bank.

Discussion and methodological analysis

The Irish statistical authorities provided Eurostat with the assessments of two PPP contracts (N11 Arklow-Rathew and Schools Bundle 4) and the relevant documentation. Eurostat and the Irish statistical authorities discussed several features of the contracts.

Arklow-Rathnew PPP Contract

The contract is of the "Design, Build, Finance, Maintain, and Operate (DBFMO)" type and includes the construction work of a new road and upgrade works on existing roads. The contract is between a government unit (Transport Infrastructure Ireland²⁵) and a private contractor. The private partner started with the construction work in April 2013, which finished in 2015 and will be exploited during 25 years after the construction phase.

The contract is being assessed under the PPP rules of the 2012 MGDD, at the time when the contract was signed. The view of the CSO is that the features of this contract are such that the assets constructed should be classified off the balance sheet of government; taking into account that (1) there is no majority financing by government and (2) both construction and availability risk are adequately transferred to the private partner and other clauses such as compensation on termination and *force majeure* are not such as to otherwise transfer risk back to government. At the end of the contract, the assets are reverted to government free of further charge.

Schools Bundle PPP Contract

The contract consists in the "Design, Build, Finance, Maintain (DBFM)" of four schools and includes the supply of accommodation and equipment and the provision of a variety of services such as maintenance (preventative and reactive), cleaning, environmental health control, access and security. The contract is between a government unit (The Minister of Education and Skills) and a private contractor. The private partner started with the construction work in December 2014 and finished them in May 2016. The assets will be exploited during 25 years after the construction phase.

The contract is being assessed under the PPP rules of the 2014 MGDD, at the time when the contract was signed. The view of the CSO is that the features of this contract are such that the assets constructed should be classified off the balance sheet of the government taking into account that (1) there is no majority financing by government and (2) both construction and availability risk are adequately transferred to the private partner and other clauses such as compensation on termination and *force majeure* are not such as to otherwise transfer risk back to government. At the end of the contract, the assets revert to government free of further charge.

Gort-Tuam PPP Contract

The N17/N18 Gort to Tuam PPP project is a project put in place to design, construct and finance 57 km of motorway/dual carriageway along with the ongoing operation and

²⁵ Transport Infrastructure Ireland was established through a merger of the National Roads Authority and the Railway Procurement Agency under the Roads Act 2015, with effect from 1st August 2015.

maintenance of the 53 km motorway section for a 25 year period. The partners to the contract are Transport Infrastructure Ireland and Direct Route (Tuam) Ltd, a consortium of Direct Route, Roadbridge, John Sisk, Lagan and Strabag (PPP Co). The contract entered into force in April 2014, with construction due for completion in late 2017. The project has been designed as an availability-based PPP following the standard Irish contract model for such projects, transferring construction and availability risk to the private partner.

The contract for this project was signed in April 2014, at which point the November 2013 edition of the MGDD was in force and it forms the basis of the assessment of the classification of the assets under construction. According to the CSO, the proposed re-financing operation appears to have the nature of an activation of a clause of the agreed contract, and, accordingly, it does not cause a substantive revision of the contract which would call for an ex-post reassessment of the allocation of risks and rewards arising from the ownership of the asset.

Eurostat asked if the refinancing clauses are as per the contract as originally signed, which the Irish statistical authorities confirmed. Eurostat explained that, in case the rules are changed after the signature of the contract, Eurostat do not require changing retroactively the classification of the ongoing contract. However, if a contract is changed or renegotiated, Eurostat will analyse the new contract under the current rules in force. The PPP may not be reclassified if the change is only negligible, but nevertheless it could be reclassified if the change is such that the project would have been reclassified according to the rules in place at the moment of the change.

Eurostat considered that the activation of the refinancing clause of the Gort-Tuam PPP contract would not result in a reclassification of the assets on government balance sheet due to the fact the 2013 MGDD edition did not consider such event as cause for reclassification by itself.

Findings and conclusions

Eurostat took note of the explanation provided by the Irish statistical authorities.

Action point 34. *Eurostat confirmed that the activation of the refinancing clause of Gort Tuam PPP Contract cannot be considered as a trigger for reclassifying the contract on the government balance sheet.*

Concessions

Introduction

Eurostat and the Irish statistical authorities discussed the list of infrastructure concessions projects.

Discussion and methodological analysis

Apparently, due to historical reasons, the major part of infrastructure concessions projects in Ireland are included in the list of PPP contracts in the table 11 of the Questionnaire relating to EDP notification tables.

Eurostat explained that concessions should not be reported in this table as only those projects which are assessed as having an underlying PPP nature should be reported. Seven projects

have been identified as true concessions and should be removed from the PPP list. Eurostat concluded that this will also impact the report on contingent liabilities in respect of the liabilities related to off-balance public private partnerships.

Findings and conclusions

Action point 35. *The Irish statistical authorities will remove seven concession projects from the tables 11.1 and 11.2 of the Questionnaire relating to the EDP notification tables and report such information separately. This will impact as well the reporting on the contingent liabilities in 2017, for an amount of around EUR 1.5 billion.²⁶*

Deadline: by April 2017

4.3.3. Capital injections and dividends

Introduction

Eurostat and the Irish statistical authorities discussed the recording of dividends in government accounts, capital injections and privatization proceeds. The discussion focused on the local government level.

Discussion and methodological analysis

Capital injections

Eurostat enquired on how capital injections are assessed at the central and local government level. The CSO explained that in case of significant capital injections, they are pre-alerted by the Department of Finance, either through the formal GFSLC forum, or on an ad hoc basis. Less significant capital injections are generally picked up on a quarterly basis by the CSO through the Exchequer Statement. On an annual basis, capital injections are identified through the processing of company accounts for the Questionnaire on government controlled entities.

Further, the CSO explained that the local government data sources do not currently provide a sufficient level of detail on transactions between local authorities and public corporations to allow for comprehensive analysis. The CSO stated that this does not appear to be a material issue and confirmed the existence of a plan to improve the accounts of local government, which should allow for more accuracy around capital injections in the future.

Dividends

The CSO has provided a note on dividends paid to the government over the period of 2012-2015 together with the super dividend test. The Central Bank paid a dividend higher than recorded profits for 2014 and 2015, and the difference in the dividend and profit was correctly recorded as a withdrawal of equity (super dividend test).

Eurostat enquired about the availability of data for central and local government level. The CSO explained that the principal sources of information on dividends paid to government are the Exchequer statements and the quarterly NPRF/ISIF quarterly return to CSO. The Exchequer statement provides individual data for larger dividends.

²⁶ The CSO has since implemented the change as agreed during the mission. Eurostat considers this action point to have been completed.

Eurostat asked, and the CSO confirmed, that exceptional sales of assets and revaluation effects are excluded from the profit when performing the super dividend test.

Eurostat enquired which profit figure is used for the super-dividend test in the case of the Central Bank.

Privatisation

The most significant privatisations in recent years have been the sale of Irish Life, the life insurance subsidiary of Irish Life&Permanent, which the State acquired in 2012 and then sold in 2013, and the 2015 sale of the State's shareholding in Aer Lingus. It was confirmed that the proceeds have entered the working balance and have been adjusted in the line of equity sales of Table 2A.

Findings and conclusions

Action point 36. *The Irish statistical authorities will enquire on the accounting practices by local government when carrying out transactions on equity, and on their materiality. In this respect, the Irish statistical authorities will also enquire on the existing information on dividends received by the local government and report their findings to Eurostat.*

Deadline: by October 2017

Action point 37. *The Irish statistical authorities will provide Eurostat with a detail explanation of implementation of the super-dividend test for the Central Bank using specific information provided in annual accounts (for 2014 and 2015) for adjusting profit loss figures for compiling the net operating income.²⁷*

Deadline: by April 2017

4.3.4. Social housing

Introduction

Eurostat and the Irish statistical authorities discussed the current issue concerning a social housing scheme in Ireland, namely the Social Housing PPP Programme.

Discussion and methodological analysis

The Social Housing PPP Programme will comprise the DBFMO of circa 1,500 social housing units, as well as the ongoing tenancy management for the sites. It is envisaged that the project will comprise of 3 bundles, with c. 5 – 10 sites per bundle and 50 – 150 units per site located in the larger urban areas of Ireland.

Eurostat and the Irish statistical authorities discussed some of the elements of the Social Housing PPP Programme. The Eurostat asked the CSO to prepare the assessment of the final contract as soon as it becomes available.

Eurostat recalled that, in most member states, social housing is an activity carried out by government units, due to the intrinsic social nature of the activity which is an important part

²⁷ The CSO has since provided a note on implementation of the super-dividend test for the central Bank. Eurostat considers this action point to have been completed.

of government policy. However, it could not prejudge at this step the statistical consequences of the programme due to lack of complete information.

Findings and conclusions

Eurostat took note of this issue and concluded that it cannot provide any final decision before the final contract is signed and is being thoroughly analysed by the CSO from the national accounts point of view.

4.3.5. UMTS/LTE

Introduction

Eurostat and the Irish statistical authorities discussed the sale of UMTS licences in Ireland.

Discussion and methodological analysis

Since 2000, there have been five instances of sales of UMTS licences in Ireland, the latest in 2013. These sales have typically been through an up-front payment followed by a schedule of smaller payments in subsequent years. The value accrued to the date of sale is the net present value of all current and future payments, using a rate of return based on government borrowing costs at the time of sale. This amount is included in the calculation of the B.9 of government in the year of sale and payments in the subsequent years are neutralised under *Other adjustments*. The Irish statistical authorities confirmed that there was no sale of UMTS in year 2016.

Eurostat recalled that the forthcoming Guidance note on mobile phone licences was to shift the NP recording of lump sums on such licences (and its implied one off impact on B.9) to rent (D.45, thus spreading the B.9 impact), in accordance with ESA 2010 chapter 15. The Guidance note would give Member States flexibility of implementation concerning past contracts (with an implementation scheduled at the latest in the next benchmark revision).

The CSO informed Eurostat that new licences for a 3.6 GHz Band are being made available with a commencement date of 1 August 2017 and shall expire on 31 July 2032. The CSO will continue to monitor these transactions via the Statistics Unit in Department of Finance and will advise on the proposed treatment of the sale when further details are known.

Findings and conclusions

Eurostat took note on this issue.

4.3.6. EFSF pre-paid margin

Introduction

The general government debt of Ireland includes borrowings from the EFSF. This borrowing was initially in the form of a single loan drawn down in February 2011 with an original maturity date of 18 July 2016. In accordance with the arrangements for EFSF borrowing at that time, the Irish authorities put a pre-paid margin on deposit with the EFSF. This amount covered sums to be paid to the guarantor Member States in recognition of their role in providing the guarantee. Following a Council decision of 21 July 2011, the margin was no

longer applicable to new loans, and for past loans the Council decided that the prepaid margin not yet accrued would be reimbursable to borrowing countries (unless the programme failed). For Ireland, therefore, this reimbursement fell due on 18 July 2016. On this date a payment of EUR 554 million was received. This comprises EUR 484 million of not yet accrued margins (EUR 45 million having already accrued) together with EUR 70 million of earnings on these amounts (cash invested by the EFSF).

Eurostat and the Irish statistical authorities discussed the nature and time of recording of flows involved with this reimbursement in the Irish accounts.

Discussion and methodological analysis

Prior the mission, the Irish statistical authorities were asked to provide Eurostat with details of the recording in the financial and non-financial accounts.

The Irish statistical authorities explained that, in the financial accounts, the cash reserve has been treated from the outset as an AF.2 asset and has been maintained at the same level over the period 2011-2016. The imputed interest flows have not been included in interest expenditure, except in 2011 when the BOP²⁸ interest data were used, which included also the imputed element of the EFSF interest. As a result, no revenue needed to be recognised in 2016 in relation to the prepaid margins, aside from the EUR 70 million of earnings made by the EFSF placements (Option 2).

The Irish statistical authorities discussed with Eurostat how the prepaid margin reimbursement should be recorded in national accounts, and how similar transactions have been recorded in other Member States. Eurostat explained the Portuguese case of the recording, where the prepaid margin was treated as discount/rebate and recorded as accrued expenditure (interest costs) over the life of the loan and as revenue (a capital transfer) of central government at time of refund, i.e. at the original maturity (Option 1).

The Irish statistical authorities thought that Option 1 was much more pertinent. Eurostat agreed that both options had merits, but considered that the accounting option to favour was the one that had been agreed at that time.

Findings and conclusions

Action point 38. *The CSO and the NTMA will record in 2011 the interest expenditure accrued related to EFSF borrowing, earned by creditors in 2011 (for EUR 45 million).²⁹*

Deadline: by April 2017

Action point 39. *The CSO and the NTMA, depending on the conclusions of Eurostat after consulting other Member States concerned, will either record the EUR 529 million as accrued expenditure over 5 years and book the EUR 554=484+70 million as a revenue of central government in 2016 (option 1), or keep the existing recording and record only the EUR 70 million as a revenue of government (option 2). In this last case, Eurostat will clarify the way*

²⁸ The balance of payments

²⁹ The CSO has since implemented the recording as agreed during the mission. Eurostat considers this action point to have been completed.

to record the difference between the discount on the margin at inception and the realised EUR 70 million.³⁰

Deadline: by April 2017

4.3.7. Others

Introduction

Eurostat and the Irish statistical authorities discussed briefly the number of other issues under this point: Lease and licences, Guarantees, Government claims, Financial derivatives, Sale and leaseback operations, Energy performance contracts and Emission permits.

Discussion and methodological analysis

Lease under a concession arrangement

The Irish statistical authorities initiated this topic concerning the government lease of part of property constructed under a concession arrangement. The planned project is to provide student accommodation in a Dublin college campus. It is expected that this may form a model for provision of student accommodation in other colleges. The procurement is being designed as a concession, with the college in question entering into a contract with a private operator to design, build, finance, operate and maintain a student accommodation complex on the college grounds. The college may make a contribution towards the construction of the project. The college's contribution is likely to be funded by student levies. In return, the plan is for the private partner, in addition to provide and maintain a student accommodation complex, to make an empty ground floor / basement units available for the use by the college authorities. The Irish statistical authorities also enquired on whether there would be accounting consequences if the college had the right to reserve a proportion of rooms (nomination rights) in any given year and the associated obligation to pay for any reserved rooms.

Licences

The Irish authorities provided Eurostat with an update note on the National Lottery Licence, explaining the recordings in government accounts, which is in line with the Eurostat's decision during the April 2016 EDP notification.

The main issue is the time of the recording of the licence fee income. The income is recorded as "Other Tax" (D.29). As the full amount paid up front covers the 20 year period, the tax will be accrued over 20 years. The value of the cash received up front in 2014 has been valued to reflect the future value of the tax accrual amounts. The total amount due is recorded in the 'Other accounts payable' liability (AF.8), which will be reduced each year by the income streams.

Eurostat informed the Irish statistical authorities that this issue is foreseen to be discussed in the forthcoming EDPSWG. The CSO agreed to make a presentation on this issue at the EDPSWG. In the meantime, the CSO should not change the method applied before a final decision of the WG is reached.

Guarantees

³⁰ The CSO has since implemented the option 1 as per Eurostat advice by email on 16.03.2017.

The Irish statistical authorities provided Eurostat with a list of companies which benefitted from government guarantees, of which some are classified in the General Government sector, such as Irish Water and Strategic Banking Corporation of Ireland. In the questionnaire related to EDP tables, the CSO is only reporting the total stock of guarantees provided and fees collected for guarantees. All guarantees provided by government are reported annually in the audited Finance Accounts.

The CSO confirmed that there were no new guarantees provided in 2015 and 2016 and explained that there is a systemic way of checking guarantees at the central government level.

Government claim arising from a Commission ruling

The European Commission ruled in August 2016 on a State aid case in Ireland. As a result of this ruling, Ireland has been instructed by the Commission to recover up to EUR 13 billion from the company in question covering a ten year period.

The CSO latest information is that the Government has decided to bring an appeal before the European Courts to challenge the European Commission's decision on the State aid case.

Eurostat stressed that the claim should be recorded in national accounts only at the time when the amount will be certain and the decision final.

Financial derivatives

The size and nature of the hedging activity in 2017 is expected to be similar to that of 2016.

Sale and leaseback operations

The Irish statistical authorities confirmed that there are no occurrences of sale and leaseback operations in Ireland. Eurostat enquired about data source used for this purpose. The CSO explained that there is no data source directly available to the statistical office, but identification of sale and leaseback operations goes through GFSLC structures.

Energy performance contracts

Eurostat asked about the implementation of Eurostat guidance note on energy performance contracts. The Irish statistical authorities have not been aware of the existence of any existing contracts, but confirmed that the interest for such contracts exists.

Emission permits

The CSO agreed to investigate whether the statistical recording of the emission trading allowances is according to ESA2010, which means that receipts from the auction will not be recognized as revenues in national accounts at the moment of the auction but only when the permits will be submitted.

Eurostat enquired whether it would be possible to fill in a new table on pollution permits which contains information on permits issued free of charge, sold and surrendered. The Irish authorities agreed to fill in the template.

Findings and conclusions

Action point 40. Eurostat will add to the list of EDP methodological issues the question of the recording of interest on long-term payables arising from sales of licenses and permits or on lump sum for pensions. The CSO agreed on presenting the issue.

Action point 41. *The Irish statistical authorities will revise the classification of proceeds resulting from pollution permits. The CSO will request the Environmental and Protection Agency to report, using the template provided by Eurostat, information on permits issued free of charge, sold and surrendered, by April 2017 and provide to Eurostat.*³¹

Deadline: by April 2017

5. Other issues

5.1. ESA 2010 Transmission Programme

Most of the open issues connected with GFS were discussed under other relevant points.

³¹ The classification of the proceeds from the sale of these permits has been revised, impacting P.131 and D.29 for the years affected.

EDP dialogue visit to Ireland, 23-24 January 2017

Draft Agenda

1. Statistical capacity issues

- 1.1. Institutional responsibilities in the framework of the compilation and reporting of EDP and government finance statistics
- 1.2. Data sources and revision policy, EDP Inventory
- 1.3. Compliance with Council Directive 2011/85

2. Follow up of the November 2014 EDP dialogue visit

3. Follow-up - Analysis of EDP tables - Actual data October 2016 EDP reporting

4. Methodological issues and recording of specific government transactions

- 4.1. Delimitation of the general government sector
- 4.2. Implementation of the accrual principle
 - 4.2.1. Taxes and social contributions
 - 4.2.2. Interest
 - 4.2.3. EU flows
 - 4.2.4. Military equipment
- 4.3. Recording of specific government transactions
 - 4.3.1. Government operations relating to the financial crisis – follow up
 - 4.3.2. PPPs and concessions
 - 4.3.3. Capital injections and dividends
 - 4.3.4. Social housing
 - 4.3.5. UMTS/LTE
 - 4.3.6. EFSF pre-paid margin
 - 4.3.7. Others: (Lease and licences, Guarantees, Government claims, financial derivatives, Sale and leaseback operations, Emission permits, etc.)

5. Other issues

- 5.1. ESA 2010 Transmission Programme

EDP dialogue visit to Ireland, 23-24 January 2017

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