



An Overview of the Central Fund: What it is & how it operates

Introduction

This paper forms part of a series of PBO publications intended to serve as ongoing reference documents. These publications are intended to explain key concepts which are present in many of the PBO's core publications, enabling new and returning readers of PBO publications to maximise their understanding of the PBO's analysis. These publications will address issues of varying degrees of complexity.

The purpose of this paper is to provide the reader with a brief overview of the Central Fund and its function. The main objective of this paper is to provide an overview of the estimated receipts (income) and issues (expenditure/spending) of the Central Fund for 2023, along with a comparative analysis of receipts and expenditure in 2022. This paper will also outline the most significant areas of revenues and expenditure that do not pass through the Central Fund.

Key Notes

- **The Central Fund**, also referred to as The Exchequer, is the main bank account held by the Irish Government in the Central Bank.
- The terms Exchequer and Central Fund are interchangeable, with **receipts (income)** generally referred to as being 'paid into the Exchequer' (deposited into the account) and **issues (expenditure)** 'charged on' or 'paid out of' the Central Fund (debited to the account).
- **The Department of Finance publish the Fiscal Monitor** on a monthly basis presenting the receipts into and issues from the Central Fund.
- **The Comptroller and Auditor General (Amendment) Act 1993 (the Act)** stipulates that once a 'credit' has been granted by the Comptroller and Auditor General, funds can be lawfully released from the Central Fund to the Minister for Finance, or to the authorised agent.
- Receipts received into the Central Fund are broken down into **Current and Capital receipts**.
- Current Receipts comprise **Tax Revenue** (such as Income Tax, Corporation Tax and VAT) as well as **Non-Tax Revenue** (such as surplus incomes from the National Asset Management Agency, Central Bank, and the National Lottery).
- Repayments of loans to the Exchequer make up the largest portion of the **Capital Receipts**.
- **Total Receipts for the Central Fund are forecast to be €91.2 billion in 2023.**¹
- Issues out of the Central Fund are categorised into **Voted and Non-Voted expenditure, encompassing both Current and Capital components.**²
- The White Paper published by the Department of Finance and Department of Public Expenditure, NDP Delivery and Reform, estimates the **total Expenditure out of the Central Fund for 2023 to be €88.6 billion.**
- **The majority of Government spending goes through the Central Fund, however, there are certain areas where this is not the case.** This includes semi-state bodies, local authorities' own funds, and other state funds (e.g. the Irish Strategic Investment Fund).
- Additionally, the Central Fund does not account for Appropriations-In-Aid (A-in-A).
- Presentations of **the Exchequer usually include the Social Insurance Fund and the National Training Fund** within the Exchequer total, **as outlined in the Ministers and Secretaries (Amendment) Act 2013, despite them technically not being paid out of the Central Fund.**³

¹ PBO Note: Rounding may affect totals. The 2022 figures were sourced from Department of Finance, [Fiscal Monitor Incorporating the Exchequer Statement](#) (December 2022); the 2023 figures were sourced from Department of Finance; Department of Public Expenditure, NDP Delivery and Reform, [Budget 2023 Economic & Fiscal Outlook](#) (2022).

² Parliamentary Budget Office, [An Overview of Current and Capital Spending within Government Expenditure](#) (2023).

³ For more information on the National Training Fund see Parliamentary Budget Office, [An Overview of the National Training Fund \(NTF\)](#) (2023). For more information on the Social Insurance Fund see PBO, [An overview of the Social Insurance Fund \(SIF\)](#) (2018).



Overview of the Central Fund

The Central Fund is the main bank account held by the Irish Government at the Central Bank of Ireland. The transactions of the Central Fund are processed through the Exchequer Account. The Department of Finance publishes the Fiscal Monitor on a monthly basis, outlining the receipts (income/revenue) into and issues (expenditure/spending) from the Exchequer Account.⁴ All receipts and spending of the Government, except where otherwise provided by law, are accounted for in the Central Fund. The constitutional role of the Central Fund is set out in article 11 of Bunreacht na hÉireann (the Constitution), which states that:

*All revenues of the State from whatever source arising shall, subject to such exception as may be provided by law, form one fund, and shall be appropriated for the purposes and in the manner and subject to the charges and liabilities determined and imposed by law.*⁵

The Finance Accounts present the receipts into and issues from the Central Fund on an annual basis; fulfilling “a statutorily specified purpose in relation to providing an annual statement of the transactions, recorded on a cash basis, of the Central Fund.”⁶ The difference between receipts and issues is called the Exchequer balance. Funds can only lawfully be released from the Central Fund when a ‘credit’ has been granted by the Comptroller and Auditor General (C&AG).

The Comptroller and Auditor General (Amendment) Act 1993 (the Act) provides that the State’s funds are only released to the Minister for Finance, or to the authorised agent, where Dáil Éireann has approved expenditure as part of the annual appropriations process, or where there is a specific legal basis for the expenditure. The amount of the credit is the maximum amount that can be drawn for the declared purposes. The importance of these control measures is highlighted in a report by the Comptroller and Auditor General:⁷

- The Exchequer control process is designed to ensure that funds issued by the Central Bank from the Central Fund account are in accordance with the law.
- The law requires the Minister of Finance to apply in advance to the C&AG for a grant of credit.
- Where the Central Fund has been operated to a significant extent than otherwise set down in law, the C&AG is required to draw up a report on the matter, and to present the report to Dáil Éireann as soon as possible (see footnote 7 for link to recent example).
- The subsequent actions and intended changes detailed in the C&AG report reflect the need to strengthen control measures in order to prevent similar breaches taking place.

As summarised in Figure 1, the process for the release of money from the Central Fund as set out in Section 2 of the Act involves:

1. The Minister for Finance (MoF) or agent submits a ‘Request for Credit’ to the C&AG.
2. The C&AG then issues a ‘Grant of Credit’ to the Central Bank and informs the MoF (or agent) or same.
3. The MoF (or agent) submits a ‘Request(s) for withdrawal’ to the Central Bank.
4. The Central Bank provides a ‘Release order(s)’ as appropriate to the Central Fund of the Exchequer.
5. The Central Fund then issues funds to the MoF (or agent).

⁴ Department of Finance, *The Fiscal Monitors Collection*.

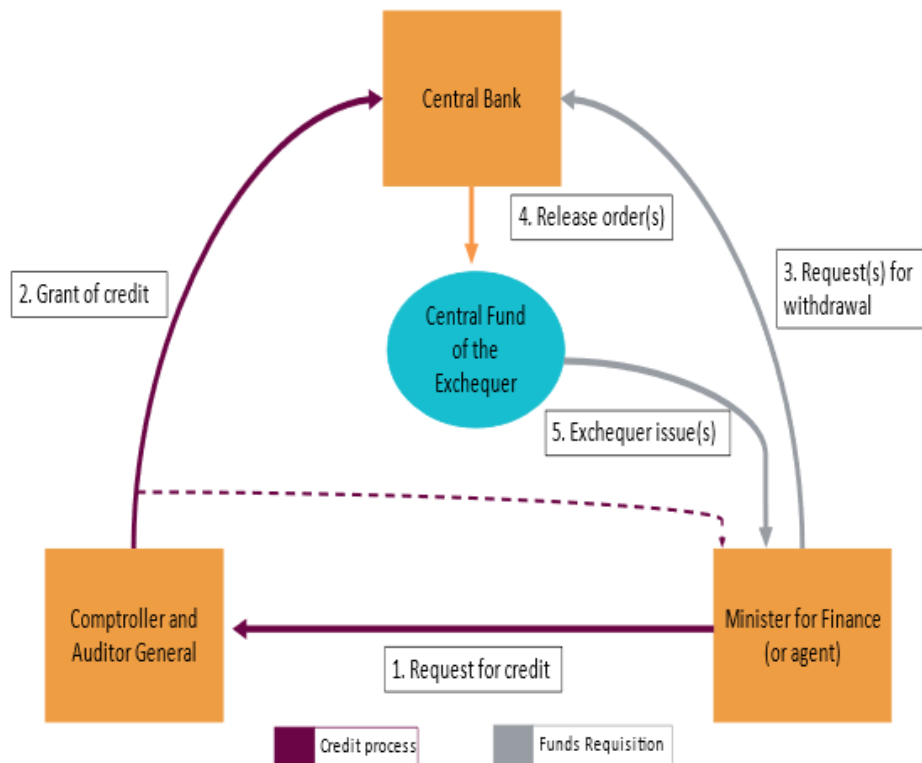
⁵ The Irish Statute Book, *Bunreacht na hÉireann, Article 11* (1937).

⁶ Department of Finance, *Finance Accounts: Audited Financial Statements of the Exchequer For the Financial Year 1st January 2021 to 31st December 2021* (September 2021) p.4. For more information on the Financial Accounts see *Finance Accounts collection*.

⁷ Comptroller and Auditor General, *Section 2 Report: Unauthorised release of funds from the Central Fund of the Exchequer* (2022) p.4.



Figure 1: Procedure for release of money from the Central Fund of the Exchequer



Source: PBO based on Comptroller and Auditor General, Section 2 Report: Unauthorised release of funds from the Central Fund of the Exchequer (2022).



Sources of funding to the Central Fund

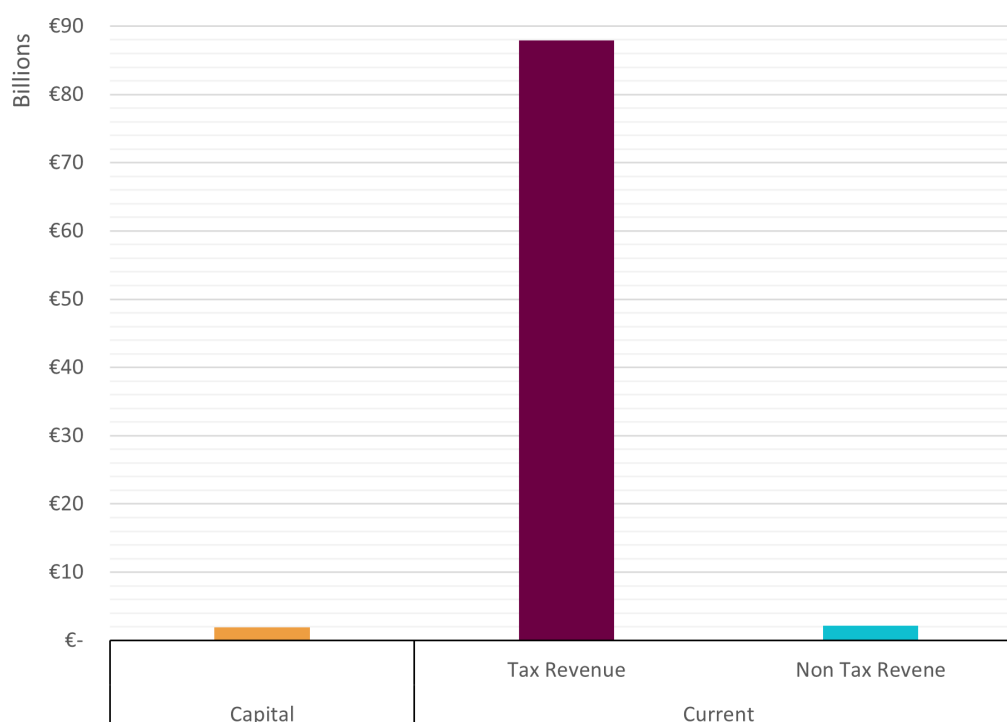
Central Fund receipts are categorised into Current Receipts and Capital Receipts. Current Receipts are further broken down into Tax Revenue and Non-Tax Revenue. Most receipts are initially received into subsidiary bank accounts (such as accounts of the Revenue Commissioners) before being transferred to the Exchequer Account at regular intervals.⁸ The vast majority of receipts received into the Central Fund are derived from Current Receipts (Tax Revenue) such as Income Tax and Corporation Tax.

Figure 2 illustrates the breakdown of the Central Fund Receipts for 2023. Notably, Capital Receipts form the smallest percentage of revenue received into the Central Fund.

Total Receipts for the Central Fund are forecast to be €91.2 billion in 2023 (increase of €0.4 billion on 2022), which includes:

- **€89.1 billion from Current Receipts for 2023** (increase of 4% / €3.5 billion on 2022),
- **€2.1 billion from Capital Receipts for 2023** (decrease of 59% / €3 billion on 2022).⁹

Figure 2: Central Fund Receipts 2023



Source: PBO based on Department of Finance; DPENDPDR, [Budget 2023 Economic & Fiscal Outlook](#) (2022)

⁸ Department of Public Expenditure, NDP Delivery and Reform, [Public Financial Procedures booklet](#) (2021).

⁹ PBO Note: Rounding may affect totals. The 2022 figures were sourced from Department of Finance, [Fiscal Monitor Incorporating the Exchequer Statement](#) (December 2022); the 2023 figures were sourced from Department of Finance; Department of Public Expenditure, NDP Delivery and Reform, [Budget 2023 Economic & Fiscal Outlook](#) (2022).



Current Receipts

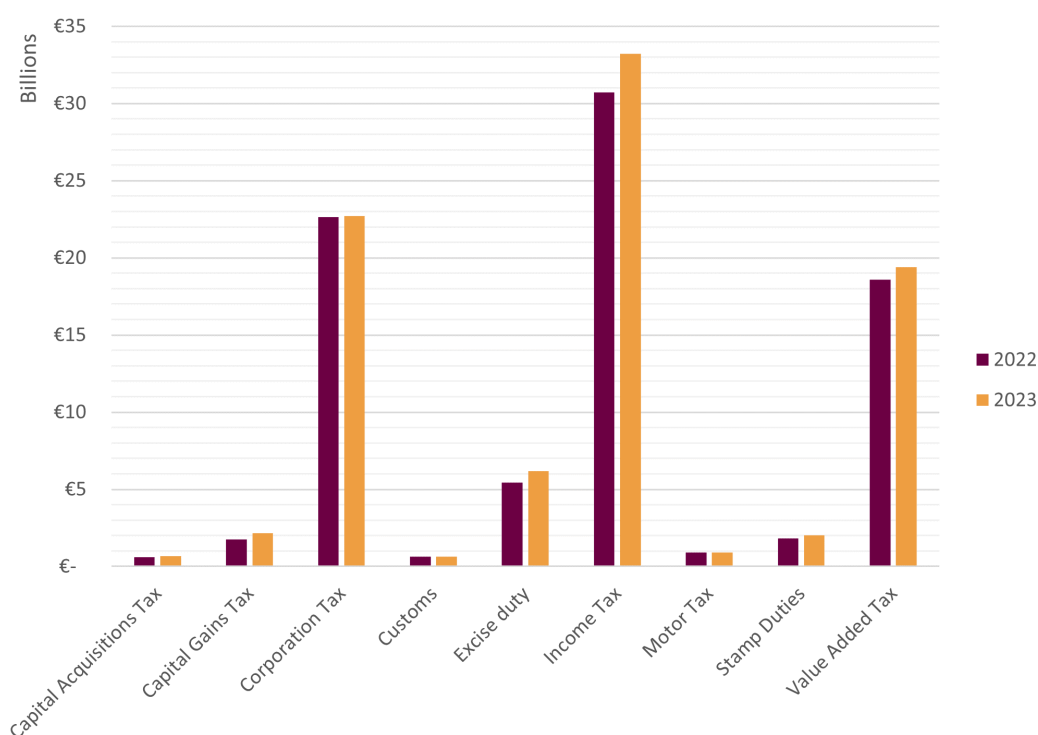
Current Receipts comprise state revenues (Tax Revenue and Non-Tax Revenue). Current Receipts for 2023 are forecast to be €89.1 billion (increase of 4% / €3.5 billion on 2022), which includes:

- **€86.9 billion from Tax Revenue in 2023** (increase of 5% / €3.8 billion on 2022), and
- **€2.1 billion from Non-Tax Revenue in 2023** (decrease of 13% / €323 million on 2022).

Figure 3 illustrates the composition of Tax Revenue received into the Central Fund. Tax Revenue receipts mainly comprise income from:

- €33.2 billion of Income Tax receipts (increase of 8.1% / €2.5 billion on 2022),
- €22.7 billion of Corporation Tax (CT) receipts (increase of 0.3% / €72 million),¹⁰ and
- €19.4 billion of Value Added Tax (VAT) receipts (increase of 4% / €804 million on 2022).

Figure 3: Central Fund Tax Revenue (Current Receipts) 2022-2023



Source: PBO based on Department of Finance; DPENDPDR [Budget 2023 Economic & Fiscal Outlook](#) (2022); and Department of Finance, [Fiscal Monitor](#) (2022).

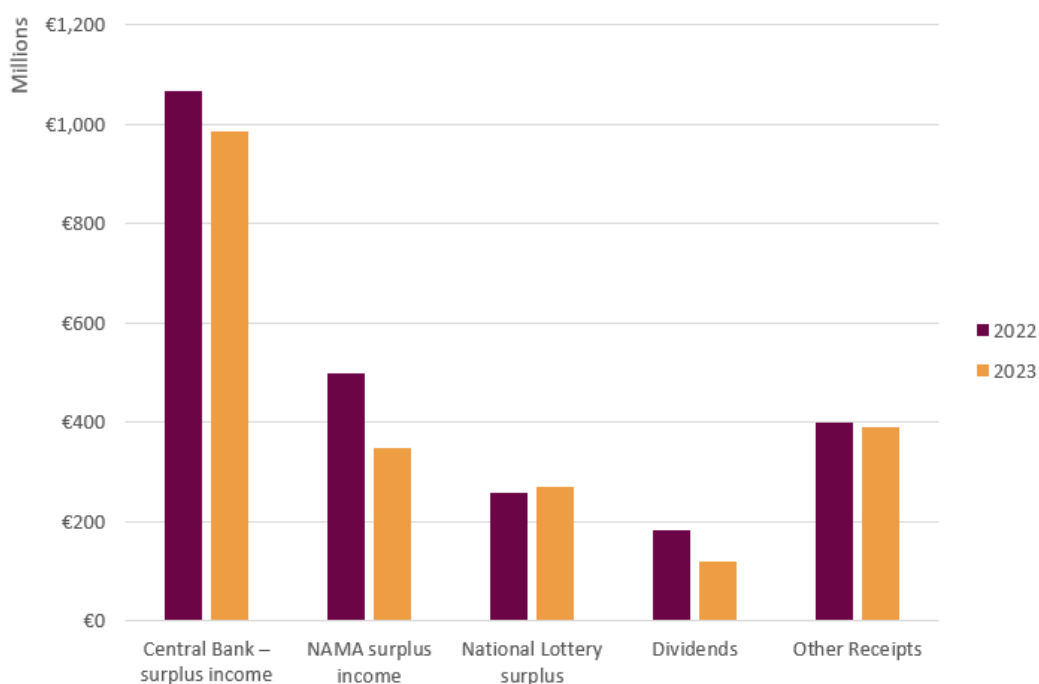
¹⁰ The risks associated with an over reliance on Corporation Tax (which is the second highest Tax Revenue received into the Central Fund) are highlighted in a previous publication by the PBO, [Pre-Budget 2023 PBO Commentary](#) (2022) as well as PBO, [An Overview of the Corporation Tax Base in Ireland](#) (2019).



Figure 4 illustrates the composition of Non-Tax Revenue received into the Central Fund. Non-tax Revenue receipts include, among others:

- €983 million in Central Bank Surplus Income (decrease of 8% / €81 million on 2022),¹¹
- €350 million in National Asset Management Agency (NAMA) surplus income (decrease of 30% / €150 million on 2022), and
- €270 million in National Lottery surplus (increase of 5% / €12 million on 2022).

Figure 4: Non Tax Revenue



Source: PBO based on Department of Finance; DPENDPDR [Budget 2023 Economic & Fiscal Outlook](#) (2022); and Department of Finance, [Fiscal Monitor](#) (2022).

¹¹ The Central Bank of Ireland (Surplus Income) Regulations, (1943) require that the surplus income of the Central Bank of Ireland (CBI), less a maximum of 20% which may be diverted to the CBI reserves, be paid to the Exchequer. For more information see Parliamentary Budget Office, [Note on Central Bank of Ireland Surplus Income](#) (2018).

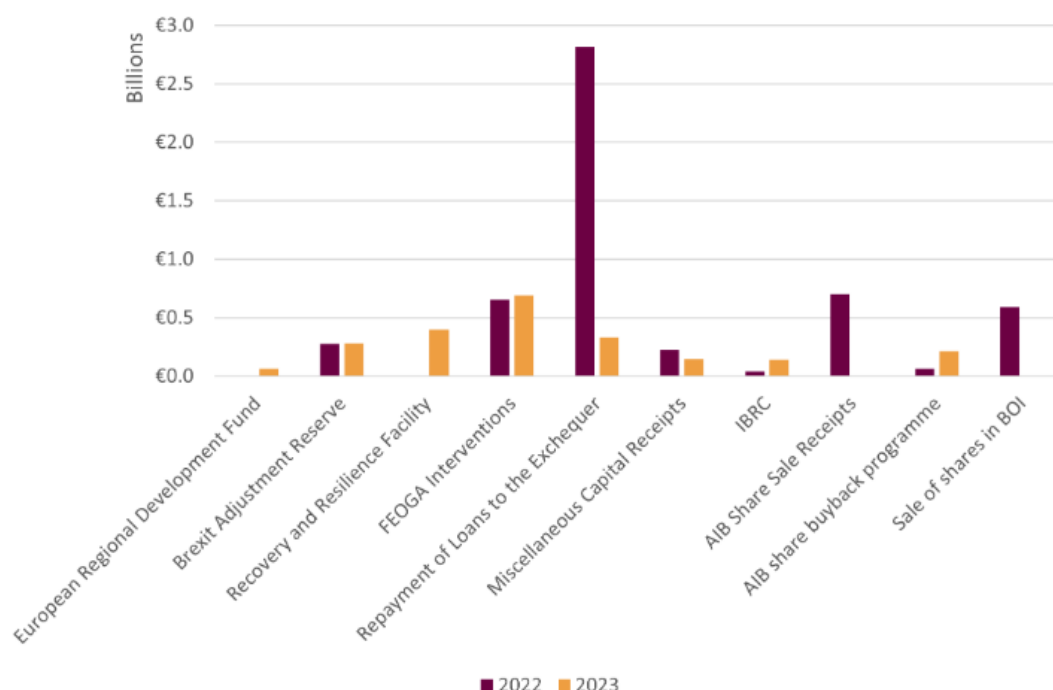


Capital Receipts

Capital receipts for 2023 are forecast to be €2.1 billion (decrease of 59% / €3 billion on 2022). Figure 5 illustrates the breakdown of Capital Receipts into the Central Fund.

- As can be seen in the figure below, a significant decrease in Repayment of Loans from the Exchequer was noted for 2023. A substantial component of the Loans from the Exchequer is made up of the loans to the Social Insurance Fund. This technical repayment is net-neutral overall as it would also be reflected in capital expenditure.
- The Economic and Fiscal Outlook estimates total repayment of loans from the Exchequer for 2023 to be €328 million.
- The Capital receipts in 2022 were boosted by €1.3 billion from the proceeds arising from the sale of bank shares.¹²

Figure 5: Central Fund Capital Receipts



Source: PBO based on Department of Finance; DPENDPDR [Budget 2023 Economic & Fiscal Outlook](#) (2022); and Department of Finance, [Fiscal Monitor](#) (2022).

¹² Figure 5 illustrates the receipts received from sale of bank shares in 2022 such as the AIB Share Sale (€701 million), Sale of shares in BOI (€590 million), and AIB share buyback programme (€63 million). Department of Finance, [Fiscal Monitor Incorporating the Exchequer Statement](#) (December 2022). In April 2023, the Minister of Finance accepted an offer from AIB group Plc to participate in the 2023 share buyback programme. The buyback will see AIB acquire €215 million of its shares from the State. For more information see Department of Finance, [Minister McGrath announces State's participation in AIB's 2023 share buyback programme](#) (2023).

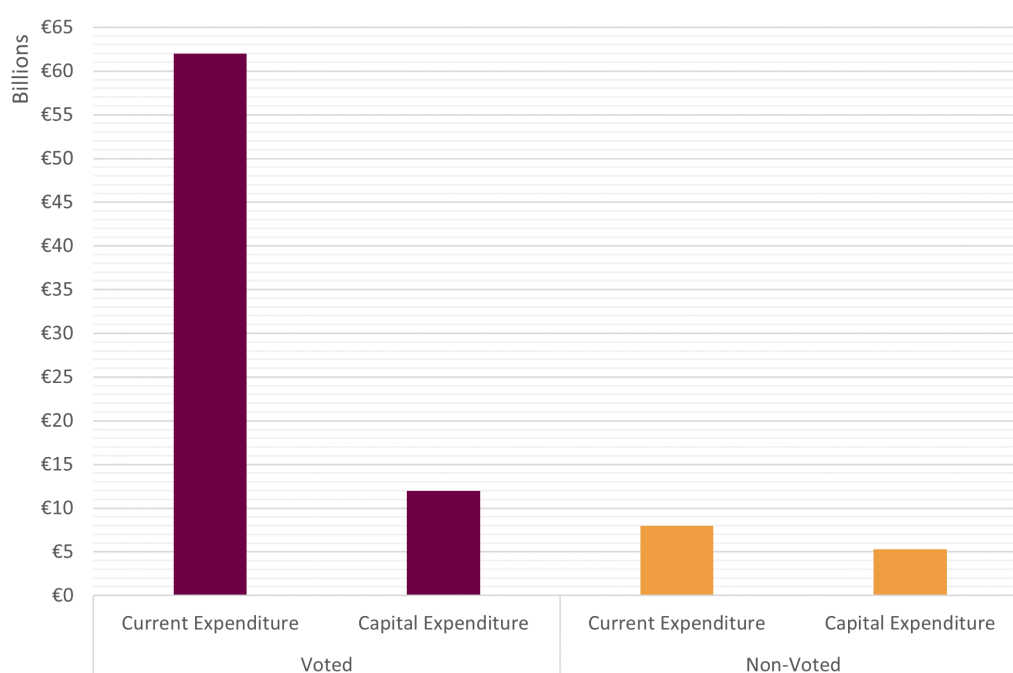


Central Fund Expenditure

Expenditure out of the Central Fund is broken down into Voted Expenditure and Non-Voted Expenditure, both consisting of current and capital components. Total Expenditure out of the Central Fund for 2023 is forecast to be €88.6 billion (increase of 3% / €2.8 billion on 2022).¹³ Figure 6 illustrates the breakdown of the spending, and highlights that the bulk of it is accounted for under voted current expenditure. The difference between the two types of spend is briefly outlined below.¹⁴

- The term ‘Current Expenditure’ refers to day-to-day spending on providing public services (such as public sector wages).
- Capital Expenditure relates to the acquisition, construction or enhancement of significant fixed assets including land, buildings, and equipment that will be of use or benefit for more than one financial year.¹⁵

Figure 6: Central Fund Expenditure 2023



Source: PBO based on Department of Finance; DPENDPDR Budget 2023 Economic & Fiscal Outlook (2022).

¹³ PBO Note: Rounding may affect totals. The 2022 figures were sourced from Department of Finance, [Fiscal Monitor Incorporating the Exchequer Statement](#) (December 2022); the 2023 figures were sourced from Department of Finance; Department of Public Expenditure, NDP Delivery and Reform, [Budget 2023 Economic & Fiscal Outlook](#) (2022).

¹⁴ For more information on Current and Capital Expenditure see Parliamentary Budget Office, [An Overview of Current and Capital Spending within Government Expenditure](#) (2023).

¹⁵ Department of Public Expenditure, NDP Delivery and Reform, [Public Spending Code: A Guide to Evaluating, Planning and Managing Current Expenditure](#) (2012).



Voted Expenditure

Voted expenditure (spending) refers to the money which funds the ordinary services of Government Departments and Offices, both capital and current, which is voted by the Dáil on an annual basis. Voted funding is allocated to Votes, one or more covering the functions of each Department or Office. These services are technically known as the Supply Services and the money granted by the Oireachtas for each service is called the Supply Grant, or simply Supply.

Voted spending is scrutinised by Dáil committees and approved by Dáil Éireann. It is presented in the annual Estimates (as part of the budget) and the Revised Estimates presented in December are then approved by Dáil Éireann. If necessary, Further Revised Estimates, or Supplementary Estimates are introduced and approved by Dáil Éireann.¹⁶ All Voted spending which occurs in the year is given legal effect in the annual Appropriations Act at the end of the year.¹⁷

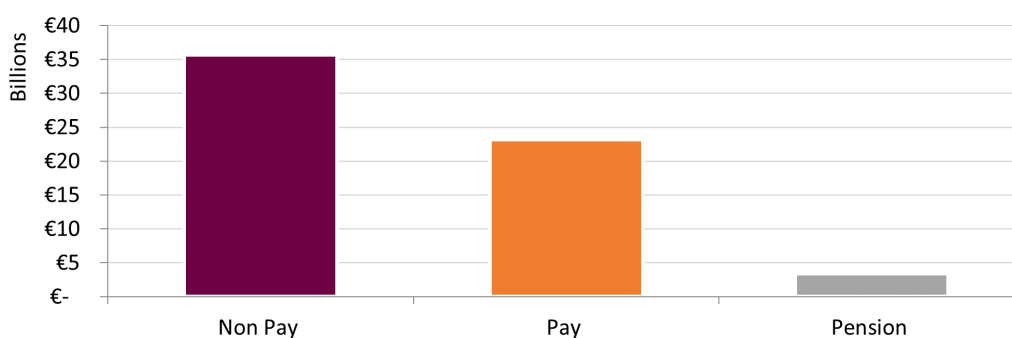
Voted Expenditure for 2023 is forecast to be €75 billion (increase of 3% / €2.2 billion on 2022), which includes:

- €12.3 billion of Voted Capital Expenditure for 2023 (increase of 13% / €1.4 billion on 2022),
- €62.7 billion of Voted Current Expenditure for 2023 (increase of 1% / €0.7 billion on 2022).

Voted Current spend consists three broad categories: pay, pensions and non-pay.¹⁸ Figure 7 illustrates the breakdown of these categories for 2023:

- Pay Expenditure of €23.1 billion (increase of 9% / €1.8 billion),
- Pensions of €3.4 billion (increase of 10% / €305 million), and
- Non-Pay Expenditure of €35.6 billion (increase of 9% / €3 billion).

Figure 7: Central Fund Capital Receipts



Source: PBO based on DPENDPDR, [Revised Estimates for Public Services 2023](#) (2022).

¹⁶ The Revised Estimates Volumes for the Public Service can be accessed [here](#).

¹⁷ A collection of Appropriations Acts can be accessed [here](#).

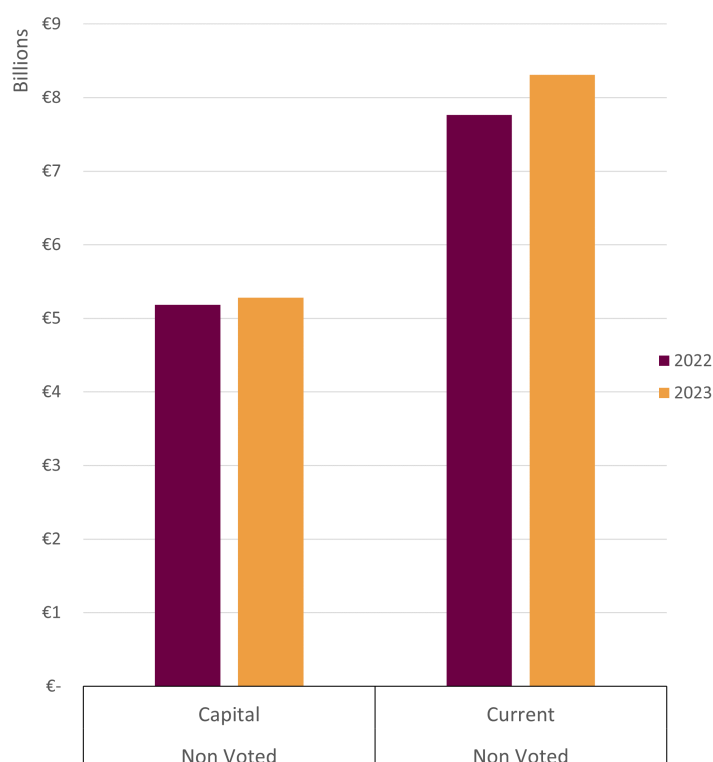
¹⁸ Pay and pensions expenditure relate to the employment costs associated with delivering public services, non-pay expenditure relates to a wide range of policy areas.



Non-Voted Expenditure

- Non voted spending out of the Central Fund constitute spending that is provided for in legislation (bypassing a need for annual approval in the budget process), including Non-Voted Capital Expenditure and Non-Voted Current Expenditure. Figure 8 illustrates the composition of the Non Voted Expenditure out of the Central Fund.
- Total Non-Voted Expenditure for 2023 is forecast to be €13.5 billion** (increase of 5% / €0.6 billion on 2022).¹⁹

Figure 8: Non-Voted Expenditure



Source: PBO based on Department of Finance; DPENDPDR [Budget 2023 Economic & Fiscal Outlook](#) (2022); and Department of Finance, [Fiscal Monitor](#) (2022).

As can be seen in figure 8, Non-Voted Capital Expenditure for 2023 is forecast to be €5.28 billion (increase of 2% / €97 million on 2022).²⁰

Non-Voted Current Expenditure for 2023 is forecast to be €8.3 billion (increase of 7% / €544 million on 2022) which includes:

- €3.9 billion for the servicing of the National Debt (increase of 1% / €70 million on 2022),
- €3.9 billion contribution to the EU Budget (increase of 7% / €418 million on 2022), and
- €177 million for the Oireachtas Commission (increase of 29% / €40 million on 2022).

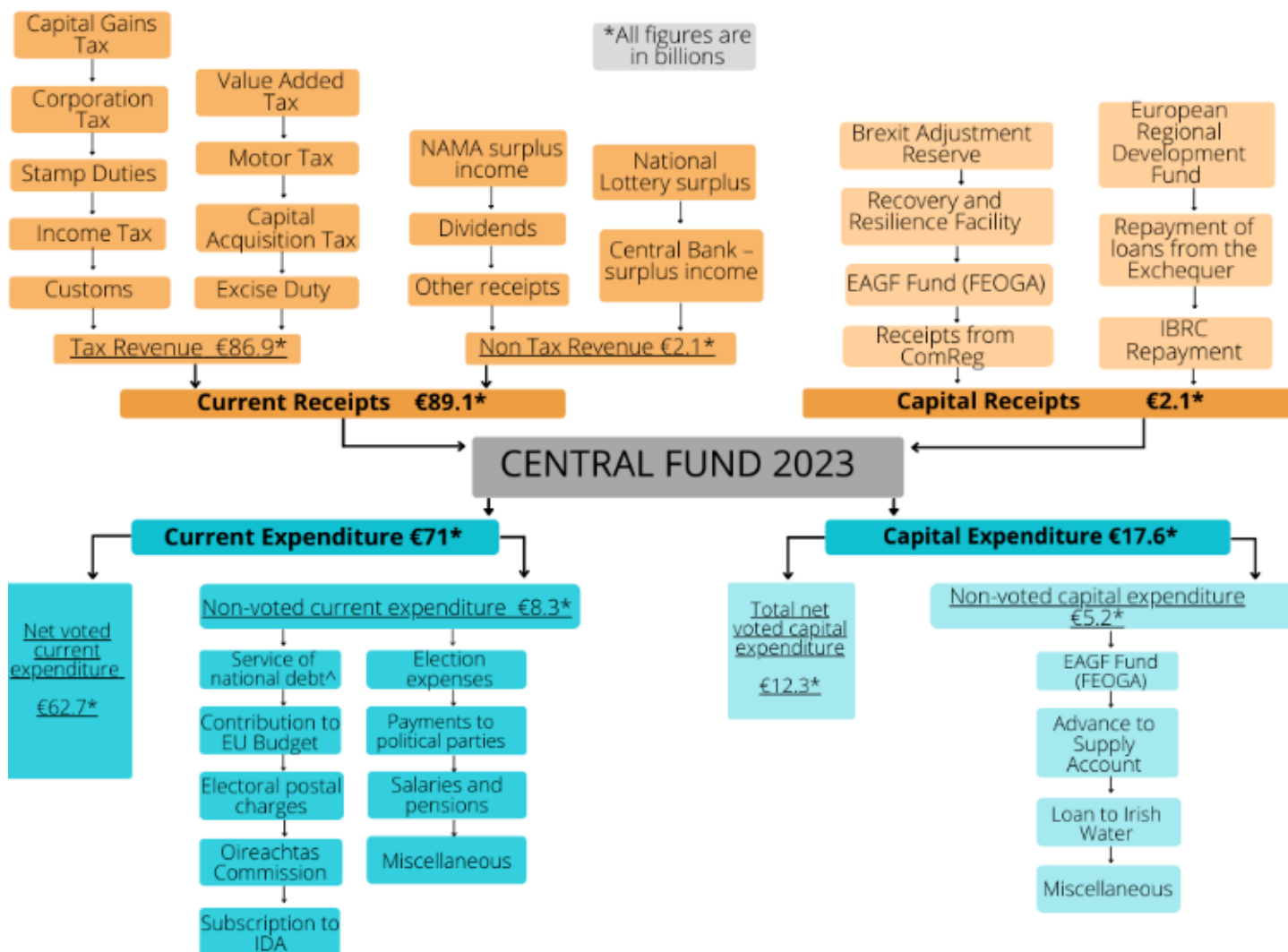
¹⁹ PBO Note: Rounding may affect totals. The 2022 figures were sourced from Department of Finance, [Fiscal Monitor Incorporating the Exchequer Statement](#) (December 2022); the 2023 figures were sourced from Department of Finance; Department of Public Expenditure, NDP Delivery and Reform, [Budget 2023 Economic & Fiscal Outlook](#) (2022).

²⁰ The Summer Economic Paper highlights that “over the last 12 months, €6 billion in ‘windfall’ receipts has been transferred to the National Reserve Fund to rebuild fiscal buffers.” This is reflective of the €2 billion transfer in 2022 in addition to the €4 billion transfer in 2023. For more information see Department of Finance; Department of Public Expenditure, NDP Delivery and Reform [Summer Economic Statement 2023](#) (2023) p.16.



Figure 9 provides a detailed breakdown of estimated receipts and expenditure of the Central Fund for 2023.

Figure 9: Central Fund Receipts and Expenditure 2023



Source: PBO based on Department of Finance; DPENDPDR Budget 2023 Economic & Fiscal Outlook (2022). Note: Rounding may affect totals.



Expenditure and Receipts not included within the Central Fund

The General Government Balance (GGB) gives a wider view of the overall fiscal position of the whole Government compared to the cash-based Exchequer Balance (which is the difference between receipts and expenditure of the Central Fund). The GGB takes into account other agencies and bodies that sit outside the Central Fund. **Differences between the Exchequer Balance and the General Government Balance may arise due to surpluses or accruals generated by non-Exchequer funds** (also referred to as Extra-Budgetary Funds) as well as Social Security Funds (namely the Social Insurance Fund) and Local Government balance.²¹

As outlined in a previous publication by the PBO (2019), **the Central Fund does not provide funding for:**

- The Social Insurance Fund,
- The National Training Fund,
- Semi-state bodies,
- Local authorities' own funds, and
- Other state funds (e.g. the Irish Strategic Investment Fund).²²

However, the **Ministers and Secretaries (Amendment) Act 2013** defines 'Government Expenditure' as including the Social Insurance Fund and the National Training Fund. As a result of this, **presentations of the Exchequer usually include the two funds within the Exchequer total despite them technically not being paid out of the Central Fund.**²³ This presentation provides for a more complete picture of the entirety of government spending.

Additionally, **the Central Fund does not account for Appropriations-In-Aid (A-in-A).** The A-in-A are Departmental receipts which, with the agreement of the Dáil, are not paid directly into the Exchequer, but which may be retained to contribute towards the expenses of the Vote to which they refer.²⁴

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²¹ **Exchequer Balance** measures the central government's net surplus or borrowing position while the **General Government Balance** measures the fiscal performance of the whole general government sector. **The Exchequer Accounts are recorded on a cash basis while General Government reporting is on an accrual basis.** **Local Government Balance** is the combined balances of local authorities, approved housing bodies classified to the local government sector and non-market public corporations controlled by local authorities.

²² Parliamentary Budget Office, *General Government Expenditure* (2019) p.4.

²³ *Ministers and Secretaries (Amendment) Act 2013*.

²⁴ Parliamentary Budget Office, *Appropriations-in-Aid in the Revised Estimates for Public Services* (2018), and PBO, *Measuring the Cost of Public Service Provision: Gross & Net Spending in Ireland* (2023).