

## **Government Finance Statistics and the Enhanced Economic Governance package (Sixpack) - reconciliation table**

*Description of differences to publications in the National Accounts*

*Statistics Netherlands, May 2015*

The Enhanced Economic Governance package describes a set of European legislative measures to a greater macroeconomic surveillance and to reform the Stability and Growth Pact. This package of five regulations and one directive is often referred to as "Sixpack".

Directive EU-2011/85 requires the administrative publication of revenues and expenditures of the government of the Netherlands, together with an explanation in terms of existing publications.

Sixpack publications of administrative revenues and expenditures is broken down into two parts:

- 1) monthly figures of revenues and expenditures of the sector central government and social security funds, and
- 2) quarterly figures of revenues and expenditures of the sector local government.

Revenues and expenditures of central government and the social security funds are published on a quarterly and annual basis by the National Accounts. Since February 2014 monthly figures are also published in accordance with the Sixpack Directive. These monthly figures are not directly comparable with quarterly and annual figures in the National Accounts, because the monthly figures are cash-based. Also the method of recording differs on some points to the method used by the National Accounts.

The sector local government includes the main units of local government (provinces, municipalities, water boards and communal arrangements) as well as other local authorities, such as schools, public libraries and museums. Revenues and expenditures of the sector local government are published on a quarterly and annual basis by the National Accounts, in accordance with Directives of the European System of Accounts (ESA). Since the first quarter of 2014 quarterly figures are also published in accordance with the Sixpack Directive. These quarterly figures are not directly comparable to quarterly and annual figures in the National Accounts.

Quarterly figures of the main units of local government in accordance with Sixpack comply directly with figures provided by the local government entities. This means that these figures are compiled according to the national law for the financial administration and consequently differ from figures compiled by ESA standards. Lastly, no corrections are made for potential errors in recordings in the source data. However, if the provided local government data are of poor quality, they are not used but replaced by estimated figures. For the other local authorities, sources are not directly available on a quarterly basis. Estimations are made based on information from the Ministry of Finance and pay-roll information from the tax authority and the Employment Insurance Agency (UWV).

For the purpose of transparency and by way of explanation, this reconciliation table has been compiled with a description of the differences between the administrative monthly and quarterly Sixpack figures and the quarterly and annual figures in the National Accounts.

|                | Central government   | Social security funds   | Local government  |
|----------------|--|---|---|
| <b>Sources</b> | <p><i>The State</i></p> <p><b>Primary source</b><br/> <b>Revenues and expenditures core departments and budgetary funds</b><br/> Type: Cash-based figures via Ministry of Finance<br/> Frequency: Monthly<br/> General information: Statistics Netherlands receives monthly cash-based information on revenues and expenditures from core departments (ministries excluding agencies) and budgetary funds. The cash-based data comprise only part of the budget accounts.</p> <p><b>Annex I</b><br/> <b>Tax revenues</b><br/> Type: Cash-based figures via tax authority<br/> Frequency: Monthly<br/> General information: Statistics Netherlands receives a monthly overview of tax revenues from the tax authority.</p> <p><b>Annex II</b><br/> <b>Revenues and expenditures agencies</b><br/> Type: Estimates/surveys<br/> Frequency: Monthly estimates/ quarterly surveys<br/> General information: Revenues and expenditures of agencies are estimated on the basis of budget accounts and previous annual figures. The annual figures and budgetary accounts on which estimates are based, are accrual-based instead of cash-based. Because further information is missing, no further corrections are made. Moreover, ten large agencies are surveyed quarterly.</p>  | <p><i>Social security funds</i></p> <p><b>Primary sources I</b><br/> <b>Revenues and expenditures Employment Insurance Agency (UWV) Funds</b><br/> Type: Cash flow report<br/> Frequency: Monthly<br/> General information: Statistics Netherlands receives monthly cash-based data on revenues and expenditures from funds managed by the Employment Insurance Agency (UWV). This comprises information from the funds for disability (AOF and WAJONG/AFJ), unemployment (AWF and SFN), government executive (UFO), work reintegration (WHK), and supplementary payments (TF).</p> <p><b>Primary sources II</b><br/> <b>Revenues and expenditures Social Security Bank (SVB) funds</b><br/> Type: Cash flow report<br/> Frequency: Monthly<br/> General information: Statistics Netherlands receives monthly cash-based data on revenues and expenditures from funds managed by the Social Security Bank (SVB). This comprises information concerning the General old age pensions act (AOW), Surviving relatives act (ANW) and twenty other funds.</p> <p><b>Primary sources III</b><br/> <b>Revenues and expenditures National Health Care Institute (ZIN) funds</b><br/> Type: Cash flow report<br/> Frequency: Monthly<br/> General information: Statistics Netherlands receives monthly cash-based data on revenues and expenditures from funds managed by the National Health Care Institute (ZIN). This comprises information concerning the Long-term Care Act (WLZ) and the Health Care Insurance Act/Cure Insurance Act (ZVW).</p> | <p><i>Main units of local government</i></p> <p><b>Primary source</b><br/> <b>Information provision by individual entities via 'Informatie voor derden' (Iv3)</b><br/> Type: Revenues and expenditures<br/> Frequency: Per quarter<br/> General information: Statistics Netherlands receives quarterly information on revenues and expenditures from all provinces and water boards, and partly from communal arrangements and municipalities. Only municipalities with over 20,000 residents are required to provide data. For communal arrangements this applies only to entities with total expenses of over 20 million euros on an annual basis. The data are provided under Dutch law on the financial administration of local government entities (Dutch: Besluit Begroten en Verantwoorden BBV, for water boards this is BBV-W). The data are classified by economic category (e.g. salaries, interest and transfers in cash or in-kind) and by function (e.g. traffic and transport, education, social services).</p> <p><b>Additional estimate I</b><br/> <b>Additional estimate for small municipalities</b><br/> (municipalities with less than 20,000 residents)<br/> Method: Municipalities with fewer than 20,000 residents do not provide financial information (Iv3) on a quarterly basis to the Statistics Netherlands. They do provide this on an annual basis. The additional estimate for these municipalities is calculated by multiplying the total data sets of municipalities with 20 to 50 thousand residents by the ratio between the total number of residents of small municipalities and those with 20 to 50 thousand residents. In other words: the estimation is based on the number of residents. This additional estimate is about 10 percent of the total income and expenses of municipalities.</p> <p><b>Additional estimate II</b><br/> <b>Additional estimate for small communal arrangements</b><br/> (total expenses less than 20 million on an annual basis)<br/> Method: Communal arrangements (GR) with total annual expenses of less than 20 million euros do not provide financial information (Iv3) to Statistics Netherlands, neither quarterly nor annually. Statistics Netherlands does receive the (paper) annual budget of these GRs. Based on this information, Statistics Netherlands compiles financial information (ann Iv3) manually with annual figures for every individual GR (this is also called manual imputation). This occurs on average once every three years. The imputed Iv3-data of previous years are incremented with the development of large GRs with the same activities (which report financial information) to the current year t. The annual figures are distributed evenly over the quarters. This additional estimate is about 10 percent of the total income and expenses of communal arrangements.</p> <p><b>Additional estimate III</b><br/> <b>Additional estimate for non-responses</b><br/> Method: If an entity (municipality, GR, province or water board) does not provide an Iv3 or provides an Iv3 of poor quality, then an Iv3 is composed manually (imputation) for this entity. This imputation is based on previously received Iv3-data from this entity (previous quarter, annual and/or budgetary figures) and the developments observed in the group that provided data. This type of additional estimate seldom occurs.</p> <p><i>Other local government institutions</i></p> <p><b>Source I</b><br/> <b>Revenues and expenditures core departments and budgetary funds</b><br/> Type: Cash-based figures from Ministry of Finance<br/> Frequency: Monthly<br/> General information: The revenues and expenditures of publicly financed educational institutions (excl. universities) and non-profit institutions are derived from the contributions of the State. These State contributions come from the primary source of the State.</p> <p><b>Source II</b><br/> <b>Pay-roll declaration</b><br/> Type: Declaration data from the tax authority<br/> Frequency: Monthly<br/> General information: Statistics Netherlands receives monthly pay-roll data about non-academic financed educations and non-profit institutions from the tax authority and Employment Insurance Agency (UWV).</p> <p><b>Source III</b><br/> <b>Annual figures and budget accounts</b><br/> Type: Estimate<br/> Frequency: Monthly<br/> General information: The estimates of revenues and expenditures of publicly financed educational institutions (excl. universities) and non-profit institutions are completed using previous annual figures and budgets. The annual figures and budgets on which the estimates are based are income-expense based instead of cash-based. Additional information is not available, hence no further corrections are made.</p> |
|                | <p><i>Other central government institutions</i></p> <p><b>Source I</b><br/> <b>Revenues and expenditures of core departments and budgetary funds</b><br/> Type: Cash-based figures via Ministry of Finance<br/> Frequency: Monthly<br/> General information: The revenues and expenditures of academic education, non-profit institutions and public business associations are derived from contributions of the State. These contributions come from the primary source of the State.</p> <p><b>Source II</b><br/> <b>Pay-roll declaration</b><br/> Type: Declaration data from the tax authority<br/> Frequency: Monthly<br/> General information: Statistics Netherlands receives monthly pay-roll information about academic education and non-profit institutions from the tax authority and Employment Insurance Agency (UWV).</p> <p><b>Source III</b><br/> <b>Annual figures and budget accounts</b><br/> Type: Estimate<br/> Frequency: Monthly<br/> General information: The estimates of revenues and expenditures of academic education, non-profit institutions and public business associations is completed by using previous annual figures and the annual budget. The annual figures and budget on which the estimates are based are income-expense based instead of cash-based. Because further information is missing, no further corrections are made.</p> | <p><b>Annex I</b><br/> <b>Labor and administration costs other Social Security Fund (SZF) institutions</b><br/> Type: Annual reports (NZa and CAK), quarterly data sources (ZIN)<br/> Frequency: Annually, per quarter.<br/> General information: The Dutch Health Care Authority (NZa) and the Central Administration Office (CAK) are also part of the Social Security Funds (SZF). This comprises the labour and administration costs and government contributions that finance these institutions. As the contributions are relatively small and no monthly information is available, these institutions are additionally estimated based on the annual and quarterly figures. Labour and administration costs are also estimated for ZIN, as these are missing from the latter source.</p> <p><b>Annex II</b><br/> <b>Tax revenues (social contributions)</b><br/> Type: Cash-based data via tax authority<br/> Frequency: Monthly<br/> General information: Some data on social contributions are observed via the tax authority: social contributions under the Long-term Care Act (WLZ) and the Health Care Insurance Act (ZVW).</p>  |   |

|  | Central government   | Social security funds  | Local government   |
|--|--|--|--|
| Revision   | <p>Every monthly figure is being revised twice, specifically at the end of the next quarter and in June the following year. This leads to the following revision schedule:</p> <p>June: revision January, February, March and definite revision year-1<br/> September: revision April, May, June<br/> December: revision July, August, September<br/> March t+1: revision October, November, December</p> <p>If major adjustments to the figures become apparent within a month, these will be revised within the month concerned.</p>   | <p>Every monthly figure is being revised twice, specifically at the end of the next quarter and in June the following year. This leads to the following revision schedule:</p> <p>June: revision January, February, March and definite revision year-1<br/> September: revision April, May, June<br/> December: revision July, August, September<br/> March t+1: revision October, November, December</p> <p>If major adjustments to the figures become apparent within a month, these will be revised within the month concerned.</p>   | <p>Quarterly figures may be revised when the next quarter is published and when annual financial information becomes available. This leads to the following revision schedule:</p> <p>September: revision first quarter year t<br/> December: revision second quarter year t<br/> March t+1: revision third quarter year t<br/> December t+1: revision first to fourth quarter year t</p>  |
| Is the data also used for the quarterly statistics in the National Accounts? | Yes for the compilation of non-financial accounts. Statistics Netherlands has separate information for the composition of financial accounts in quarterly statistics.  | No, for the composition of the quarterly figures on an accrual basis different figures and process methods are used. The description of the method for the quarterly figures for Government finance, such as social security institutions, can be found at:<br><a href="http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/publication?p_product_code=KS-BE-06-001">http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/publication?p_product_code=KS-BE-06-001</a>   | Yes  |
| Transition from monthly cash-based figures to quarterly figures conform ESA  | <p>For the transition from monthly cash-based figures to quarterly figures in accordance with the ESA a few transactions are corrected for the moment of recording. This applies to transactions where the moment of expenditure or revenue - because of the cash-flow - is not in line with the moment the transaction is recorded according to the ESA (recording on accrual basis), namely:</p> <ul style="list-style-type: none"> <li>- expenditures of the VAT compensation funds</li> <li>- expenditures for health care allowance, housing allowance, childcare allowance and the child budget</li> <li>- GNI remittance to the European Union</li> <li>- expenditures for purchases of military goods</li> <li>- contribution to social security institutions</li> <li>- tax revenues</li> <li>- revenues from natural gas extraction</li> <li>- revenues from legislative social security institutions</li> <li>- revenues from sales of military goods</li> <li>- revenues from sales of emission rights</li> <li>- revenues from the auction of licences for mobile communication frequencies</li> <li>- other incidental and/or small transactions that need to be corrected for the moment of recording</li> </ul> <p>Furthermore, some other corrections or additions are made to meet the requirements of the ESA. These corrections have no impact on the balance. This applies to the following transactions:</p> <ul style="list-style-type: none"> <li>- Own capital is added to investments</li> <li>- The transfer from the State to social security funds (State contribution) is recorded on an accrual-basis as social services to households, see social security funds column</li> <li>- Employers' imputed social contributions are added</li> <li>- Social security benefits payable by employers are added</li> <li>- Interest received, interest payable and intermediate consumption are corrected for assigned bank services</li> <li>- Other incidental and/or small corrections</li> </ul> <p>Subsequently - in accordance with the ESA - another conceptual correction is made:</p> <ul style="list-style-type: none"> <li>- revenues from and expenditures to European Financial Stability Facility (EFSF) are added/subtracted</li> </ul> <p>Lastly, with regard to the transition to quarterly figures in accordance with the ESA, financial transactions are deleted from monthly figures. The quarterly figures of the financial accounts are compiled using a different process and on the basis of a different source.</p> | <p>Does not apply as other sources and methods are used for quarterly figures on an accrual basis than are for monthly figures on a cash basis. For this reason, transition from monthly to quarterly or annual figures is not possible. It is possible to give an overview of the most significant differences between the monthly figures on the one hand and quarterly and annual figures on the other:</p> <p>Differences in the used sources:<br/> For the composition of accrual-based quarterly figures different sources and methods are used than for cash-based monthly figures. The sources used for quarterly figures are: Quarterly supply from the administration of social security institutions, annual reports, reports of funds and social contribution overviews. These sources mainly comprises figures on an accrual basis.</p> <p>In addition to differences between sources, there is also a difference between how monthly figures and quarterly/annual figures are recorded. Quarterly and annual figures are recorded on an accrual basis. This has a few consequences:</p> <p>Revenues and expenditures of social security institutions in an intermediary role:<br/> All revenues and expenditures are registered on a cash basis. For some revenues and expenditures the social security institutions only serve as intermediaries. The National Health Care Institute (ZIN), for instance, arranges the international payments between the Dutch insurers and insurers abroad. These payments are not registered on an accrual basis. International payments for the legislative basic health care, however, are registered on an accrual basis.</p> <p>Revenues and expenditures of insurers:<br/> Revenues and expenditures of insurers under the Health Care Insurance Act (basic health care) are accrual-based assets and liabilities of the government. Because these cash flows do not run via the cash stock of the social security institutions, they cannot be registered on a monthly basis. This refers to the following transactions: medical benefits, nominal social contributions and purchases of social security services.</p> <p>On an accrual basis, social services are not included in the social security funds (but as part of central or local government). Social services are not financed by social contributions but directly by a State contribution. On a cash basis we register all cash flows registered by the Social Security Institutions, including those that are not related to social insurances or social contributions. This includes transactions under the Supplementary Payments Act (TW), Invalidity Insurance Act for Young Disabled Persons (WAJONG) and the General Family Allowances Act (AKW).</p> <p>On a cash basis, discounts with regard to social contributions are not registered. Only payments that are actually received are registered. On an accrual basis, these discounts on social contributions are added to total social contributions, while on the expenditure side a booking of equal value is made in the form of a subsidy or a transfer.</p> <p>On an accrual basis, investment leading to capital formation is added to investment for quarterly figures. Similarly, depreciations are also only registered on an accrual basis.</p> | <p>- Corrections of bookings<br/> These are reallocations between economic categories and 'level corrections'. Reallocations in economic categories are caused by wrong coding in the source data. In general these reallocations have no impact on the EMU balance. However, reallocations between economic categories because of conceptual differences between BBV and the ESA (such as the treatment of super dividends) may have impact on the EMU balance.</p> <p>Level corrections, which adjust the level of a record, do have an impact on the EMU balance. The level corrections are the consequence of wrong entries (e.g. too little salary is recorded because the administration of an entity is not completely up to date), implausible balance (for other local governments converse developments in different sources are corrected) and of differences between the BBV and the ESA.</p> <p>Level corrections include for example the even allocation of tax revenues and income transfers over quarters. In respect to the BBV, the tax revenues are booked once the assessment is made. As a consequence, the tax revenues of a whole year are generally recorded in the first quarter. Implementation of the ESA leads to even allocation of tax revenues over quarters for local authorities.</p> <p>- Reconciliation corrections<br/> In addition to the above, corrections are made per subsector (municipalities, GR, provinces or water boards) for the economic transactions interest and income/ capital transfers to comply with data from other subsectors of government such as central government and education institutions.</p> |