



## Methodological Note

Reconciliation table from  
Exchequer balance to  
general government balance



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## Reconciliation table from Exchequer balance to general government balance

*As required under*

*Regulation 5 of Statutory Instrument 508 of 2013; and  
Article 3(2)(b) of Council Directive 2011/85/EU of 8 November 2011  
on requirements for budgetary frameworks of the Member States*

### Background

The purpose of the methodological reconciliation table is to foster transparency, comparability and accountability. It should enable users to better grasp the conceptual differences and transition between data traditionally produced and used for national policy purposes and the European System of Accounts (ESA 2010) data used in the production of the National Accounts and Government Finance Statistics which are ultimately used for EU fiscal surveillance.

### Exchequer balance and general government balance

**Exchequer Balance:** The Exchequer balance is the domestic budgetary aggregate which measures the net surplus or deficit position (the difference between cash inflows and outflows) of central government's main treasury account, the Central Fund.

The monthly Exchequer Statement presents the Exchequer balance and details cash inflows and outflows of the Central Fund. Revenue items include tax receipts, non-tax revenues and capital receipts. Expenditure is composed of Departmental voted spending and non-voted expenditures such as debt servicing costs.

**General government balance:** This is an EU national accounting aggregate which measures the net surplus or deficit position of all arms of Government, i.e. central government, Local Authorities, Vocational Education Committees and non-commercial State sponsored bodies, as well as funds such as the Social Insurance Fund and the National Pensions Reserve Fund which are managed by Government agents. It does not reflect the performance of commercial State sponsored bodies as these agencies are classified as being outside the general government sector. The rules for the compilation of the general government Balance are set out in ESA 2010 and are legally binding on EU Member States.

**Table 1 Comparison between Exchequer balance and general government balance**

	<b>Exchequer Balance</b>	<b>General Government Balance</b>
Coverage	Budgetary central government “The Exchequer”	Central government (Exchequer + Non-commercial Semi-State Bodies + Extra-Budgetary Funds); local government; and the Social Insurance Fund.
Definition	The domestic budgetary aggregate which measures the net surplus or deficit position (the difference between cash inflows and outflows) of central government’s main treasury account, the Central Fund for a given period.	A standardised European aggregate compiled in accordance with ESA 2010 which measures the change in net worth of general government due to non-financial transactions. Defined as the difference between total revenue and total expenditure for the general government sector in a particular period.
Purpose	Represents the net borrowing to meet the State’s budgetary requirements in a given period	Also termed ‘net lending/net borrowing’ or ‘surplus/deficit’ of general government. Measures the fiscal performance of all arms of Government. It thus provides an accurate assessment of the fiscal performance of the ‘Government’ sector.
Basis of calculation	Cash-based – inflows and outflows in a given period	Accruals – amounts falling due for receipt or payment in a particular period.
Legal basis	Article 11 of Bunreacht na hÉireann on State revenues and spending	Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community

### **Adjustments to the Exchequer balance to arrive at the general government balance**

The reconciliation table or ‘walk’ starts with the Exchequer balance and through a series of adjustments arrives at the general government balance.

Steps 1 – 5 below convert the accounting basis of the Exchequer to the ESA 2010 standard. Steps 6-9 incorporate the impact of the wider definition of general government such as extra-budgetary funds, non-commercial state sponsored bodies and local authorities. A register of bodies classified inside general government is maintained by the CSO.

Step 1 The *Exchequer balance* is the working balance in central government accounts.

Step 2 *Financial transactions*: The Exchequer balance includes inflows and outflows from operations in financial instruments. The impact of these flows is removed in the reconciliation table to arrive at a balance of non-financial transactions.

Financial transactions included in the Exchequer balance consist of

Loans: flows resulting from loans granted and loan repayments

Equity transactions: flows resulting from sales and purchases of equity

Step 3 *Interest*: An adjustment is made to the cash based national debt *interest* in the Exchequer accounts to arrive at an accruals based interest amount.

Step 4 *Other accrual adjustments*: Under ESA, flows are recorded on an accruals basis. Adjustments are made in the reconciliation table to convert cash-based to accrual data. Accruals adjustments include: tax accruals (VAT, Income taxes); EU transfers; departmental balances and the impact of the capital carryover.

Step 5 *Other adjustments* are also made to convert from the domestic accounting standard to the ESA. For examples, the sale of carbon allowances is valued relative to the stock of outstanding allowances. Another example is the treatment in the ESA of the annual payments made by mobile phone companies for the licence to use the electromagnetic spectrum, which is recorded in the year when the licence is legally allocated.

Step 6 *Impact of other central government bodies*: The net lending of extra-budgetary funds and of other central government bodies such as non-commercial semi-state bodies and Institutes of Technology is added in the reconciliation table. Bodies such as the National Pensions Reserve Fund, the Local Government Fund and Iarnród Éireann are included. This step arrives at the net lending of central government.

Step 7 *Social Insurance Fund*: Monies not required to meet current expenditure of the Fund are transferred to the Fund's investment account. Any shortfall in the current account in respect of liabilities is met from the investment account in the first instance, and otherwise by moneys provided by the Oireachtas from the Central Fund. In the reconciliation table the net lending of the Social Insurance Fund is added. This figure can be positive in a period when receipts exceed payments from the Fund, or negative in a period when the shortfall is met from investments. In times of high unemployment the net lending is usually close to zero as the subvention from the Central Fund is set to match the shortfall in the Fund.

Step 8 *Local Government*: Local government includes all the local authorities. The net lending of local government is added in the reconciliation table.

Step 9 *General government balance*: Steps 1 to 8 are summed to arrive at the general government balance.

## Illustrative reconciliation table

The following table shows the walk from Exchequer balance to general government balance for two years. The figures are illustrative. In both years the Exchequer balance is negative implying an excess of spending over revenues. In the table, a positive amount improves and a negative worsens the balance.

In this example, government has given a loan to a non-government fund on which capital payments of 2 are paid each year; government has made an equity injection of 20 into a public corporation in year 1; government is paid for the sale of an asset to a private corporation in year 1, but government retains use of this asset until it changes hands in year 2.

**Table 2 Reconciliation table, illustrative example**

Item	Step	Description	year 1	year 2
a	1	Exchequer Balance	-1000	-1050
b	2	Loan Repayments	-2	-2
c	2	Equity Purchase	20	0
d	3	Interest accruals	-5	-3
e	4	Departmental and other accruals	-40	30
f	4	Tax accruals	-4	2
g	5	Asset sale prepayment (receipt by government)	-15	15
h	6	Government Bodies	12	-5
i	6	NPRF	30	35
j	7	SIF	1	0
k	8	Local government	-8	-4
m	9	General government balance (= items a to k)	-1011	-982