

Chapter 1

Central Government Financial Outturn for 2009

Financial Outturn

1.1 Receipts into the Central Fund in 2009 totalled €34.8 billion. This represented an 18% decrease relative to the 2008 receipts of €42.5 billion, and a cumulative 29% decrease from 2007 receipts level.

1.2 Exchequer expenditure in 2009 was €9.4 billion, up 7.5% on the 2008 level. Expenditure related to servicing the national debt increased by 64%¹. The 2009 outturn also included

- exceptional expenditure of €1 billion used to provide equity in the State owned Anglo Irish Bank and
- an accelerated Exchequer contribution to the National Pension Reserve Fund in 2009, in effect an advance of €1.4 billion on the 2010 contribution².

1.3 Central Fund receipts and payments each year from 2007 to 2009 are summarised in Figure 1.

Figure 1 Central Fund Receipts and Payments, 2007 to 2009

	2007	2008	2009
	€m	€m	€m
Receipts			
Tax revenue	47,249	40,777	33,043
Other current revenues	638	847	838
Loan repayments	747	749	750
Other capital receipts	196	161	140
Total Exchequer receipts	48,830	42,534	34,771
Payments			
Issues for voted expenditure	44,609	49,313	47,163
Share capital acquired in Anglo Irish Bank	—	—	4,000
Service of National Debt	1,676	1,611	2,641
National Pensions Reserve Fund contribution	1,616	1,690	3,000
Contribution to EU Budget	1,572	1,587	1,486
Loans issued	740	741	790
Other payments	236	306	332
Total Exchequer payments	50,449	55,248	59,412
Deficit for the year	1,619	12,714	24,641

Source: Finance Accounts 2008 and 2009

¹ This represents the service cost excluding sinking fund payments.

² This was provided for under the Investment of the National Pension Reserve Fund and Miscellaneous Provisions Act 2009. See Chapter 4.

Comparative Performance

- 1.4 The State deficit increased by almost €2 billion in 2009. This increase is attributable to
- a decline in tax revenue of €7.7 billion (see Chapter 12)
 - an increase of €1 billion in the cost of debt servicing (see Chapter 2)
 - additional Exchequer payments totalling €5.4 billion to meet some of the costs of banking stabilisation measures (see Chapter 6).

The impact of these factors was partially offset by a reduced Exchequer outlay of €2.1 billion in respect of voted expenditure.

- 1.5 Overall Exchequer receipts in 2009 were €4.6 billion less than the expenditure incurred. This was substantially in excess of the deficit in 2008, which amounted to €2.7 billion.

Audit of Finance Accounts

The summary in Figure 1 is drawn from an account of the Exchequer — the Finance Accounts — that, *inter alia*, show the payments into and out of the Central Fund. The 2009 Finance Accounts have been audited by me and are due to be presented to Dáil Éireann by 30 September 2010.

Movement in Exchequer Balances

- 1.6 Because of a pre-funding policy, the Exchequer opened the year with surplus liquid resources of €2 billion. This liquidity buffer was retained through borrowing in the year equivalent to the 2009 deficit.

- 1.7 The movements in the Exchequer balances associated with the financial outturn are set out in Figure 2.

Figure 2 Movements in Exchequer Balances, 2007 to 2009^a

	2007	2008	2009
	€m	€m	€m
Exchequer balance at 1 January			
Central Bank Exchequer Account	3,587	3,996	21,269
Commercial deposits	—	490	790
Total opening balance	3,587	4,486	22,059
Movement in year			
Net Exchequer borrowing in year	2,518	30,287	24,397
Surplus/(deficit) of receipts over expenditure	(1,619)	(12,714)	(24,641)
Net movement	899	17,573	(244)
Exchequer balance at 31 December			
Central Bank Exchequer Account	3,996	21,269	21,025
Commercial deposits	490	790	790
Closing balance	4,486	22,059	21,815

Source: Finance Accounts 2008 and 2009

Note:

a Excludes small balances in the Capital Services Redemption Account: €842,000 (end 2007); €434,000 (end 2008) and €452,000 (end 2009).

Major Exchequer Liabilities and Assets

1.8 The State had certain long-term financial liabilities and assets at 31 December 2009 which are reported on in other chapters in this report. The summary position in relation to key liabilities and assets is outlined below.

National Debt

1.9 The gross National Debt at end December 2009 was €97 billion (at redeemable par values). Taking account of liquid assets of €1.8 billion (as outlined in Figure 2 above), the net National Debt at that date was €75.2 billion. This compares to a net National Debt amount of €50.4 billion at end December 2008. (See Chapter 2)

Financial Commitments Under PPP Contracts

1.10 Central Government departments and agencies have entered into long-term public private partnership (PPP) deals for the provision of a range of services and infrastructure. These include commitments to future payments over the lives of the contracts.

1.11 The total value of the future commitments to be met in respect of contracts in place at the end of 2009 is estimated at €4.1 billion (€4.27 billion at the end of 2008). Further PPP projects are in the course of development or procurement, but financial commitments in respect of these projects will not arise until they reach formal contract stage (See Chapter 5). Part of this commitment represents the rolled up cost of future operation and maintenance which in comparable projects or services effected through public provision is met on a 'pay as you go' basis.

Public Service Pension Liabilities

1.12 At end December 2009, a total of €16 billion had accrued in respect of occupational pensions payable to public servants. The total amount accrued at the end of 2008 was €108 billion. A critical factor in determining the present value of the projected future cash flows for pensions earned up to 31 December 2009 is the discount rate. Much of the increase is due to a change in that rate. (See Chapter 3)

Pension Reserves

1.13 The value of the National Pension Reserve Fund stood at €22.3 billion at end December 2009. This compares to a total of €16.1 billion at the end of 2008. The end 2009 balance was composed of discretionary investments with a market value of €15.3 billion, and directed investments totalling €7 billion. (See Chapter 4)

Major State Contingency

1.14 As outlined in Chapter 6, the State has guaranteed the liabilities of certain Irish credit institutions. The cumulative value of the bank liabilities guaranteed at the end of December 2009 was of the order of €281 billion³.

1.15 Income in the nature of premia from financial institutions for the guarantee by the State had amounted to €548 million by 31 December 2009.

³ Deposits (up to a maximum of €100,000 per depositor per institution) are covered separately by a Deposit Guarantee Scheme. At the end of December 2009, such deposits with the same credit institutions had a combined value of a further €77 billion.

Chapter 2

Central Government

National Debt