



Irish Fiscal Advisory Council

Irish Fiscal Advisory Council,
Whitaker Square (ESRI Building),
Sir John Rogerson's Quay,
Dublin D02 K138,
Ireland.

24 January 2024

Dear Minister McGrath, (cc Cathaoirleach, Committee on Budget Oversight)

We are writing as members of the Irish Fiscal Advisory Council. As an independent statutory body, the Council plays a key role in Ireland's fiscal framework.

While we thank you and your Department for assistance with the implementation of many of the OECD's recommendations following their review of the Council in 2021, this letter relates to our concerns at the lack of progress to address their recommendations on the leadership arrangements. We are particularly worried about the impact of a proposed reform to the Chairperson's role set out by the Department of Finance / Department of Public Expenditure, NDP Delivery and Reform ("the proposal"). The Council received this proposal by email on December 15th, 2023 and we have since engaged in a constructive dialogue on it with officials from the Department of Finance and the Department of Public Expenditure, NDP Delivery and Reform. But there has been no resolution.

Specifically, the proposal reduces the standing of the Council and its Chairperson via a cut in the rate of pay per day, effectively demoting the position. This is likely to reduce the pool of potential applicants and poses risks to the Council's work and its ability to deliver on its mandate. The key issues are:

- An OECD Review in 2021 recommended advertising the role of Chairperson as an up-to-half-time position because the existing arrangements of 2-3 days per month do not accurately reflect the time commitment involved. As noted in the OECD review, "this role can be particularly challenging to balance with other work commitments" and "it is not unusual for Council members to dedicate significant personal time to the role." Revealingly, no Chairperson has served more than one term in the role. The OECD reform would "provide greater clarity on the significant time commitment that the post demands" and we support its implementation which would bring our arrangements closer to international best practice (identified as full time by the OECD).
- When the Chairperson role became vacant in July 2023, it was an opportune moment to implement this OECD recommendation which is difficult to implement while a Chairperson is in situ. Michael McMahon was enthusiastic to see the changes implemented to strengthen the Council and so he agreed to become Acting Chairperson. This was on the understanding that he would step down once changes were implemented, and once the role was filled permanently.
- The Government's proposal is to recognise an increase in the number of days required for the Chairperson's role from around 30 days annually up to potentially 96 (which still falls short of the OECD recommendation). But the proposal also reduces the per day fee that can be made available from that of Assistant Secretary level (€684) to that of Principle Officer level (€377), effectively demoting the Chairperson. Such a reduced daily payment is well below the rate of payment of suitably qualified candidates, significantly limiting the pool of potential candidates.
- The Council does not operate like a typical state board that oversees the work of a staff with delegated authority. The Fiscal Responsibility Act 2012 places responsibility on the five-person Council to discharge

our legislative functions. As such, the Council, and especially the Chairperson who is the accountable officer, effectively act in an executive role. This includes directing analysis and report drafting, managing Council administration, and representing the Council with the Oireachtas, the media and other stakeholders domestically and internationally. Failing to acknowledge the executive responsibility that goes with the role leads to incorrect benchmarking of the appropriate compensation for the role.

- Given the effectiveness of the existing model (the OECD noted that we operate to international standard and produce important independent analysis), the Council do not wish to change our operating model. It is vital that we preserve our independence in determining how we perform our functions.
- The Chairperson typically does not directly receive the compensation; the payment is, instead and appropriately, used to buy out their time from their main employer (usually an academic or research institution). Under the proposal, while the total cost to the Council's Budget is increased by 75%, the workdays required increases over 300%. Academic or research institutions would not generally approve such a large time commitment with inadequate compensation to either cover salary costs they incur while the Chairperson works for the Council, or to cover teaching.
- The proposed reform does not necessarily lead to significant savings for the public purse; the costs of the Chairperson, and other Council Members, come out of the Council's budget as set out in the Fiscal Responsibility Act 2012.

It is vital for the long-term stability of the Council that the reform to the Chairperson role is properly designed. The proposal is unsatisfactory, it demotes the standing of the Chairperson and likely fails to meaningfully free up the Chairperson's time from their main role. Proceeding with a lower level of payment would weaken Ireland's budgetary watchdog and would signal a lack of commitment to Ireland's fiscal framework. The national and fiscal costs of damage to fiscal credibility can be large and widely felt.

The Council would welcome a revised proposal before advertising the position. This should recognise the extra days required while maintaining the per diem rate at its current implied level (€684). This would entail a maximum cost to the Council's budget of €65,664. This compares to the €20,520 fee currently (which has not changed since 2010 and so has fallen in real terms by almost 20%). By providing adequate resources to buyout their other employment responsibilities, the OECD's recommendation can be meaningfully implemented, and the Chairperson role can be made attractive and feasible for a diverse pool of suitably qualified candidates.

It is important that the process begins to fill the two current Council vacancies and so we stand ready to meet to discuss the matter further with you or your officials in the next two weeks to resolve this in advance of the upcoming SPU process.

Signed



Michael McMahon



Adele Bergin



Alessandro Giustiniani

Background and Calculations

The Chairperson role currently entails an annual fee of €20,520, for an advertised time commitment of 2 to 3 days a month. Assuming an average of the advertised time commitment of 2.5 days per month (30 days annually), the fee implies a daily rate of €684. This is around the level of a full Professor in academia, an Assistant Secretary in Civil Service terms, or Director level in the Central Bank. (This is in line with category 2 of state board appointments fees as described [here](#).)

As part of its 2021 Review (<https://www.fiscalcouncil.ie/wp-content/uploads/2021/02/oecd-review-of-the-irish-fiscal-advisory-council.pdf>), the OECD recommended an increase in the compensated time commitment. This reflects the expectation that the Chairperson of a Fiscal Council is unlike other State board roles where the Chairperson is one of non-executive oversight. In addition to inputting into the Council's substantive outputs, the Chairperson of the Fiscal Council is expected to be the face of the Council for key stakeholders including the parliament, the media, and the public. In this role, the Chair is required to be available at short notice and needs to be able to communicate complex issues in simple terms and ensure successful messaging.

Moreover, the Fiscal Responsibility Act 2012 does not delegate responsibility for mandated functions to the executive staff (unlike in other entities such as the NTMA and Central Bank Commission). Instead, responsibility for the legislative functions remains with the Council members. The Council is responsible for financial, governance, and administrative duties, with the Chairperson taking the lead role. The Chairperson is designated in the Fiscal Responsibility Act as the body's Accountable Officer. These responsibilities include:

- The functions mandated by the Fiscal Responsibility Act;
- Management and appointment issues (such as determining the appropriate organisational structure for the Fiscal Council including job descriptions);
- Communications and strategy (such as approval and sign-off of all Fiscal Council publications and press releases, and final sign-off on expenditures incurred);
- Financial reporting and controls (such as approving all transactions as presented in the monthly transaction report);
- Contracts and remuneration (such as reviewing and approving contracts entered into by the Fiscal Council, specifically any Service Level Agreements);
- Internal controls and corporate governance (such as preparation of the Statement of Strategy and setting and signing off on policies in relation to corporate governance).

As noted in the OECD (2021) Review of the Fiscal Council, other international peer institutions, such as the Hellenic Fiscal Council, the Portuguese Public Finance Council and the Slovenian Fiscal Council, also have the Chair as the accountable officer and the role involves similar executive functions. However, these institutions all have full-time Chairs.

In fact, given the demanding nature of the Chairperson role, most peer Fiscal Councils have decided to employ a half- or full-time Chairperson. This includes many similarly sized institutions to the Irish Fiscal Advisory Council. The role is a full-time one in the case of the Czech Fiscal Council, the Lithuanian fiscal council, and the Hellenic Fiscal Council in Greece. In Finland, the director for the Independent Fiscal

Institution is full-time but devotes roughly 50% of their time to the IFI Team. In Slovenia, the role is legally at least half-time, and currently full-time. In a set of fundamental “Principles for Independent Fiscal Institutions” set out by the OECD a decade ago, the position of the head of bodies like the Fiscal Council are also identified as something that should be preferably full-time positions.¹

For context, the Chair of Office for Budget Responsibility (OBR) in the UK, the Council’s equivalent, is full-time and has a salary of £170,000. The OBR also has a position of non-Chair board member with remuneration close to £140,000 per annum. The role is primarily geared towards a half-time position (though some appointees have worked closer to 70% time), meaning that in practice, the amount involved would be closer to £70,000 per annum.

Under the proposal, the Council can allocate more budget to the position but with a significant increase in the expected days of work. It is proposed that there would be a per diem rate of payment of €377 which would be in line with category 3 level of payment). At this level the remuneration of the Chairperson is just above Principal Officer 1 level. This represents a 45% decrease in the daily rate of payment for the Chair position (from €684 to €377). In theory, if a Chair were to work the maximum allowable 96 days, the total cost to the Council Budget would be €36,192 (compared to the €20,520 fee currently). But such an amount would require many more days of work (96 versus 30). To achieve the same €20,520 as currently, 54 days, rather than the 30 days at present, needs to be worked. This reflects the reduced level of payment that is being proposed.

¹ The principle is set out as “2.4 The position of head of the IFI should be a remunerated and preferably full-time position. Strict conflict-of-interest standards should be applied.”