

National Accounts
Classification
of General Government
Budget 2007

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Explanatory Notes

1. The following tables bring together estimates of the consolidated capital and current accounts of General Government which includes the Exchequer, various extra-budgetary funds (e.g. the Social Insurance Fund), various non-commercial semi-state bodies and local Government, classified according to the definitions employed in national income accounting. The main purpose of the presentation is to provide a basis for relating the income and expenditure of General Government to such national income aggregates as saving, investment and personal income, whereas many other budgetary documents cannot be readily used in this way. The presentation thus gives a more comprehensive view of fiscal policy than would be possible on the basis of the budgetary accounts alone.
2. The figures shown for 2005 are based on published information. Figures for 2006 are provisional and are subject to revision when the Appropriation Accounts and other final accounts become available. The estimates shown for 2007 are consistent with the Budget Day projections.
3. Transactions between the various funds and accounts are eliminated so as to show the net flows between the General Government sector and the rest of the economy. Current transactions of government trading activities are omitted, but estimates of the gross surplus on these activities are included in item 12.
4. The various definitions employed are similar to those used in Table 21 of the *National Income and Expenditure* accounts published by the Central Statistics Office. It should be noted that there are some differences in presentation between Table 21 as published in the *National Income and Expenditure* and the following tables as some of the headings used in Table 21 have been amalgamated. Additionally, items 29 (Capital receipts less Financial Transactions) and 37 (Capital expenditure less Financial Transactions) are included to facilitate the calculation of a Net Lending / Net Borrowing figure (also known as the General Government Balance (GGB)).
5. The GGB is calculated according to standardised European statistical accounting rules, the European System of Accounts 1995 (ESA95).
6. It should be noted that the GGB (item 40) varies from the Exchequer Balance shown in the Exchequer Budgetary accounts. The main reasons for these differences are:
 - An adjustment, in accordance with ESA95 conventions, to the National Debt interest charge to exclude payables/receivables, changes in the assets of the Capital Services Redemption Account, and capital gains or losses on foreign exchange contracts, swaps, etc.;
 - The exclusion of equity and loan transactions from the GGB on the basis that such transactions affect the composition but not the level of financial assets and liabilities;
 - The exclusion of transactions within the General Government Sector from the GGB. In particular, payments to the National Pensions Reserve Fund (NPRF) in respect of the prefunding of future pension liabilities do not count as GGB expenditure, as the NPRF is treated as part of the General Government Sector under ESA95 conventions. Interest earned on the NPRF improves the GGB, however.
 - The assignment, in calculating the GGB, of payments from Funds such as the National Training Fund to the year in which actual payments are made from the Funds: the impact on

the budgetary arithmetic, on the other hand, occurs in the year in which transfers are made from the Exchequer to the Funds.

- The accrual of certain transactions to the period when the underlying economic activity took place. The principal accrual adjustments are as follows:
 1. Departmental and Revenue Commissioners' Balances carried from one year to another are discounted in favour of the underlying transactions;
 2. VAT, Excise, PAYE Income Tax and PRSI receipts are accrued backward to the period in which the underlying economic activity giving rise to the tax liability took place;
 3. The full projected cost of the repayment of certain nursing home charges is accrued forward from the following years into 2005 (this follows a Eurostat decision in August 2005 that all repayments due in respect of these charges, regardless of when they are actually disbursed, should be recorded as expenditure in 2005, the year in which the State's liability was established by the courts);
 4. Departmental capital expenditure allocations carried over from one year to the next under the capital envelopes facility (which allows a carryover of up to 10% of capital spending allocations into the following year in accordance with Section 91 of the Finance Act 2004) only impact on the GGB when actually spent.
- The inclusion in the GGB of the full impact of local government receipts and expenditure, whereas the Exchequer Balance only reflects transfers between local government and the Exchequer;
- The inclusion of the receipts and expenditure of the Social Insurance Fund which impact on the GGB but do not impact on the Exchequer Balance;
- The inclusion of the capital cost of certain PPP projects which impact on the GGB over the period of construction but impact on the Exchequer via annual payments through the relevant Vote over the life-cycle of the project.

The differences between the Exchequer Balance and Net Lending/Borrowing (GGB) are shown in tabular form in Table 2 of the *Budget 2005 Statistics and Tables*.