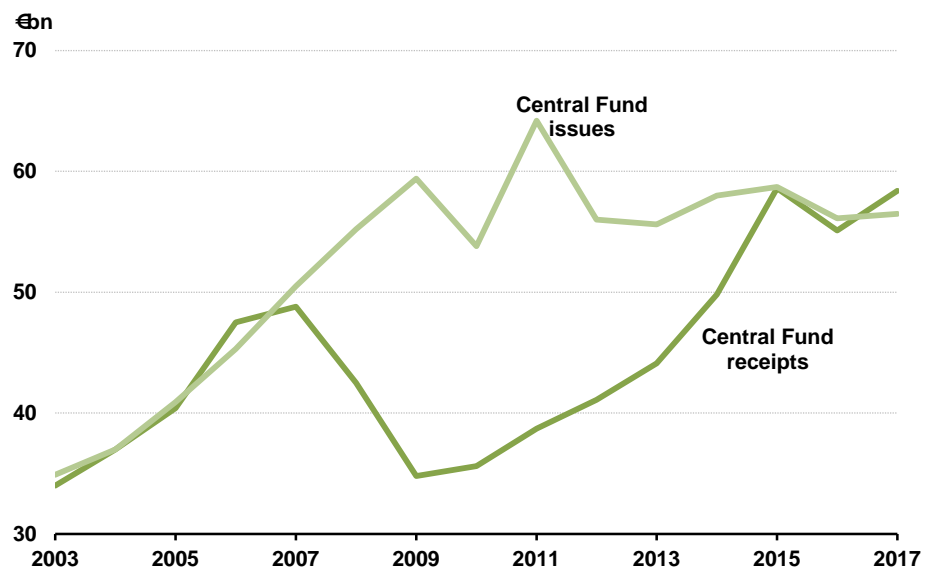


1 Exchequer financial outturn for 2017

- 1.1 All revenues of the State are paid into the Central Fund of the Exchequer unless otherwise determined by law.¹ Central Fund receipts include tax revenues and the proceeds of borrowing undertaken on behalf of the State by the National Treasury Management Agency (NTMA). Issues from the Central Fund are used mainly to fund expenditure on State services and to service and pay back State debt.
- 1.2 The annual Finance Accounts present the receipts into and issues from the Central Fund together with details relating to NTMA borrowing and information about certain liabilities and assets of the State. This report summarises the transactions on the Central Fund and highlights some key trends. Because the Finance Accounts do not include a balance sheet, the summary position in relation to key assets and liabilities, including the national debt, is also set out.
- 1.3 Excluding borrowing, the movement in the Central Fund receipts and issues over the period 2003 to 2017 is set out in Figure 1.1. For the first time in over a decade, receipts exceeded issues in 2017.

Figure 1.1 Central Fund receipts and issues, 2003 to 2017



¹ State revenue not paid directly into the Central Fund includes, for example, Pay Related Social Insurance receipts, which are paid into the Social Insurance Fund.

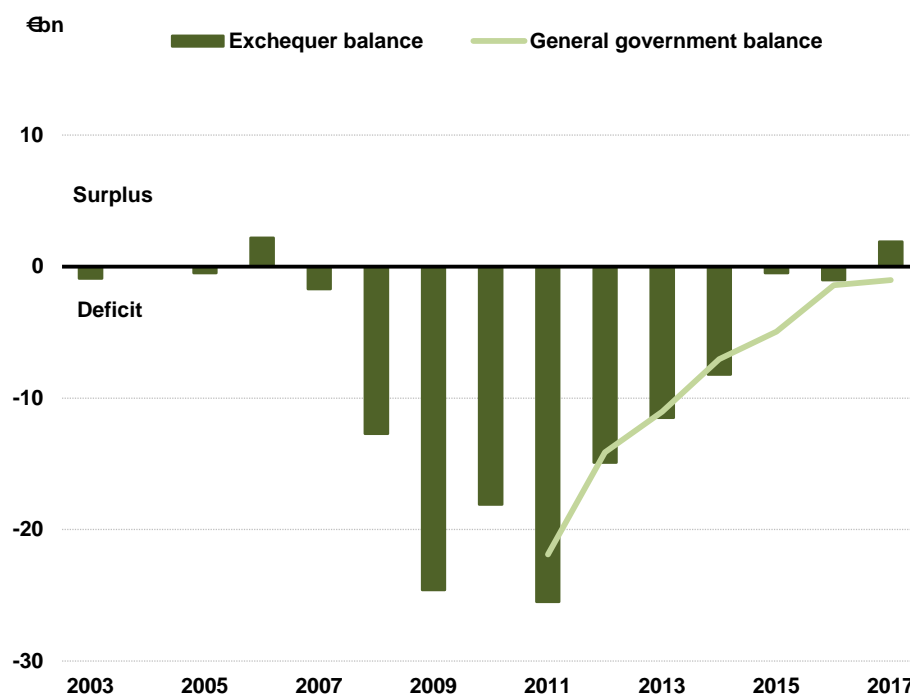
Source: Finance Accounts 2003 to 2017

Note: Receipts and issues shown exclude borrowing and repayment of national debt.

Exchequer balance

- 1.4 The Exchequer balance is the net surplus or deficit position of the Central Fund i.e. the surplus or deficit of Central Fund receipts over issues. In 2017, the Exchequer surplus was €1.9 billion. This compared to a deficit of €1 billion in 2016.
- 1.5 The general government balance is a broader measure than the Exchequer balance. It measures the fiscal performance of the general government sector, which comprises central government, local authorities, non-commercial State sponsored bodies, and funds such as the Social Insurance Fund managed by Government bodies. It does not include the transactions of commercial State sponsored bodies. It is the standard measure used for comparative purposes across the European Union.¹
- 1.6 Figure 1.2 shows both the Exchequer balance over the period 2003 to 2017, and the general government balance for 2011 to 2017. The general government balance for 2017 was a deficit of €1 billion compared to the Exchequer surplus of €1.9 billion. The difference between the measures relates mainly to the treatment of transactions associated with financial sector stabilisation measures.

Figure 1.2 Exchequer balance, 2003 to 2017 and general government balance 2011 to 2017



¹ The general government balance is used for fiscal monitoring under the European Union Stability and Growth Pact. The Pact is the set of rules under which member states of the European Union must manage their public finances.

Source: Finance Accounts 2003 to 2017 and CSO Government Income and Expenditure.

Central Fund receipts and issues

1.7 An analysis of Central Fund receipts and issues for the years 2013 to 2017 is set out in Figure 1.3.

Figure 1.3 Composition of Central Fund receipts and issues, 2013 to 2017^a

Receipts	2013	2014	2015	2016	2017
	€m	€m	€m	€m	€m
Current receipts					
Tax revenue	37,806	41,282	45,601	47,864	50,737
Transfer from Local Government Fund	—	520	481	318	230
Central bank surplus income	1,152	1,225	1,719	1,800	1,836
Dividends from State bodies	264	475	551	269	324
Other current revenues	1,260	746	765	717	475
Capital receipts					
Loans/advances repaid ^b	1,098	4,987	5,348	2,143	1,021
Financial sector stabilisation measures receipts	2,311	—	3,682	1,871	3,723
Exceptional capital receipts ^c	60	405	335	—	—
Other capital receipts	113	131	106	75	30
Total receipts	44,064	49,771	58,588	55,057	58,376
Issues					
Issues for voted expenditure	43,072	42,224	42,863	43,986	46,291
Service of national debt	7,459	7,579	7,107	6,845	6,227
Contribution to EU budget	1,726	1,685	1,952	2,023	2,016
Oireachtas Commission	101	101	106	114	110
Loans/advances ^b	1,444	4,875	5,111	2,320	963
Financial sector stabilisation measures	1,060	100	30	4	—
Irish Water (shares, capital contributions and loans)	—	461	96	184	270
Transfer to Local Government Fund ^d	—	484	461	463	480
European Stability Mechanism capital contribution	510	255	—	—	—
Ireland Strategic Investment Fund contribution	—	—	335	—	—
Payments to local authorities to repay HFA loans	—	—	427	—	—
Other payments	195	196	164	136	113
Total issues	55,567	57,960	58,652	56,075	56,470
Surplus/ (deficit) for the year	(11,503)	(8,189)	(64)	(1,018)	1,906

Source: Finance Accounts 2013 to 2017

- Notes:
- a Transactions of the Central Fund account and the Capital Services Redemption Account are consolidated. The latter account is maintained by the National Treasury Management Agency for servicing national debt and transactions of a normal banking nature.
 - b See Annex 1A for further details.
 - c Non recurrent receipts relate to: sale of mobile licences (2013); National Lottery licence sale receipts (2014); and Aer Lingus share capital disposal receipts (2015).
 - d Related to application of Local Property Tax receipts, which are included in tax revenue.

Central Fund receipts

1.8 Receipts into the Central Fund in 2017 totalled €58.4 billion. This represented an increase of €3.3 billion (6%) relative to 2016 receipts. An increase in tax revenue accounted for €2.9 billion of this. Receipts increased for all taxes.

1.9 There was an increase in capital receipts primarily due to the sale of 29% of the State's shareholding in AIB for €3.4 billion in 2017. This is included in the financial sector stabilisation measures receipts.

Central Fund issues

1.10 Issues from the Central Fund in 2017 amounted to €56.5 billion, which represents an increase of less than 1% on 2016. Significant components were

- issues for voted services increased by 5% to €46.3 billion
- payments of €6.2 billion related to servicing of borrowing undertaken by the NTMA were 9% lower than in 2016
- the year-on-year reduction of €1.4 billion in loans and advances issued was mainly because there was no requirement for cash flow advances to the Social Insurance Fund in 2017.

Government funding of Irish Water

1.11 In 2017, a total of €1.2 billion was provided to Irish Water (see Figure 1.4).

Figure 1.4 Government funding of Irish Water, 2013 to 2017

	2013	2014	2015	2016	2017	
	€m	€m	€m	€m	€m	€m
Recurrent funding						
Local Government Fund subventions	—	439	399	652	639	
Vote for Housing, Planning and Local Government	1	—	—	—	292	
Total recurrent funding	1	439	399	652	931	
	2013	2014	2015	2016	2017	Total
	€m	€m	€m	€m	€m	€m
Capital contributions and loans						
Central Fund capital contributions	—	407	—	280 ^a	—	687
Share capital acquired	—	—	54 ^b	—	270	324
Central Fund convertible loan ^b	—	54	(54)	—	—	—
Central Fund working capital loan	—	—	96	(96)	—	—
Ireland Strategic Investment Fund ^c	250	50	—	—	—	300
Total capital contributions and loans	250	511	96	184	270	1,311

Source: Finance Accounts 2013 to 2017. Local Government Fund Accounts 2013 to 2017, Department of Housing, Planning and Local Government.

- Notes:
- a Comprises €184 million issued from the Central Fund in 2016 and conversion of a working capital loan of €96 million.
 - b Convertible debt instrument issued by Irish Water in 2014 and held by the Minister for Finance converted into an equity holding in Irish Water in September 2015.
 - c The aggregate €300 million facility provided in 2013 and 2014 was refinanced and replaced by a new €300 million Ireland Strategic Investment Fund (ISIF) facility in September 2015 (and extended in September 2016). ISIF has made a further €150 million facility available to Irish Water but no funds have been drawn down to date against that facility.

Exchequer assets

Cash and financial assets

- 1.12 The level of cash and other financial assets held by the Exchequer increased from €11.1 billion at end 2016 to €13.2 billion at end 2017 (see Figure 1.5). The increase of €2.1 billion or 19% reflects the impacts of the surplus of €1.9 billion and net cash borrowing of €0.2 billion in the year.

Figure 1.5 Movements in Exchequer cash and financial asset balances, 2013 to 2017

Movement in year	2013	2014	2015	2016	2017
	€m	€m	€m	€m	€m
Balance at 1 January	23,850	23,601	14,759	13,554	11,119
Net Exchequer borrowing/ (repayment) in year	11,254 ^a	(653)	(1,141)	(1,417)	193
Exchequer surplus/(deficit)	(11,503)	(8,189)	(64)	(1,018)	1,906
Balance at 31 December	23,601	14,759	13,554	11,119	13,217
Composition of cash and financial assets at 31 December	2013	2014	2015	2016	2017
	€m	€m	€m	€m	€m
Central Bank Exchequer account	4,432	4,089	7,964	8,385	10,533
Commercial bank deposits ^b	11,068	5,540	1,779	199	—
Non-Irish treasury bills	3,041	1,474	1,184	—	—
SBCI medium-term guaranteed notes ^c	—	—	—	85	85
Loans to Housing Finance Agency	3,704	3,145	2,424	2,032	1,742
Collateral funding	1,356	511	203	418	857
Balance at 31 December	23,601	14,759	13,554	11,119	13,217

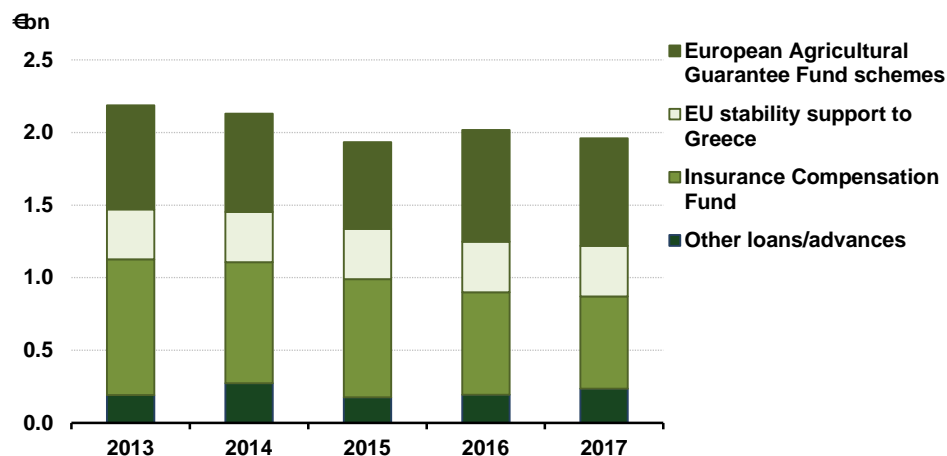
Source: Finance Accounts 2013 to 2017. Any apparent differences in totals are due to rounding.

- Notes:
- a Excludes floating rate bonds of just over €25 billion issued to replace Irish Bank Resolution Corporation promissory notes.
 - b Includes collateralised deposits and tri-party repurchase agreements.
 - c Strategic Banking Corporation of Ireland (SBCI) was established under the Strategic Banking Corporation of Ireland Act 2014. Its aim is to ensure access to flexible funding for Irish small and medium enterprises by facilitating the provision of lower-cost funding and flexible products. The issued share capital of the SBCI is owned solely by the Minister for Finance.

Exchequer loans and advances

- 1.13** Excluding lending of €1.7 billion to the Housing Finance Agency and €85 million to the Strategic Banking Corporation of Ireland, loans and advances provided from the Central Fund totalling €1.9 billion were outstanding at the end of 2017 — a decrease of €58 million compared with 2016. The outstanding balances for the major categories of loans and advances at the end of each year since 2013 are shown in Figure 1.6.

Figure 1.6 Year-end balances on Central Fund loans and advances, 2013 to 2017



Source: Finance Accounts 2013 to 2017. See Annex A.

- 1.14** In addition to these loans and advances, the Central Fund is entitled to reimbursement of Exchequer contributions provided to the Credit Institutions Resolution Fund in 2011 and to the Credit Union Fund in 2012. Each fund was provided with €250 million.

Apple Escrow Fund

- 1.15** Following an investigation launched in 2014, the European Commission (the Commission) published its final decision in August 2016 concerning two tax opinions by the Revenue Commissioners on the attribution of profits to branches of two Apple companies. The Commission's decision is that those opinions constituted State aid for the period 2003 to 2014 and that Ireland must recover from Apple approximately €13 billion, plus interest.¹
- 1.16** The Commission's decision has not been accepted by the State. In November 2016, an annulment application was lodged with the General Court of the European Union. Apple has lodged its own separate annulment application. Pending the final outcome of the appeal, the State is obliged to collect from the two Apple companies the amount (including interest) of the alleged State aid. The sum collected from Apple has been placed in escrow, until the legal proceedings have concluded.

¹ EU regulations require that State aid recovered shall include interest at a rate fixed by the European Commission.

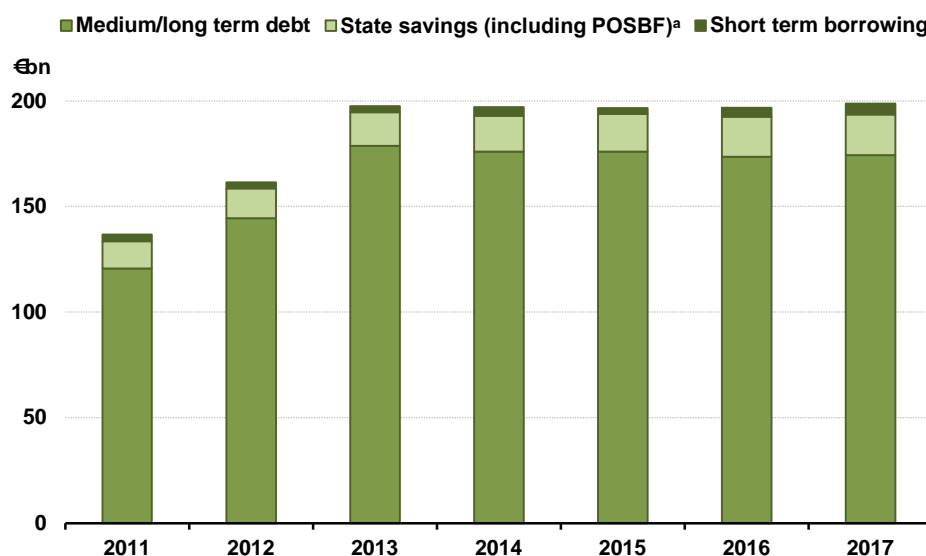
- 1.17** In April 2018, the Minister for Finance and Public Expenditure and Reform, on behalf of the Government, signed an 'escrow framework deed' with Apple. This agreement governs, amongst other things, the collection and management of funds. The sum for collection has been determined by the Revenue Commissioners to be €13.1 billion. In addition to this, interest is payable as the amount is recovered. The State recovered in full the alleged State Aid of €13.1 billion plus interest of €1.2 billion by September 2018.
- 1.18** The Minister for Finance has delegated certain functions in relation to the investment of the escrow fund to the NTMA, pursuant to Section 28 of the National Treasury Management Agency (Amendment) Act 2000. The annual financial statements of the escrow fund will be subject to audit by the Comptroller and Auditor General, and will (following audit) be presented to the Houses of the Oireachtas.

Exchequer liabilities

National debt

- 1.19** Gross national debt stood at €198.7 billion at the end of 2017, reflecting a marginal increase from 2016 (Figure 1.7).

Figure 1.7 Gross national debt at redeemable par values, end 2011 to end 2017



Source: National Treasury Management Agency

Note: a Post Office Savings Bank Fund

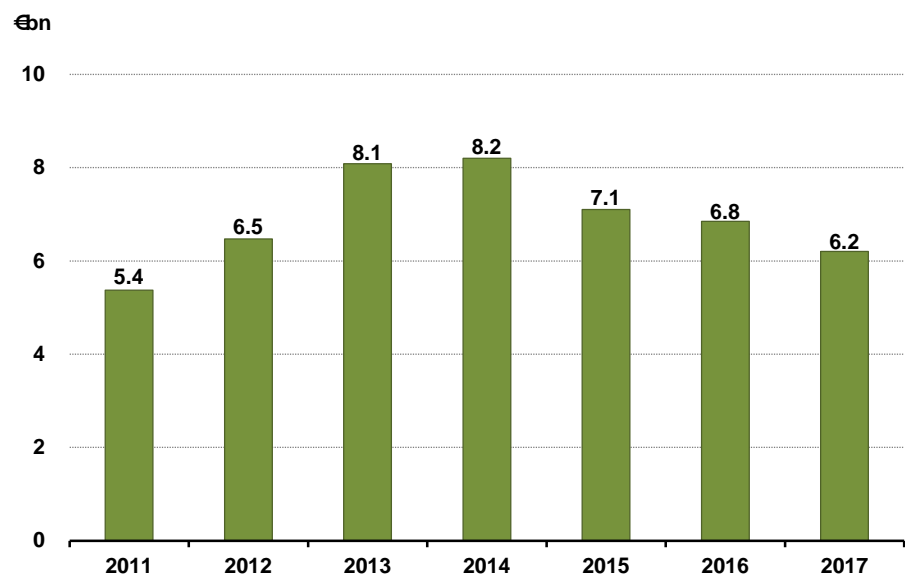
- 1.20** Medium and long-term debt at end-2017 accounted for 88% (€174 billion) of the gross national debt. It comprised mainly borrowings in the form of government bonds (€128 billion) and loans received under the EU-IMF Programme of Financial Support for Ireland (€45 billion).
- 1.21** Debt arising from State savings schemes amounted to €17.3 billion at end-2017. In addition, short term borrowings from the Post Office Savings Bank Fund (POSBF) amounted to €1.9 billion.

- 1.22** Short-term debt accounted for €5.2 billion of gross national debt at end-2017 compared with €4.2 billion at end-2016.¹ The end-2017 borrowing comprised short term paper debt of €4.8 billion and €387 million in surplus funds transferred from the Paymaster General's Supply Account at the year end.

Debt service costs

- 1.23** The debt service cost for 2017 was just over €6.2 billion, down 9% on 2016 (Figure 1.8). This includes interest paid on cash and other financial assets of €46 million, and fees and operating expenses of €135 million.

Figure 1.8 Debt service costs, 2011 to 2017 (cash basis)^a



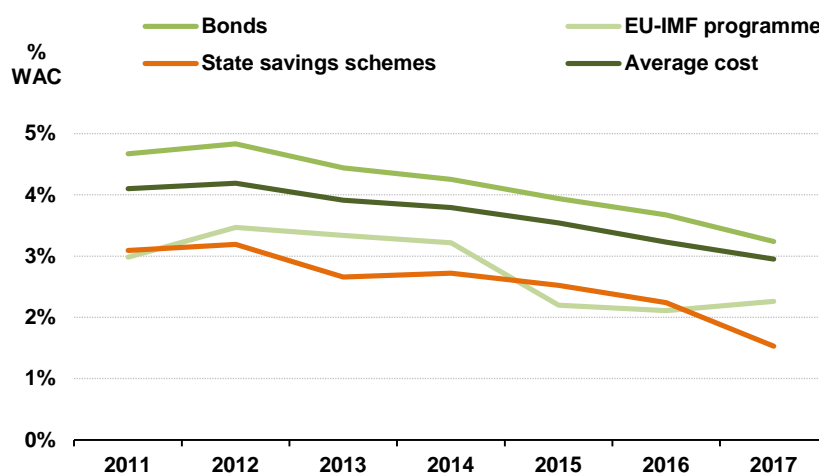
¹ Debt with an original maturity of less than one year.

Source: National Treasury Management Agency

Note: a For 2011 to 2014, the debt service costs include the sinking fund payment which ceased for 2015 and subsequent years in accordance with Finance Act 2014.

- 1.24** The average cost of State borrowing continued to decline in 2017. At the end of the year, the overall weighted average cost of servicing the gross national debt was estimated at 3% (end-2016: 3.2%), (see Figure 1.9).

Figure 1.9 Weighted average cost (WAC) of gross national debt, 2011 to 2017



Source: National Treasury Management Agency

Reporting of Government Debt

- 1.25** General government debt is a more comprehensive measure of State indebtedness than national debt and is a standardised measure which all EU countries are legally obliged to report under the Maastricht Treaty. In 2017, the Department of Finance published its first *Annual Report on Public Debt in Ireland*, which it intends to update annually. The report focuses on the general government debt, explains public debt developments in Ireland, presents debt sustainability indicators, and monitors progress towards debt targets.
- 1.26** European fiscal rules require a reduction in the debt to GDP ratio until a 60% threshold is reached. The Department of Finance has pointed out that this threshold may not be optimal in an Irish context, given the distortions associated with Irish GDP. Therefore, the Government has adopted a debt target of 55% of GDP for medium term fiscal policy purposes, and a target of 45% of GDP to be achieved by the middle of the next decade.

Annex 1A Loans and advances, 2013 to 2017

	2013	2014	2015	2016	2017
	€m	€m	€m	€m	€m
European Agricultural Guarantee Fund					
Opening balance	730	715	677	599	770
Repayments	(730)	(715)	(677)	(599)	(770)
Loans issued	715	677	599	770	740
Closing balance	715	677	599	770	740
Social Insurance Fund					
Opening balance	—	15	—	—	—
Repayments	(285)	(4,015)	(4,365)	(1,370)	—
Advances	300	4,000	4,365	1,370	—
Closing balance	15	—	—	—	—
Insurance Compensation Fund					
Opening balance	735	933	833	812	706
Repayments	—	(100)	(100)	(106)	(70)
Loans issued	198	—	79	—	—
Closing balance	933	833	812	706	636
EU Stability Support to Greece					
Opening balance ^a	346	346	346	347	347
Repayments	—	—	—	—	—
Loans issued	—	—	—	—	—
Closing balance	346	346	346	347	347
Other loans and advances					
Opening balance	30	178	273	177	194
Repayments/loans conversion ^b	(83)	(157)	(260)	(164)	(181)
Loans issued	231	252	164	180	223
Closing balance	178	273	177	194	236

Source: Finance Accounts 2013 to 2017. Any apparent differences in totals are due to rounding.

Notes: a The amount issued in 2010 was €346 million. The loan balance was restated in 2016 to the full amount outstanding.

b In 2016, a loan of €96 million to Irish Water was converted into a capital contribution. This was a 'non-cash' transaction but reduces the amount of loans outstanding at the end of 2016 by €96 million.

