

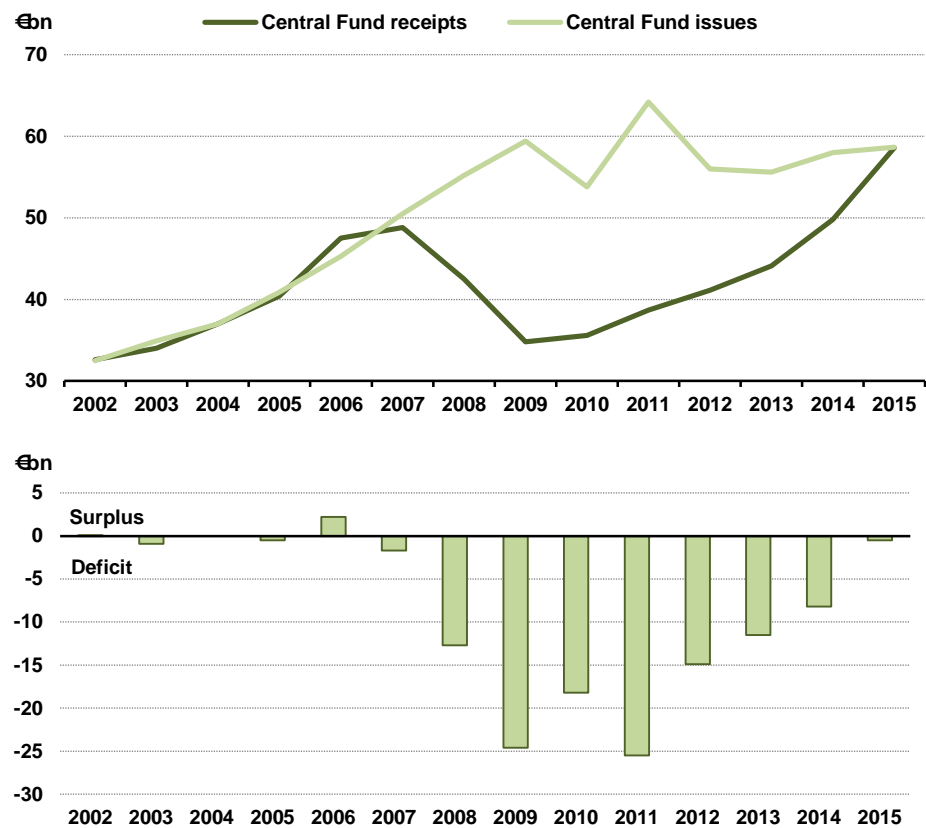
1 Exchequer Financial Outturn for 2015

- 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 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 at year end is also set out.

Exchequer deficit

- 1.3 Excluding borrowing, the movement in the Central Fund receipts and issues over the period 2002 to 2015 and the surplus or deficit for each of those years is set out in Figure 1.1. In 2015, the deficit was €64 million. This compares to a deficit of €8.2 billion in 2014.

Figure 1.1 Central Fund receipts and issues and surplus/deficit, 2002 to 2015



¹ Examples of State revenue, which is not paid directly into the Central Fund, include Pay Related Social Insurance receipts, which are paid into the Social Insurance Fund and the proceeds of motor tax, which are paid into the Local Government Fund.

Source: Finance Accounts 2002 to 2015

Figure 1.2 Composition of Central Fund receipts and issues, 2011 to 2015^a

Receipts	2011	2012	2013	2014	2015
	€m	€m	€m	€m	€m
<i>Current receipts</i>					
Tax revenue	34,027	36,646	37,806	41,282	45,601
Transfer from Local Government Fund	–	–	–	520	481
Other current revenues ^b	2,520	2,765	2,676	2,446	3,035
<i>Capital receipts</i>					
Loans/advances repaid ^c	986	1,077	1,098	4,987	5,402
National Pensions Reserve Fund withdrawal	1,018	–	–	–	–
Banking stabilisation measures	–	–	2,311	–	3,682
Sale of mobile phone licences	–	450	60	–	–
National Lottery licence receipts	–	–	–	405	–
Aer Lingus share capital disposal	–	–	–	–	335
Other capital receipts	116	150	113	131	106
Total receipts	38,667	41,088	44,064	49,771	58,642
Issues					
Issues for voted expenditure	45,711	44,950	43,072	42,224	42,863
Service of national debt	4,736	5,823	7,459	7,579	7,107
Contribution to EU budget	1,350	1,393	1,726	1,685	1,952
Oireachtas Commission	130	105	101	101	106
Loans/advances ^c	1,199	1,485	1,444	4,929	5,207
Banking stabilisation measures	10,653	1,325	1,060	100	30
Credit Union Fund	–	250	–	–	–
Capital contribution to Irish Water	–	–	–	407	–
Share capital acquired in Irish Water	–	–	–	–	54
Transfer of Local Property Tax receipts to Local Government Fund	–	–	–	484	461
European Stability Mechanism capital contribution	–	510	510	255	–
Securities market programme related payment	–	–	–	31	–
Payments to DSP in respect of Waterford Crystal pensions	–	–	–	–	43
Issues to Ireland Strategic Investment Fund	–	–	–	–	335
Payments to local authorities to repay HFA loan	–	–	–	–	427
Other payments	406	139	195	165	121
Total issues	64,185	55,980	55,567	57,960	58,706
Deficit for the year	25,518	14,892	11,503	8,189	64

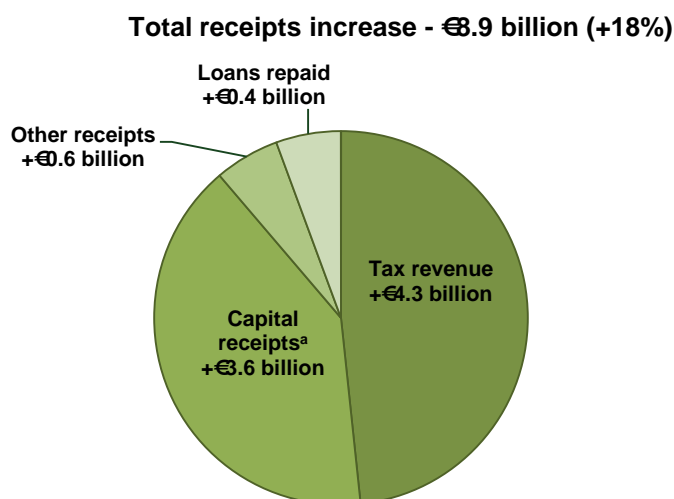
Source: Finance Accounts 2011 to 2015

- Notes:
- a Transactions of the Exchequer 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 Includes current element of receipts from banking stabilisation measures.
 - c See Annex A for further details.

Central Fund receipts

- 1.4 Receipts into the Central Fund in 2015 totalled €58.6 billion. This represented an increase of €8.9 billion (18%) relative to 2014 receipts. The main items contributing to the increase are shown in Figure 1.3.

Figure 1.3 Increases in Exchequer receipts between 2014 and 2015



Source: Office of the Comptroller and Auditor General

Note: a Increase in capital receipts excluding loans repaid.

- 1.5 Total tax revenue in 2015 was €4.3 billion higher than in 2014. This was largely due to increases in corporation tax receipts of €2.3 billion or 49%, in income tax receipts of €1.2 billion or 7% and in VAT receipts of €790 million or 7%.

- 1.6 Current non-tax revenues of the Central Fund in 2015 amounted to €3.5 billion. Significant components were

- €1.7 billion in Central Bank surplus income arising in 2014 and paid into the Central Fund in 2015. The high level of receipts since 2014 was due to additional Central Bank income associated with banking stabilisation measures.
- €551 million (€475 million in 2014) in dividends from State shareholdings in a range of bodies. The most significant were paid by the ESB (€259 million), Ervia (€151 million) and AIB (€102 million).¹
- €481 million paid to the Exchequer from the Local Government Fund, as provided for under the Local Government Reform Act 1998.²
- €191 million in interest received on contingent capital notes held in banks.
- €254 million in extra exchequer receipts (EER) collected by departments and surrendered to the Central Fund.³
- €76 million from credit institutions in respect of fees under the Eligible Liabilities Guarantee scheme. This was down from €179 million in 2014, due to the closure of the scheme to new liabilities during 2013.

1 In late 2015, 61% of the 2009 preference shares held by the State in AIB were converted into ordinary shares. The remaining 39% were redeemed resulting in a capital receipt. All accrued dividends on the conversion and redemption of the shares were paid to the Government by the end of 2015.

2 The Local Government Reform Act 1998 as amended, provides for the transfer of up to €540 million from the Local Government Fund to the Exchequer, on the request of the Minister for Finance, on or before 31 December 2015.

3 A further €8 million in capital EER was surrendered by departments.

1.7 The increase in capital receipts was mainly due to transactions of a one-off nature. Significant capital receipts in 2015 were

- €1.63 billion in respect of the transfer from the Irish Strategic Investment Fund of some of the proceeds from the sale in 2013 of Bank of Ireland preferences shares.
- €1.54 billion from the proceeds of the partial redemption of AIB preference shares held by the State.¹
- €411 million, including a premium on the issued value, from the repurchase by Permanent TSB of contingent capital notes held by the State. In addition, the State reduced its shareholding in Permanent TSB from 99.2% to 74.9%, receiving €97 million in proceeds.
- €335 million from the proceeds of the disposal of the Government's shareholding in Aer Lingus. In October 2015, Dáil Éireann approved the transfer of the proceeds from the Central Fund to the Connectivity Fund, a sub-portfolio of the Ireland Strategic Investment Fund (ISIF).

Central Fund issues

1.8 Issues from the Central Fund in 2015 amounted to €58.7 billion, which represents an increase of €746 million, or 1%, on 2014. Significant components were

- Issues from the Fund for voted services were up by 1.5% when compared with 2014.
- Payments related to servicing of borrowing undertaken by the NTMA were €7.1 billion in 2015, 6% lower than 2014.
- Payments of €427 million were made to local authorities in relation to repayment of borrowing (including interest) from the Housing Finance Agency, for historic local authority water supply and/or treatment projects.
- €4.5 million was paid from the Central Fund under the Credit Institutions (Financial Support) Act 2008, arising from the winding up of the Irish Bank Resolution Corporation. The total paid out, over the years 2013 to 2015, in relation to its winding up was €1.1 billion.

¹ The payment represents the proceeds from the part redemption of AIB preference shares along with accrued dividend, net of the cost of redeeming the outstanding EBS promissory note.

A €54 million convertible debt instrument issued by Irish Water in 2014 and held by the Minister for Finance was converted into an equity holding in Irish Water in September 2015. In addition, a working capital loan of €96 million was issued in December 2015 to Irish Water.

Local Property Tax transfer

- 1.9** Local Property Tax (LPT) is collected by the Revenue Commissioners and remitted to the Exchequer as part of the tax revenue receipts. From 2014, the Minister for Finance is required to pay an amount equivalent to LPT so remitted, including any interest paid by taxpayers during the year, from the Central Fund to the Local Government Fund. Of the €469 million LPT receipts remitted to the Exchequer in 2015, €461 million was paid to the Local Government Fund in 2015. The balance was paid in January 2016.

European Stability Mechanism

- 1.10** The European Stability Mechanism (ESM) has approved 'paid-in' capital of €80.5 billion, of which Ireland was required to contribute a share amounting to €1.274 billion.¹ Ireland contributed all of its share in five instalments between October 2012 and April 2014.
- 1.11** The Central Bank holds Greek government bonds as part of its Securities Market Programme. Under the Central Bank Act 2014, Ireland is to pay an amount equivalent to the income earned by the Central Bank on this portfolio to an account established by the ESM. The funds will be paid to Greece as financial assistance. Following the expiry of the Greek financial assistance programme on 30 June 2015, the euro area member states suspended the 2015 transfer of income from Securities Market Programme portfolios to the account established by the ESM.

¹ The ESM capital structure has two levels. This comprises €80.5 billion of 'paid-in' capital and a further €624 billion in committed callable capital.

Exchequer borrowing

- 1.12** Exchequer borrowing is considered in Chapter 2, Government Debt.

Cash and financial assets

- 1.13** The 2015 deficit of €64 million and net debt repayments in the year of €1.14 billion resulted in a reduction in cash and other financial assets of just over €1.2 billion or 8% at the end of 2015 (see Figure 1.4).
- 1.14** The balance on the Central Bank Exchequer account was €8 billion at the end of 2015, an increase of €3.9 billion on the balance at the end of 2014. The balance of Exchequer deposits in commercial banks (including collateralised deposits and tri-party repurchase agreements) fell by €3.8 billion during the year, and the value of other financial assets fell by €1.3 billion.¹

Figure 1.4 Movements in Exchequer cash and financial asset balances, 2011 to 2015

Movement in year	2011	2012	2013	2014	2015
	€m	€m	€m	€m	€m
Balance at 1 January	16,164	17,692	23,850	23,601	14,759
Net Exchequer borrowing/ (repayment) in year ^a	27,046	21,050	11,254	(653)	(1,141)
Exchequer (deficit)	(25,518)	(14,892)	(11,503)	(8,189)	(64)
Balance at 31 December	17,692	23,850	23,601	14,759	13,554

Composition of cash and financial assets at 31 December	2011	2012	2013	2014	2015
	€m	€m	€m	€m	€m
Central Bank Exchequer account	13,099	15,280	4,432	4,089	7,964
Bank deposits ^b	30	3,020	11,068	5,540	1,779
Non-Irish treasury bills	–	1,045	3,041	1,474	1,184
Loans to Housing Finance Agency	3,848	3,982	3,704	3,145	2,424
Collateral funding	715	523	1,356	511	203
Balance at 31 December	17,692	23,850	23,601	14,759	13,554

Source: Finance Accounts 2011 to 2015

Notes: a 2012 and 2013 exclude Government bonds to the value of €3.5 billion issued, to meet the cost of the promissory note payment of €3.06 billion to Irish Bank Resolution Corporation, and floating rate bonds of just over €25 billion issued to replace Irish Bank Resolution Corporation promissory notes.

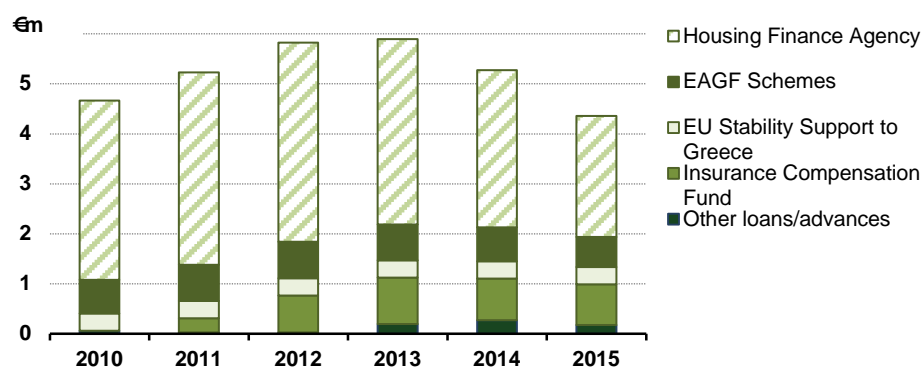
b Includes collateralised deposits and tri-party repurchase agreements.

¹ See Chapter 2 on Government Debt for further details regarding tri-party repurchase agreements.

Exchequer loans and advances

- 1.15** Loans and advances provided from the Central Fund, and outstanding at the end of 2015, comprised lending of €2.4 billion to the Housing Finance Agency and other loans totalling €1.93 billion. The outstanding balances for the major categories of loans and advances at year end are shown in Figure 1.5.

Figure 1.5 Year-end balances on Central Fund loans and advances, 2010 to 2015



Source: Finance Accounts 2010 to 2015

- 1.16** Other loans and advances include

- Social Insurance Fund - funds are advanced on a monthly basis to the Social Insurance Fund and subsequently repaid to the Central Fund. Advances in 2015 totalled €4.4 billion all of which were repaid in the year. Therefore at end 2015 there was a nil balance outstanding.
- PMG Supply Account - due to the unavailability of bank clearing systems on 1 January 2016, provision was made under Section 3 of the Appropriation Act 2015 for advances to be made from the Central Fund to the Paymaster General (PMG) supply account in order to fund commercial bank accounts in respect of weekly salaries due to be paid from voted monies on that date. Advances of €68 million made in December 2015 were repaid to the Central Fund in January 2016.
- Insurance Compensation Fund - €833 million in advances to the Insurance Compensation Fund were outstanding at end 2014. A further €79 million was advanced to the Fund during 2015.¹ €100 million was repaid to the Central Fund in 2015, following a determination by the Minister for Finance that the Fund was in a position to repay this amount, leaving a balance outstanding of €812 million.

¹ The Fund is financed through contributions of 2% of the gross written non-life insurance premiums received in respect of risk in the State. Section 5 of the Insurance Act 1964 allows the Minister for Finance to provide advances to the Fund in the form of a repayable loan if there are insufficient monies to enable payments out of the Fund.

Annex A Loans and advances, 2011 to 2015

	2011	2012	2013	2014	2015
	€m	€m	€m	€m	€m
Lending by the NTMA:					
Housing Finance Agency					
Opening balance	3,585	3,848	3,982	3,704	3,145
Net movement in the year	263	134	(278)	(559)	(721)
Closing balance	3,848	3,982	3,704	3,145	2,424
Loans and advances by the Central Fund:					
European Agricultural Guarantee Fund					
Opening balance	673	720	730	715	677
Repayments	(673)	(720)	(730)	(715)	(677)
Loans issued	720	730	715	677	599
Closing balance	720	730	715	677	599
Social Insurance Fund					
Opening balance	110	55	–	15	–
Repayments	(254)	(355)	(285)	(4,015)	(4,365)
Advances	199	300	300	4,000	4,365
Closing balance	55	–	15	–	–
Insurance Compensation Fund					
Opening balance	–	280	735	933	833
Repayments	–	–	–	(100)	(100)
Loans issued	280	455	198	–	79
Closing balance	280	735	933	833	812
EU Stability Support to Greece					
Opening balance	346	346	346	346	346
Repayments	–	–	–	–	–
Loans issued	–	–	–	–	–
Closing balance	346	346	346	346	346
Irish Water					
Opening balance	–	–	–	–	54
Loan conversion to equity	–	–	–	–	(54)
Loans issued	–	–	–	54	96
Closing balance	–	–	–	54	96
Other^a					
Opening balance	61	32 ^b	30	178	219
Repayments	(59)	(2)	(83)	(157)	(206)
Loans issued	–	–	231	198	68
Closing balance	2	30	178	219	81

Source: Finance Accounts 2012 to 2015

Notes: a Other includes the Local Loans Fund and advances to PMG supply account to facilitate salary payments at the start of the year. Prior year balances have been restated to include an Exchequer loan to CIE of €12.5 million previously omitted.

b The opening balance relating to the Local Loans Fund was restated for 2012 due to the dissolution of Ulysses plc, the securitisation vehicle in relation to local loans.