

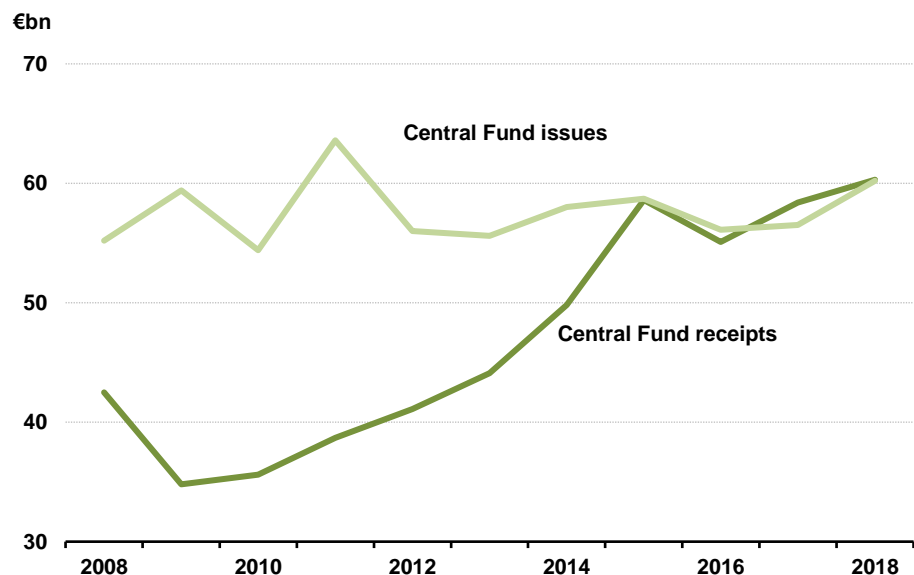
1 Exchequer financial outturn for 2018

- 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 principally 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.² 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.

Fiscal trends

- 1.3 In 2018, receipts into the Central Fund exceeded issues from the Fund for a second consecutive year (see Figure 1.1). Significant annual deficits had occurred from 2008 to 2014. The net surplus or deficit position of the Central Fund (i.e. the surplus or deficit of Central Fund receipts over issues, excluding borrowing) is referred to as the Exchequer balance. In 2018, the Exchequer surplus was €99 million. This compared to a surplus of €1.9 billion in 2017.

Figure 1.1 Central Fund of the Exchequer receipts and issues, 2008 to 2018



Source: Finance Accounts 2008 to 2018

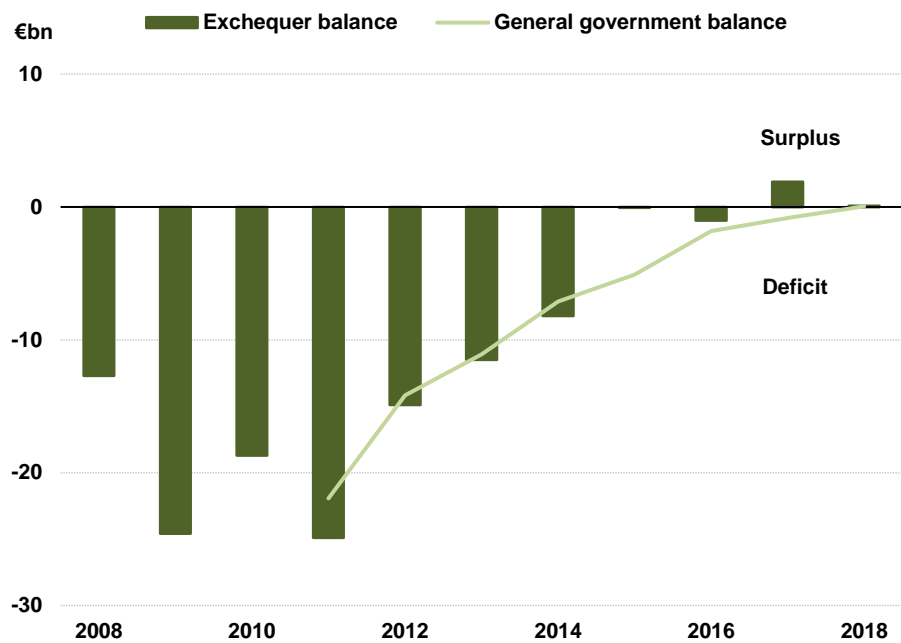
Note: a Receipts and issues shown include the service of national debt but exclude borrowing undertaken by the NTMA on behalf of the State and the repayment of national debt. See Figure 1.3 for analysis of Central Fund receipts and issues for 2014 to 2018.

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.

2 The Finance Accounts do not purport to be a comprehensive financial statement for the State, its assets and liabilities. It is estimated that the Finance Accounts represent about 75% of total government revenue and expenditure.

- 1.4 The general government balance is a broader measure than the Exchequer balance. It measures the fiscal performance of the general government sector, and is the standard benchmark used for comparative purposes across the European Union.¹ In most years, the general government balance closely tracks the Exchequer balance (see Figure 1.2). The differences between the measures relates mainly to the treatment of transactions associated with financial sector stabilisation measures. In 2018, Ireland's general government balance was in surplus (€46 million) for the first time since 2007.
- 1.5 Annual government finance statistics are prepared by the Central Statistics Office. These publications include a statement of revenue and expenditure and a statement of government net worth. An outline of the compilation of these statistics is set out in Annex 1A.

Figure 1.2 Exchequer balance, 2008 to 2018 and general government balance, 2011 to 2018



¹ For example, 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 are expected to manage their public finances.

Source: Finance Accounts 2008 to 2018 (Exchequer balance) and Central Statistics Office: Government Income and Expenditure, July 2019 (general government balance).

Central Fund receipts and issues

1.6 An analysis of Central Fund receipts and issues (excluding NTMA borrowing) for the years 2014 to 2018 is set out in Figure 1.3.

Figure 1.3 Composition of Central Fund receipts and issues, 2014 to 2018^a

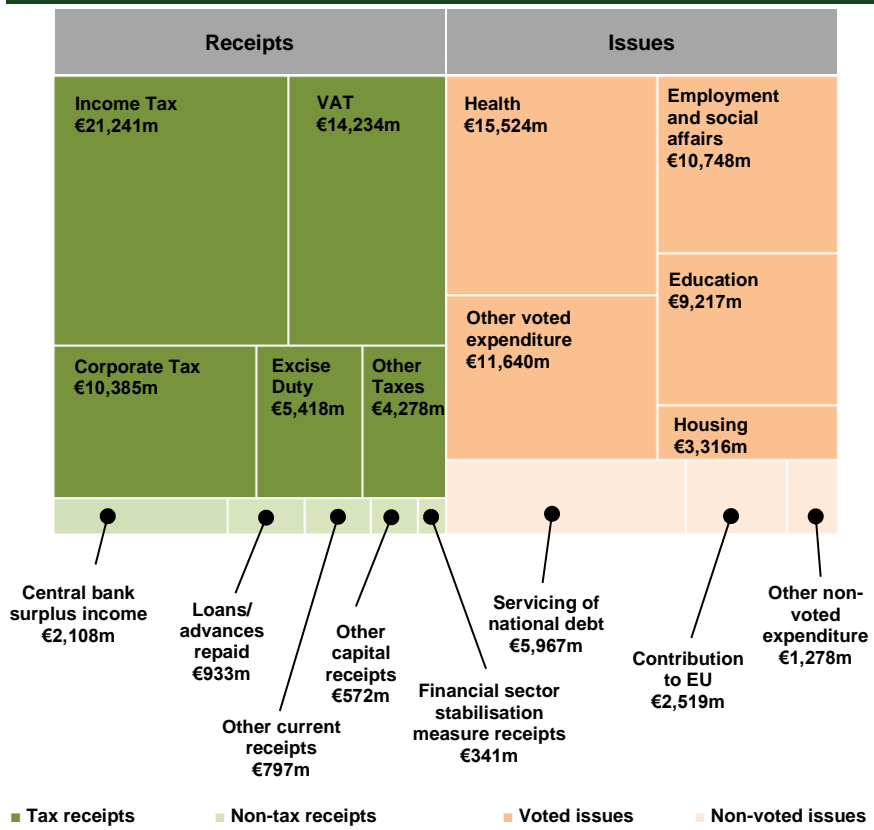
Receipts	2014	2015	2016	2017	2018
	€m	€m	€m	€m	€m
Current receipts					
Tax revenue	41,282	45,601	47,864	50,737	55,557
Transfer from Local Government Fund	520	481	318	230	—
Central bank surplus income ^b	1,225	1,719	1,800	1,836	2,108
National lottery surplus income	178	193	219	227	225
Dividends from State bodies	475	551	269	324	261
Other current revenues	568	572	498	248	311
Capital receipts					
Loans/advances repaid ^c	4,987	5,348	2,143	1,021	933
Financial sector stabilisation measures receipts	—	3,682	1,871	3,723	341
Exceptional capital receipts ^d	405	335	—	—	—
Other capital receipts	131	106	75	30	572
Total receipts	49,771	58,588	55,057	58,376	60,308
Issues					
Issues for voted expenditure	42,224	42,863	43,986	46,291	50,445
Service of national debt	7,579	7,107	6,845	6,227	5,967
Contribution to EU budget	1,685	1,952	2,023	2,016	2,519
Oireachtas Commission	101	106	114	110	131
Loans/advances ^c	4,875	5,111	2,320	963	975
Financial sector stabilisation measures	100	30	4	—	—
Irish Water (shares, capital contributions and loans)	461	96	184	270	—
Transfer to Local Government Fund ^e	484	461	463	480	12
European Stability Mechanism capital contribution	255	—	—	—	—
Ireland Strategic Investment Fund contribution	—	335	—	—	—
Payments to local authorities to repay HFA loans	—	427	—	—	—
Other payments	196	164	136	113	160
Total issues	57,960	58,652	56,075	56,470	60,209
Surplus/(deficit) for the year	(8,189)	(64)	(1,018)	1,906	99

Source: Finance Accounts 2014 to 2018

- Notes:
- Transactions of the Central Fund account and the Capital Services Redemption Account are consolidated. The latter account is maintained by the NTMA for servicing national debt and transactions of a normal banking nature.
 - The amount received into the Central Fund each year principally consists of the surplus income for the previous financial year, as per the audited financial statements of the Central Bank of Ireland.
 - See Annex 1B, Figure 1B.1 for further details.
 - Exceptional capital receipts are non-recurrent, and relate to: National Lottery license sale receipts (2014) and Aer Lingus share capital disposal receipts (2015).
 - Related to application of Local Property Tax (LPT) receipts, which were included in tax revenue prior to 2018. With effect from 1 January 2018, LPT receipts are paid directly into the Local Government Fund by the Revenue Commissioners, rather than indirectly through the Central Fund.

1.7 Receipts into the Central Fund in 2018 totalled €60.3 billion, the bulk of which (92%) was accounted for by taxes. Issues in 2018 totalled €60.2 billion comprising issues for voted services (84%), servicing of national debt (10%), contributions to EU (4%) and other non-voted expenditure (2%). See Figure 1.4.

Figure 1.4 Central Fund receipts and issues in 2018



Source: Finance accounts 2018

Tax and other Exchequer receipts

1.8 Total receipts into the Central Fund increased by €1.9 billion in 2018. This was the net result of an increase of €4.8 billion relating to taxes and a decrease of €2.9 billion in other receipts.

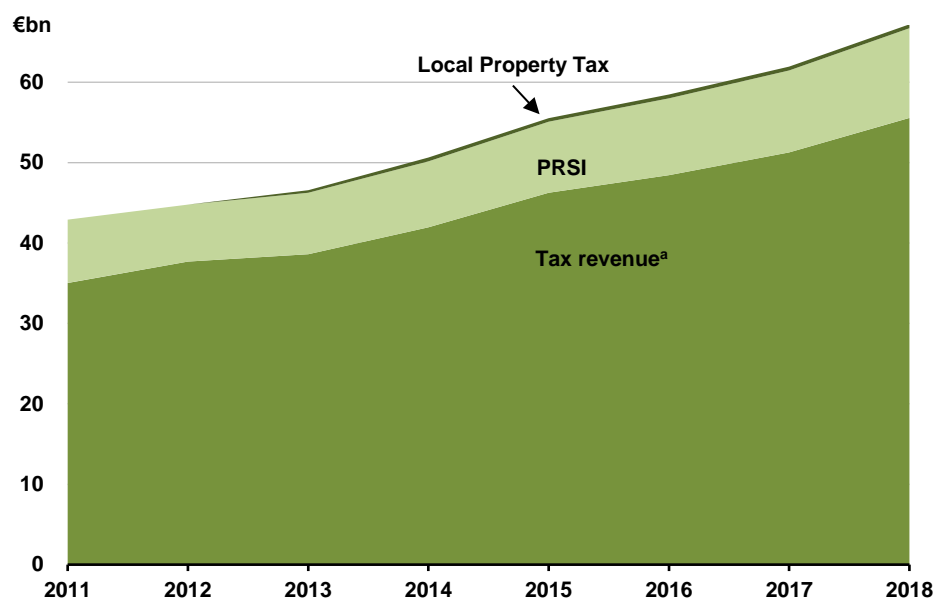
Tax receipts

1.9 In 2018, tax receipts into the Central Fund were affected by structural changes¹ that resulted in motor tax receipts totalling €977 million being paid into the Fund, and for the first time since its introduction, no receipts into the Fund from the Local Property Tax (€477 million in 2017).

1.10 To eliminate the effects of restructuring on the trend in receipts, Figure 1.5 (over) tracks tax receipts and Pay Related Social Insurance (PRSI)² between 2011 and 2018 irrespective of where the receipts were paid into.

1 Introduced by the Water Services Act 2017.

2 PRSI receipts are paid into the Social Insurance Fund.

Figure 1.5 Tax revenue and PRSI receipts, 2011 to 2018

Sources: Finance accounts, Local Government Fund accounts and Social Insurance Fund accounts, 2011 to 2018

Note: a Tax revenue includes all taxes paid into the Central Fund with two exceptions. For 2011 to 2017, it also includes motor tax which was paid into the Local Government Fund during that period. Local Property Tax (LPT), which had been paid into the Central Fund prior to 2018, is excluded and shown separately. From 2018 onwards, LPT is paid into the Local Government Fund.

1.11 In 2018, tax and PRSI collected increased by €5.2 billion (8%) with receipts up across almost all taxheads.

- Corporation Tax receipts grew by €2.2 billion (27%) relative to 2017, reflecting higher levels of corporate profitability in the economy, as well as the impact on revenue recognition of a change to international accounting standards.
- Income Tax receipts reported year-on-year growth of €1.2 billion (6%). PRSI receipts (collected by the Revenue Commissioners and paid into the Social Insurance Fund) increased by €1.1 billion (10%).
- VAT receipts were up by nearly €1 billion (7%).
- Excise duties fell by €507 million (9%) in 2018.

Other Exchequer receipts

1.12 Exchequer receipts in 2017 included a once-off capital receipt of €3.4 billion arising from the sale of 29% of the State's shareholding in AIB. There were no similar transactions in 2018.

1.13 The 'other capital receipts' category increased by €542 million in 2018, primarily due to the repayments of significant unused balances from the Credit Institutions Resolution Fund of €240 million and the Credit Union Fund of €238 million. (This is dealt with in more detail below).

Central Fund issues

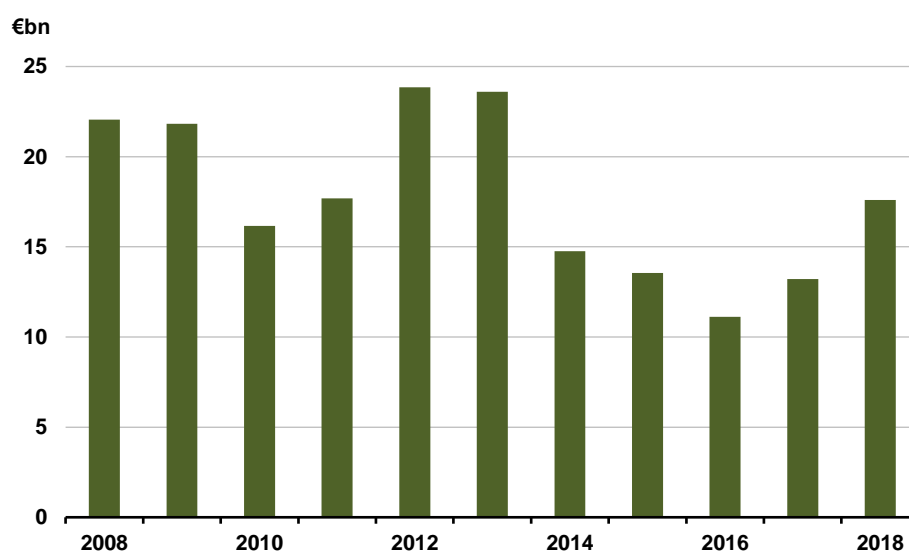
- 1.14** Issues from the Central Fund in 2018 amounted to €60.2 billion (2017: €56.47 billion).
- Issues for voted services increased by €4.1 billion. Four departments account for over three quarters of voted expenditure. While issues to the Department of Employment Affairs and Social Protection remained relatively stable, there were large increases in 2018 in issues to the Department of Housing, Planning and Local Government (€1.3 billion), the Department of Health (€1.2 billion) and the Department of Education and Skills (€0.4 billion).
 - Payments of just under €6 billion related to the servicing of borrowing undertaken by the NTMA were 4.2% lower year-on-year than in 2017, reflecting reductions in the cost of borrowing (See Figure 1.8).
 - Ireland's annual contribution to the EU budget increased by 25% to €2.5 billion in 2018. The primary component of Ireland's contribution is gross national income (GNI) related payments which stood at €1.98 billion in 2018 (2017: €1.47 billion).

Exchequer assets

Cash and financial assets

- 1.15** The level of cash and other financial assets held by the Exchequer increased from €13.2 billion at end 2017 to €17.6 billion at end 2018 (see Figure 1.6). The increase of €4.4 billion or 33% reflects the impacts of the Exchequer surplus of €99 million and net cash borrowing of €4.3 billion in the year. See Annex 1B, Figure 1B.2.
- 1.16** At 31 December 2018, Exchequer cash and financial assets included €1,558 million in relation to the Housing Finance Agency guaranteed notes and €85 million for medium term guaranteed notes relating to the Strategic Banking Corporation of Ireland (SBCI). These assets may not be readily realisable dependent on market conditions.

Figure 1.6 Cash and other financial assets held by Exchequer, 2008 to 2018



Source: Finance Accounts, 2008 to 2018

Exchequer loans and advances issued

- 1.17** Excluding the lending to the Housing Finance Agency and the SBCI, loans and advances provided from the Central Fund totalling €2 billion were outstanding at the end of 2018 — an increase of €42 million compared with 2017. The movements and outstanding balances for the major categories of loans and advances at the end of each year since 2014 are shown in Annex 1B.1.
- 1.18** In addition to these loans and advances, the Central Fund is entitled to reimbursement of small outstanding balances in the Credit Institutions Resolution Fund and the Credit Union Fund.

Credit Institutions Resolution Fund

- 1.19** The Central Bank and Credit Institutions (Resolution) Act 2011 (the 2011 Act) established a resolution regime for credit institutions and credit unions in Ireland. The Credit Institutions Resolution Fund (resolution fund) was established under this legislation to support resolution actions in the State, and is managed and administered by the Central Bank.
- 1.20** The Minister for Finance originally contributed €250 million to the resolution fund in December 2011 to meet resolution costs anticipated at the time for actions taken under the 2011 Act. Such resolution costs did not materialise to the extent anticipated and in November 2018, the Minister directed the return of €240 million of this contribution to the Central Fund.
- 1.21** While the resolution fund and the powers under the 2011 Act could originally be applied to banks and credit unions, they are no longer applied to banks, which since early 2016 come under the European Central Bank's Single Resolution Mechanism. Credit unions are now the only financial institutions contributing to the resolution fund.
- 1.22** The resolution fund has been utilised since its enactment in 2011 to provide financial incentives to credit institutions to facilitate the transfer of assets and liabilities, and to discharge the Central Bank's costs of resolving credit unions and carrying out its functions under the 2011 Act.
- 1.23** In June 2019, the Department of Finance, in collaboration with the Central Bank, published a consultation paper in relation to potential changes to funding of the resolution regime for credit unions. The paper noted that the net assets of the fund at 31 December 2018 totalled €28.45 million. Following engagement with the Central Bank, the Department of Finance concluded that the target level for the resolution fund would be €65 million and levies would be set at a rate that would achieve this target by 2024.
- 1.24** A further review of the resolution fund is planned for 2024. The fund will retain the balance of €10 million (relating to the original funds advanced by the Minister, not repaid) until the completion of the next review in 2024.

Credit Union Fund

- 1.25** In December 2012, the Minister for Finance advanced €250 million to the Credit Union Fund for the restructuring of credit unions under Section 57 of the Credit Union and Co-operation with Overseas Regulators Act 2012.
- 1.26** In November 2018, €238 million was returned to the Exchequer leaving a balance of €13.16 million in the fund. This includes €12 million of the sum advanced by the Minister in 2012, not yet repaid. It is proposed to increase the fund to €30 million by 2024, through levies charged to credit unions.

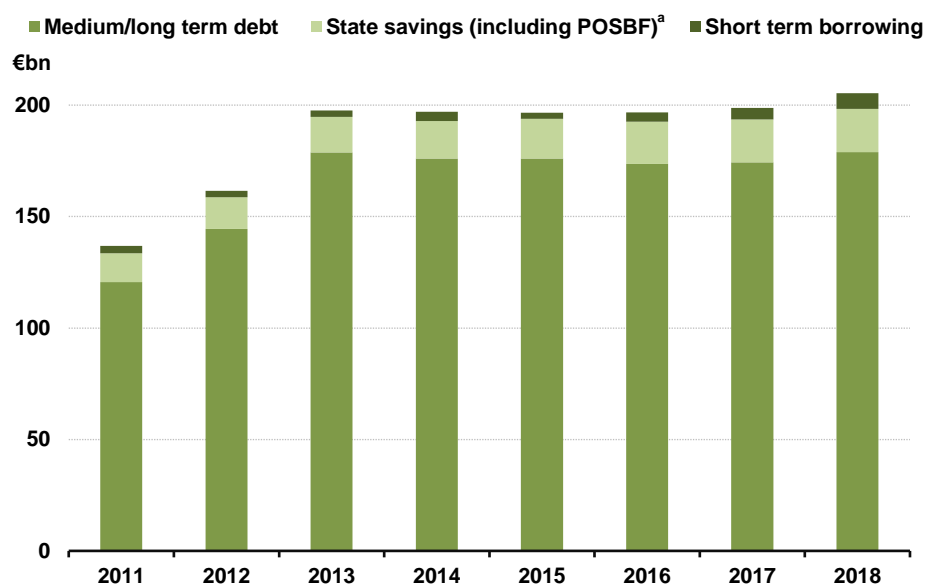
Exchequer liabilities

- 1.27** Exchequer liabilities are detailed in part two of the Finance Accounts. In addition, the Department of Finance publishes an annual report on public debt in Ireland.

National debt

- 1.28** Ireland's gross national debt stood at €205.3 billion at the end of 2018, reflecting an increase of €6.6 billion from 2017 (Figure 1.7).

Figure 1.7 Gross national debt at redeemable par values, end 2011 to end 2018



Source: National Treasury Management Agency

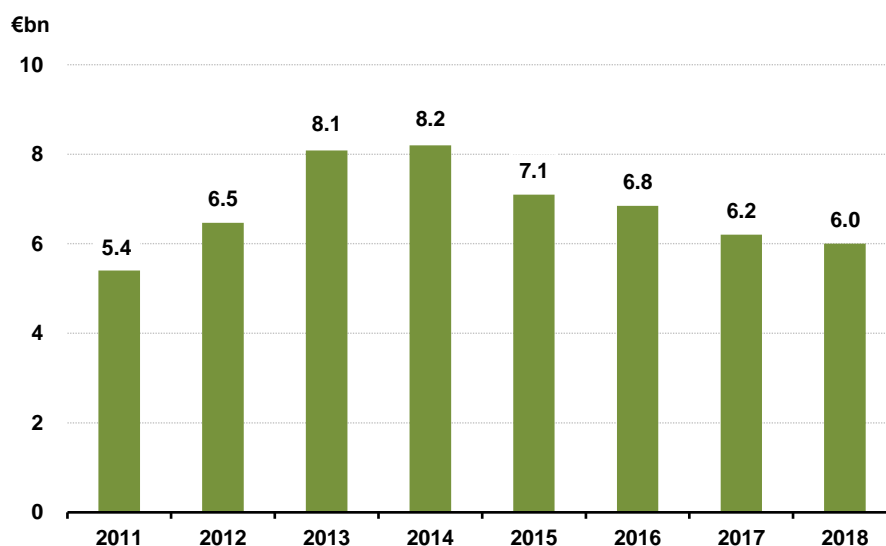
Note: a The majority of borrowings under the Post Office Savings Bank Fund (POSBF) are incorporated into the national debt through what are referred to as ways and means advances.

- 1.29** Medium and long term debt at end-2018 accounted for 87% (€179 billion) of the gross national debt. It comprised mainly borrowings in the form of government bonds (€131.8 billion) and loans received under the EU-IMF Programme of Financial Support for Ireland (€44.9 billion).
- 1.30** Debt arising from the various State savings schemes amounted to €17.3 billion at end-2018. In addition, short-term borrowings from the Post Office Savings Bank Fund amounted to €2.1 billion.¹
- 1.31** Short-term debt accounted for €6.9 billion of gross national debt at end-2018 compared with €5.2 billion at end-2017.² The end-2018 borrowing comprised 'short-term paper' debt of €6.4 billion and €537 million in surplus funds transferred from the surplus public expenditure monies account at the year-end.³

Debt service costs

- 1.32** The debt service cost for 2018 was just under €6 billion, down 4.2% on 2017 (Figure 1.8). This comprises interest paid on gross national debt of over €5.7 billion, interest paid on cash and other financial assets of €65 million, and fees and operating expenses of €169 million.
- 1.33** The average cost of State borrowing continued to decline in 2018. At the end of the year, the overall weighted average cost of servicing the gross national debt was estimated at 2.6% (end-2017: 3%) (see Figure 1.9 (over)).

Figure 1.8 Debt service costs, 2011 to 2018 (cash basis)^a



Source: National Treasury Management Agency

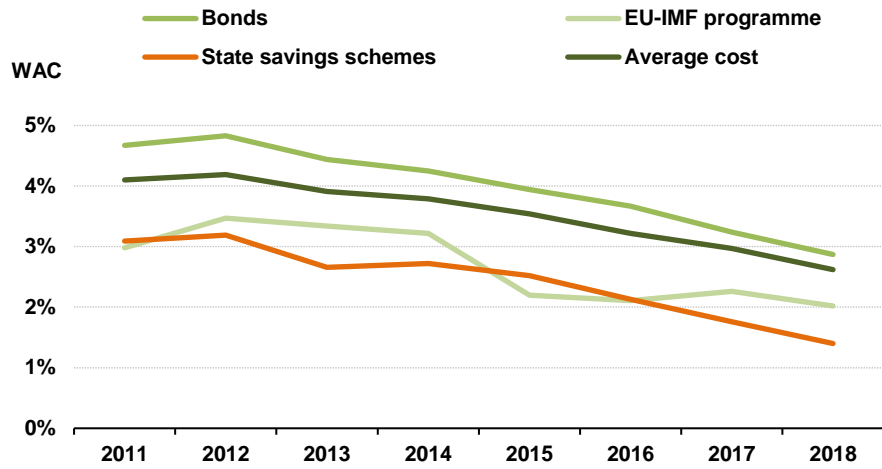
Note: a For 2011 to 2014, the debt service costs included the sinking fund payment, which ceased for 2015 and subsequent years in accordance with Finance Act 2014.

1 In the Finance Accounts, this is described as short term borrowings of the Exchequer, drawn down as part of ways and means of funding Exchequer requirements from a number of funds under the control of the Minister for Finance.

2 Short-term debt has an original maturity of less than one year.

3 The surplus public expenditure monies account records the borrowings and repayments of surplus funds held in the supply account of the Paymaster General.

Figure 1.9 Weighted average cost of gross national debt, 2011 to 2018

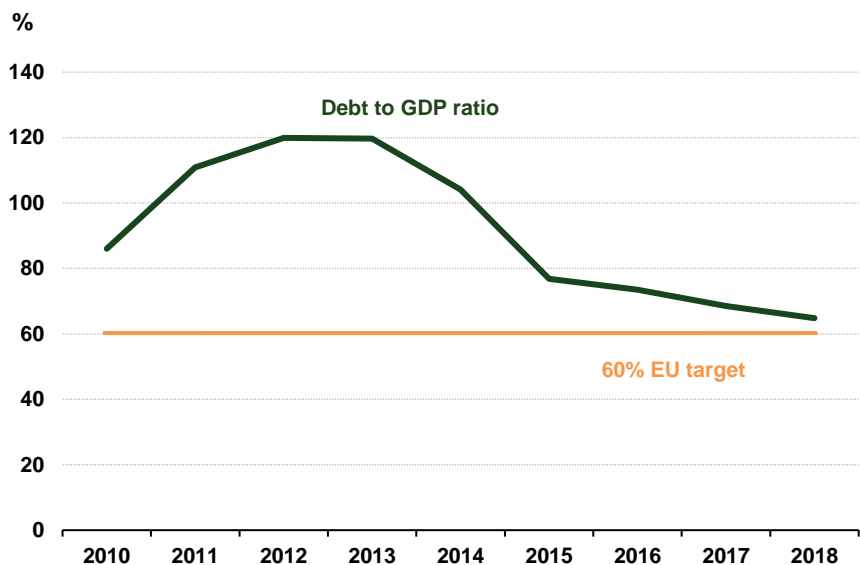


Source: National Treasury Management Agency

General government debt target

- 1.34 General government debt is a more comprehensive measure of State indebtedness than national debt and is the standardised measure which all EU countries are legally obliged to report under the Maastricht Treaty.¹
- 1.35 European fiscal rules state that member states’ general government debt should not exceed 60% of Gross Domestic Product (GDP), or failing that, should be steadily decreasing towards the 60% threshold. Ireland’s general government debt was 65% at end 2018 — just 5% above the threshold. The Department of Finance has stated that this threshold may not be optimal for Ireland, 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% to be achieved by 2025.

Figure 1.10 Ireland’s debt to GDP ratio, 2010 to 2018



Source: Central Statistics Office

¹ General government debt means the debt liabilities of central government, local government, and government funds, excluding debt owed by one sector of government to another.

Annex 1A Central Statistics Office government finance statistics

The European Union's statistics authority, Eurostat, requires each member state to produce a range of finance statistics that comply with specified definitions and standards.

The Central Statistics Office (CSO) is responsible for the official reporting of Ireland's government finance statistics.

The CSO's government finance outputs and general government statistics, produced on a bi-annual basis, include the following key statements

- Table 1 — general government transactions: revenue, expenditure, financing and deficit
- Table 2 — general government: net worth, gross and net debt
- Table 3 — general government: detailed classification of revenue and output
- Table 4 — general government: detailed classification of expenditure and consumption
- Table 5 — general government financial transactions
- Table 6 — general government balance sheets net worth at market value excluding pension liabilities
- Table 7 — general government gross and net debt.

For the purpose of the compilation of the general government finance statistics, the general government sector encompasses both central and local government, non-commercial State-owned bodies and extra budgetary funds, the larger approved housing bodies and voluntary hospitals.

The full list of entities included is published on the CSO's website. This encompasses data relating to 4,278 entities — 3,964 schools and 314 other entities.

Annex 1B Data tables

Figure 1B.1 Loans and advances, 2014 to 2018

	2014	2015	2016	2017	2018
	€m	€m	€m	€m	€m
European Agricultural Guarantee Fund					
Opening balance	715	677	599	770	740
Repayments	(715)	(677)	(599)	(770)	(740)
Loans issued	677	599	770	740	725
Closing balance	677	599	770	740	725
Social Insurance Fund					
Opening balance	15	—	—	—	—
Repayments	(4,015)	(4,365)	(1,370)	—	—
Advances	4,000	4,365	1,370	—	—
Closing balance	—	—	—	—	—
Insurance Compensation Fund					
Opening balance	933	833	812	706	636
Repayments	(100)	(100)	(106)	(70)	—
Loans issued	—	79	—	—	—
Closing balance	833	812	706	636	636
EU stability support to Greece					
Opening balance ^a	346	346	347	347	347
Closing balance	346	346	347	347	347
Other loans and advances					
Opening balance	178	273	177	194	236
Repayments/ loans conversion ^b	(157)	(260)	(164)	(181)	(193)
Loans issued	252	164	180	225	250
Closing balance	273	177	194	236	293

Source: Finance Accounts 2014 to 2018. Any apparent differences are due to rounding.

- Notes:
- a The net 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 reduced the amount of loans outstanding at the end of 2016 by €96 million (included in the figure of €164 million shown).

Figure 1B.2 Movements in Exchequer cash and financial asset balances, 2014 to 2018

Movement in year	2014	2015	2016	2017	2018
	€m	€m	€m	€m	€m
Balance at 1 January	23,601	14,759	13,554	11,119	13,217
Net Exchequer borrowing/ (repayment) in year	(653)	(1,141)	(1,417)	193	4,276
Exchequer surplus/(deficit)	(8,189)	(64)	(1,018)	1,906	99
Balance at 31 December	14,759	13,554	11,119	13,217	17,593
Composition of cash and financial assets at 31 December	2014	2015	2016	2017	2018
	€m	€m	€m	€m	€m
Exchequer account and CSRA ^a	4,089	7,964	8,385	10,533	15,338
Commercial bank deposits	5,540	1,779	199	—	—
Non-Irish treasury bills	1,474	1,184	—	—	—
SBCI medium-term guaranteed notes ^b	—	—	85	85	85
Housing Finance Agency guaranteed notes	3,145	2,424	2,032	1,742	1,558
Collateral funding	511	203	418	857	612
Balance at 31 December	14,759	13,554	11,119	13,217	17,593

Source: Finance accounts 2014 to 2018. Any apparent differences in totals are due to rounding.

- Notes:
- a Includes balance of €310,000 held in the Capital Services Redemption Account (CSRA) (2017: €357,000).
 - b 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 by the Minister for Finance.

