1 Exchequer Financial Outturn for 2013

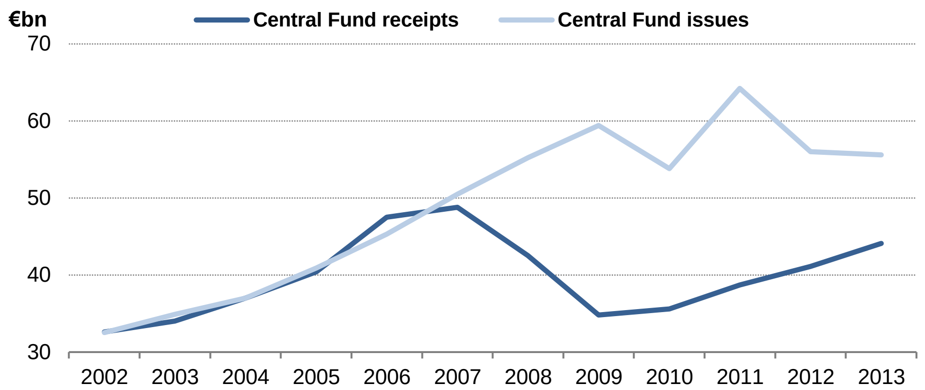
1.1 All revenues of the State are paid into the Central Fund of the Exchequer unless otherwise determined by law.[1] Central Fund receipts include tax revenues and the proceeds of borrowing undertaken on behalf of the State by the National Treasury Management Agency (NTMA). Issues from the Central Fund are used to fund expenditure on State services.

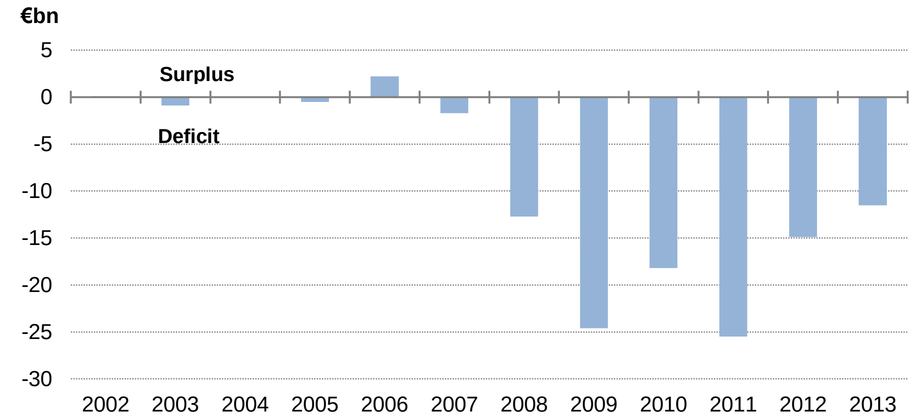
1.2 The annual Finance Accounts present the receipts into and issues from the Central Fund together with details relating to NTMA borrowing and information about certain liabilities and assets of the State. This report summarises the transactions on the Central Fund and highlights some key trends. Because 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.

Central Fund Receipts and Issues

1.3 The movement in the Central Fund receipts and issues over the period 2002 to 2013 and the surplus or deficit for each of those years is set out in Figure 1.1. In 2013, the deficit was €11.5 billion.

Figure 1.1 Central Fund receipts and issues and surplus/deficit, 2002 – 2013





Source: Finance Accounts 2002 to 2013

1 Examples of State revenue which is not paid 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.

Figure 1.2 Composition of Central Fund receipts and issues, 2009 – 2013[a]

	2009	2010	2011	2012	2013
Receipts	**€m**	**€m**	**€m**	**€m**	**€m**
Tax revenue	33,043	31,753	34,027	36,646	37,806
Other current revenues	838	2,687	2,520	2,765	2,676
Loans/advances repaid by					
European Agricultural Guarantee Fund	741	790	673	720	730
Social Insurance Fund	–	–	254	355	285
National Asset Management Agency	–	250	49	–	–
Risk Equalisation Fund	–	–	–	–	78
Other	9	3	10	2	5
National Pensions Reserve Fund withdrawal	–	–	1,018	–	–
Sale of Irish Life plc	–	–	–	–	1,301
Sale of contingent capital notes in Bank of Ireland	–	–	–	–	1,010
Sale of mobile phone licences	–	–	–	450	60
Other capital receipts	140	138	116	150	113
Total receipts	**34,771**	**35,621**	**38,667**	**41,088**	**44,064**
Issues					
Issues for voted expenditure	47,163	46,434	45,711	44,950	43,072
Service of national debt	2,641	3,619	4,736	5,823	7,459
Contribution to EU budget	1,486	1,352	1,350	1,393	1,726
Oireachtas Commission	123	103	130	105	101
Share capital acquired in banks	4,000	725	2,300	1,300	–
Bank recapitalisation payments	–	–	5,268	–	–
Payments under Credit Institutions (Financial Support) Act 2008	–	–	–	–	1,035
Promissory notes repayment	–	–	3,085	25	25
National Pensions Reserve Fund contribution	3,000	–	–	–	–
European Stability Mechanism capital contribution	–	–	–	510	510
Credit Union Fund	–	–	–	250	–
Loans/advances issued to					
European Agricultural Guarantee Fund	790	673	720	730	715
Social Insurance Fund	–	110	199	300	300
Insurance Compensation Fund	–	–	280	455	198
Risk Equalisation Fund	–	–	–	–	78
National Asset Management Agency	–	299	–	–	–
EU stability support for Greece	–	346	–	–	–
Advance to PMG supply account	–	–	–	–	153
Other payments	209	105	406	139	195
Total issues	**59,412**	**53,766**	**64,185**	**55,980**	**55,567**
Deficit for the year	**24,641**	**18,145**	**25,518**	**14,892**	**11,503**

Source: Finance Accounts 2009 to 2013

Note: a Transactions processed through the Exchequer Account and the Capital Services Redemption Account are consolidated. The latter account is a facility maintained by the National Treasury Management Agency for the purpose of servicing national debt and transactions of a normal banking nature.

Receipts

1.4 Total receipts into the Central Fund in 2013 were €44.1 billion (see Figure 1.2). This represented an increase of €3 billion (7%) relative to 2012 receipts.

Tax Revenues

1.5 Over 85% of receipts were the proceeds of taxation, which rose by €1.16 billion compared with 2012. Receipts into the Central Fund from the new Local Property Tax in 2013 totalled €318 million.[1] From 2014, the Minister for Finance will pay into the Local Government Fund an amount equivalent to the property tax paid into the Central Fund each year. Up to end-June 2014, €310 million had been received into the Central Fund in 2014 in respect of the property tax.

Other Current Revenues

1.6 Non-tax current revenues of the Central Fund in 2013 amounted to €2.7 billion, of which the major components were

- €1.15 billion in Central Bank surplus income, in respect of the financial year ending 31 December 2012
- €576 million from credit institutions in respect of fees under the Eligible Liabilities Guarantee scheme
- €264 million (up 137% on 2012) in dividends from State shareholdings in a range of bodies including the ESB, Bord Gáis Éireann and Irish Life plc
- €247 million in interest received on contingent capital notes held in banks.

Recovery of Investments in Financial Institutions

1.7 In July 2013, an amount of €1.3 billion was paid into the Central Fund on completion of the sale of Irish Life plc to Great-West Lifeco. A receipt of €1 billion in January 2013 related to the sale of the State's entire holding of contingent capital notes in Bank of Ireland.

1 The Local Property Tax is an annual self-assessment tax which is charged on the market value of all residential properties in the State. A half-year charge applied in 2013, with the tax coming into full effect in 2014. See Chapter 15 for further details of the Local Property Tax.

Issues

1.8 Issues from the Central Fund in 2013 amounted to €55.6 billion, which represents a decrease of about €0.4 billion, or 1%, on the 2012 level.

Voted Service Issues

1.9 Issues from the Fund for voted services were down by over 4% when compared with 2012. The cumulative decline in voted expenditure issues since the peak in 2008 is nearly 13%.

Debt Servicing

1.10 Payments related to servicing of borrowing undertaken by the NTMA increased by €1.6 billion, or 28%, compared to 2012. This includes the first interest payment on the floating rate bonds issued in February 2013 to replace the Irish Bank Resolution Corporation promissory notes.

Contribution to EU Budget

1.11 A total of €1.73 billion was contributed to the EU budget in 2013, representing an increase of €333 million, or 24%, compared to 2012. The annual increase related to a rise in gross national income (which is a significant factor in determining the level of contributions from member states) combined with the adoption of a number of EU amending budgets during 2013 which necessitated additional payments.

Financial Institution Stabilisation

1.12 Just over €1 billion was paid from the Central Fund in 2013 under the Credit Institutions (Financial Support) Act 2008, following the winding up of the Irish Bank Resolution Corporation in February 2013.

1.13 A further €198 million was advanced to the Insurance Compensation Fund in 2013, arising from the administration of Quinn Insurance Limited, bringing the total advanced at the end of 2013 to €933 million.[1] It is expected that the loans will ultimately be repaid, mainly from levy receipts on insurance sales. The Minister for Finance, in consultation with the Central Bank, will determine when the Insurance Compensation Fund is in a position to commence repaying Exchequer loans received.

1.14 The European Stability Mechanism has total approved 'paid-in' capital of €80 billion of which Ireland's share is €1.274 billion, due to be paid in five equal tranches.[2] Following the payment of two tranches in 2013, Ireland had contributed 80% of its share.

1 The Insurance Compensation Fund, operating under the control of the President of the High Court, was set up to meet liabilities of insolvent insurers. While the Fund is ultimately funded by levies on policy holders, the Minister for Finance may make advances from the Exchequer if the Fund is unable to meet a payment approved by the High Court in a timely way.

2 The European Stability Mechanism (ESM) capital structure has two levels. Paid-in capital is the term applied to an initial block of €80 billion to be contributed by ESM members. A further €622 billion in committed callable capital may be called in from ESM members in the future.

Exchequer Assets and Liabilities

1.15 The movements in the balance on the Exchequer account at the Central Bank and other Exchequer financial assets are shown in Figure 1.3.

Figure 1.3 Movements in Exchequer cash and financial asset balances, 2009 – 2013

	2009	2010	2011	2012	2013
	€m	€m	€m	€m	€m
Balance at 1 January	**22,059**	**21,816**	**16,164**	**17,692**	**23,850**
Movement in year					
Net Exchequer borrowing in year	24,397	12,493	27,046	21,050[a]	11,254[b]
(Deficit) of issues over receipts	(24,641)	(18,145)	(25,518)	(14,892)	(11,503)
Balance at 31 December	**21,816**[c]	**16,164**	**17,692**	**23,850**	**23,601**

Source: Finance Accounts 2009 to 2013

Notes:
a Excludes Government bond issue of €3.5 billion to meet the cost of the promissory note payment of €3.06 billion to Irish Bank Resolution Corporation due in March 2012.
b Excludes floating rate bonds of just over €25 billion issued to replace Irish Bank Resolution Corporation promissory notes.
c Any apparent discrepancies between figures are due to rounding.

1.16 Historically, surplus Exchequer cash was held in the Central Bank Exchequer account. As shown in Figure 1.4, the composition of the Exchequer's cash and financial assets has changed considerably since 2009. The NTMA has stated that it has invested the Exchequer's cash balances in a range of liquid assets in order to generate an enhanced return, and in accordance with prudent risk management.

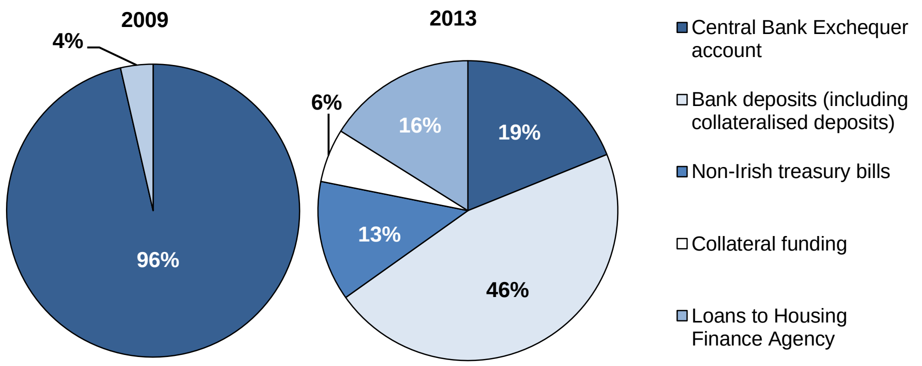
1.17 At the end of 2013, the balance on the Central Bank Exchequer account was €4.4 billion, a reduction of €10.8 billion on the balance at the end of 2012. Over the same period, the balance of Exchequer deposits in commercial banks increased from about €3 billion to just over €11 billion.

1.18 Short-term loans by the Central Fund to the Housing Finance Agency amounted to €3.7 billion at the end of 2013, a reduction of €278 million on the amount loaned at the end of 2012. In practice, these loans could not be readily realised by the Central Fund.

Figure 1.4 Exchequer cash and financial asset balances, 2009 – 2013

	2009	2010	2011	2012	2013
	€m	€m	€m	€m	€m
Balance at 31 December					
Central Bank Exchequer account	21,025	11,399	13,099	15,280	4,432
Capital Services Redemption Account[a]	–	600	–	–	–
Bank deposits (including collateralised deposits)	790	580	30	3,020	11,068
Non-Irish treasury bills	–	–	–	1,045	3,041
Loans to Housing Finance Agency	–	3,585	3,848	3,982	3,704
Collateral funding	–	–	715	523	1,356
Total cash and financial assets[b]	**21,816**	**16,164**	**17,692**	**23,850**	**23,601**

Composition



Source: Finance Accounts 2009 to 2013

Notes: a The balance in the account at year end was less than €500,000 in each year, except 2010.

b Any apparent discrepancies in totals are due to rounding.

1.19 Since 2012, the NTMA has lent on a short-term basis to other states, through the purchase of sovereign treasury bills. At the end of 2013, the value of non-Irish treasury bills held by the State was just over €3 billion (an increase of €2 billion on 2012) and their residual maturities were between 24 and 150 days.[1]

1.20 Since 2011, the NTMA has placed collateral with derivative counterparties. This requirement arises from credit support arrangements the NTMA has with the counterparties to derivative contracts under which the party who is 'out of the money' is required to deposit collateral with its counterparty. At the end of 2013, a net €1.4 billion was funded by and is due to be repaid to the Exchequer.[2]

1.21 The Capital Services Redemption Account was established to set funds aside to meet the cost of servicing and redeeming State debt. It is maintained by the NTMA and is operated subject to guidelines issued by the Minister for Finance, including the maximum amount that may be held in the account at year end. The year end limit set by the Minister is normally €1 million.[3]

1 Treasury bills are a form of short-term lending. The NTMA may opt to purchase treasury bills issued by other states as an alternative to placing funds on overnight deposit.

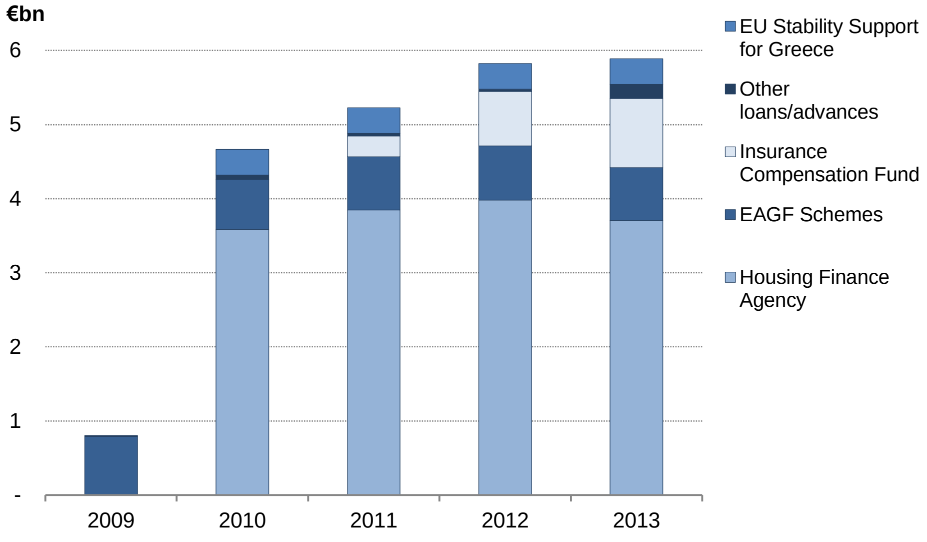
2 Further details regarding these transactions are outlined in Chapter 2 on Government Debt.

3 For end 2010, the Minister set the limit on the balance at €601million.

Loans and Advances

1.22 Loans and advances provided from the Central Fund (excluding lending of €3.7 billion to the Housing Finance Agency) totalling €2.19 billion were outstanding at the end of 2013 – an increase of €346 million when compared with 2012. The loans outstanding at the end of 2013 include €933 million in advances to the Insurance Compensation Fund, €715 million in respect of advances to fund costs associated with the operation of EAGF schemes and €346 million (net) in relation to Ireland's contribution to EU Stability support for Greece. Figure 1.5 shows the outstanding balances for the major categories of loans and advances at the end of each year since 2009.

Figure 1.5 End year balances on Central Fund loans and advances, 2009 – 2013



Source: Finance Accounts 2009 to 2013

1.23 Legislation enacted in 2012 created a risk equalisation fund administered by the Health Insurance Authority. In 2013, €78 million was advanced to the fund. All funds advanced had been repaid at the end of 2013.

1.24 Funds are advanced to the Social Insurance Fund as a working facility and subsequently repaid. €15 million remained to be repaid to the Central Fund at the end of 2013. The Department of Finance confirmed that the outstanding €15 million was repaid from the Social Insurance Fund in January 2014.

1.25 Due to the unavailability of bank clearing systems on Wednesday 1 January 2014, provision was made under Section 3 of the Appropriation Act 2013 for advances to be made from the Central Fund to the Paymaster General supply account in order to fund commercial bank accounts in respect of salaries to be paid from voted monies on Thursday 2 January 2014. An advance of nearly €153 million made in December 2013 was repaid to the Central Fund in January 2014.