



PULSAR joint Education and Financial Reporting Communities of Practice

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Consolidation from conceptual and macro-fiscal perspectives – the European experience

**John Verrinder
European Commission - EUROSTAT**

Overview

- European fiscal governance and EPSAS
- EPSAS discussions on consolidation
- Consolidation in European fiscal statistics
- Linking consolidation in public accounts with consolidation in fiscal statistics

European fiscal governance and EPSAS

- European fiscal governance is based on Government Finance Statistics...
 - **Excessive Deficit Procedure (EDP)**
 - **Government deficit and debt as % GDP**
- **European Public Sector Accounting Standards (EPSAS)** project – harmonised accruals-based accounting standards across levels of government and between countries
- European **Directive on Fiscal Frameworks** deals with minimum standards in public accounting systems for producing GFS

EPSAS discussions on consolidation

- Starting point for the discussion – IPSAS approach to consolidation
- Treatment of public corporations – burden to consolidate and consideration of **equity approach**
- Public banks and other financial entities
- Treatment of **small and less risky entities**
- Whole of government accounts
- See the EPSAS issues paper:

[EPSAS - Library \(europa.eu\)](http://europa.eu)

EU situation on consolidation in public accounts

- Representative sample study of 9 EU Member States
- Broad range of **consolidation practices...**
 - **Consolidation based on control (e.g. Estonia, Cyprus)**
 - **Consolidation based on judicial decision (e.g. Sweden)**
 - **Consolidation based on statistical principles – general government sector (e.g. Belgium)**
- Split between countries using “sub-consolidation” (= chain) and “direct consolidation” (report to top entity)

EU situation continued...

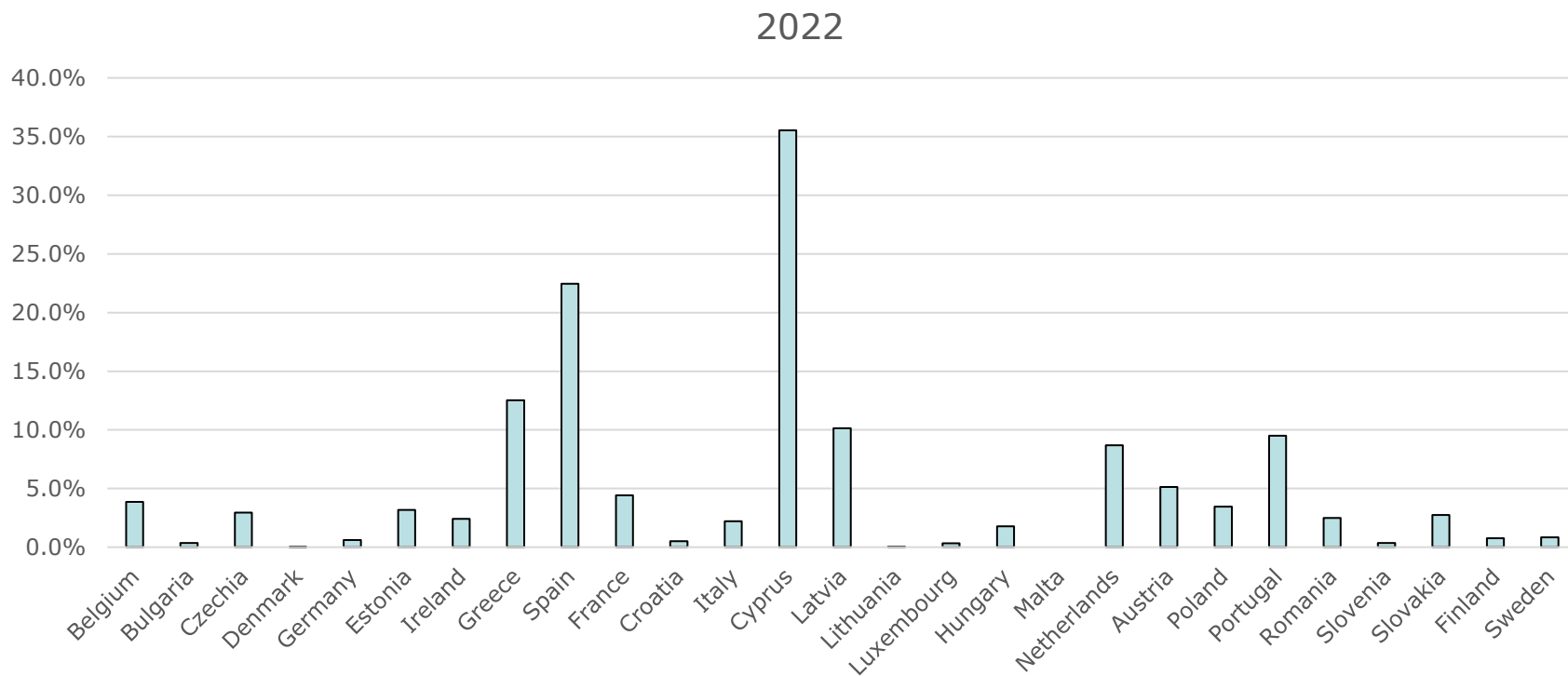
- Some use of the **equity method** for selected entities, e.g.
 - **Spain for credit institutions and insurance companies**
 - **Austria, France, Latvia, Lithuania, Sweden for commercial public sector entities**
- **Materiality** threshold in Cyprus (1% of the three year average CG expenditure); “trivial” entities stay on cash and provide basic consolidation information
- All countries provide **harmonised reporting templates** (in some cases linked to common charts of account) and instructions for group entities
- See recent Expert Group document

Consolidation in European GFS

- Most GFS data are presented consolidated (policy relevant)
- Same approach as in worldwide GFS standards
- Highly relevant for debt, expenditure and revenue measures
 - **EU (Maastricht) debt measure is consolidated**
 - **Specific rules on what to consolidate for expenditure and revenue**
- Eurostat checks on consolidation practices

Consolidation impacts

General Government Debt, % GDP



Consolidation linkages

- Differences in consolidation approaches between public accounting and GFS can create challenges for GFS compilation:
 - **Where a group consists of GG and non-GG units, these must be separated**
 - **Explaining the impacts of the concept of control**
 - **Level of consolidation by transaction may differ**
 - **Materiality levels**

Thank you



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