

3 SELECTED FINANCIAL ASSETS AND LIABILITIES OF THE NSW PUBLIC SECTOR

3.1 INTRODUCTION

In May 1991, Premiers' Conference endorsed the recommendations contained in the Report on Uniform Presentation of Government Financial Information. New South Wales strongly supports the concept of uniformity and consistency in the reporting of State financial asset and debt positions. Indeed the State has based its reporting of financial assets and debts on the Australian Bureau of Statistics (ABS) concepts, since their formulation in 1988.

The ABS and jurisdictions agreed, in June 1993, that public sector financial asset and liability data would be presented according to the methodology set out in the paper "Uniform Presentation of Information on Financial Assets and Liabilities".

This chapter provides information on selected financial assets and liabilities in accordance with the agreed short-form presentation format.

3.2 ESTIMATES OF FINANCIAL ASSETS AND LIABILITIES - UNIFORM PRESENTATION

Table 3.1 sets out the major components of the State's total liabilities and assets dissected between General Government and Public Trading Enterprises sectors based on the scope and definitions of the ABS. On this basis, the estimated net debt of the State as at 30 June 1996 is \$19,841 million, an increase of \$293 million as compared to 1995.

The reduction in the net debt of the General Government Sector is mainly due to equity restructure receipts from the electricity distribution industry and other corporatised bodies. The increase in Public Trading Enterprises' net debt reflects the additional borrowings of the corporatised bodies in order to conform with their new debt/equity structures.

Table 7.1 of Budget Paper 2 discloses the financial assets and liabilities of the Budget and Non Budget sectors.

**TABLE 3.1: PRESENTATION OF INFORMATION ON SELECTED FINANCIAL ASSETS AND LIABILITIES (FALS)
AS AT 30 JUNE**

	General Government		Public Trading Enterprises		Total Non-Financial Public Sector	
	1995	1996	1995	1996	1995	1996
	\$m	est \$m	\$m	est \$m	\$m	est \$m
<u>Financial Liabilities</u>						
Deposits Held	766	1,357	126	216	1,246	1,344
Advances Received	3,888	3,520	1,619	1,757	4,717	3,783
Borrowings	20,258	16,028	7,781	8,748	25,911	23,520
Total Gross Debt	24,912	20,905	9,526	10,721	31,874	28,647
<u>Financial Assets</u>						
Cash and Deposits	4,538	4,743	1,160	1,097	7,530	5,611
Advances Paid	1,900	1,894	111	401
Other Lending	6,084	2,971	1,208	1,080	4,685	2,794
Total Cash, Deposits and Lending	12,522	9,608	2,368	2,177	12,326	8,806
Net Debt	12,390	11,297	7,158	8,544	19,548	19,841
Unfunded Employee Entitlements	15,298	15,585	3,013	3,080	18,311	18,665

Note * Sector totals do not add across because inter sector holdings of financial assets and liabilities have not been eliminated.

** All figures have been revised to reflect expanded ABS GFS coverage represented by inclusion of Building and Construction Industry Long Service Payments Corporation.

*** The 1995 figures have been revised using the figures contained in the 1994-95 State Public Sector Consolidated Financial Statements after any adjustment necessary to ensure compliance with ABS reporting standards.

3.3 CLASSIFICATION FRAMEWORK

Scope

The information presented in this chapter relates to entities comprising the non-financial public sector, as defined in Australian Bureau of Statistics (ABS) government finance statistics. Debt estimates for 1995 and 1996 are based on a full coverage of public sector organisations in accordance with the ABS methodology and definitions. Unfunded superannuation component is based on the Government Actuary's estimates of the liabilities at 30 June 1995 and 1996 with the balance of the amount shown representing long service and recreation leave.

The general basis of valuation reported is historic capital value.

The following points on the data under Uniform Presentation should be noted -

- Uniform Presentation includes information on non debt liabilities, namely unfunded employee entitlements which covers superannuation and leave entitlements.
- Uniform Presentation is based on the ABS classification of General Government Sector and Public Trading Enterprises.
- All Budget Sector and Non-Budget Sector agencies other than Public Trading Enterprises agencies fall under the General Government Sector.
- NSW Treasury Corporation, a financial intermediary, is classified as a General Government Sector agency.
- Under Uniform Presentation, local government councils are excluded.

ABS Classifications and the Balance Sheet

The balance sheet is a major financial statement for entities operating on an accrual basis and summarises the levels of assets and liabilities at the end of the accounting period. The assets covered by a balance sheet include both physical assets and financial assets.

In concept and content the ABS classifications reflect the structure of the balance sheet, with the exception that FALS do not include physical assets (ie plant and equipment). The balance sheets and the notes in the financial reports of collection units can be used to verify the unaudited data supplied.

FINANCIAL LIABILITIES

Deposits held - holdings of cash balances or deposits from other public or private sector bodies including trust accounts held on behalf of private bodies, public financial enterprises, or the non financial public sector. Excludes employee superannuation trust fund balances or any trust balances held to reduce employee entitlement liability.

Advances Received - loans received from non-financial government authorities for policy purposes rather than income generation/liquidity management. Excludes loans from all financial authorities, grants and non-repayable funds received.

Borrowing - comprises

- Finance leases - lease arrangements in which most of the risks and benefits of ownership rest with the lessee; includes all leases defined as finance leases under AAS17 but can include other leases where the economic effect is the same as a finance lease. Excludes operating leases.
- Foreign and domestic borrowing - bank overdrafts, long and short term loans in both Australian currency and foreign currency, credit foncier loans, deferred payment schemes (re-purchase agreements). Excludes loans from government authorities (except government institutions outside own jurisdiction).
- Borrowing from the Central Borrowing Authority (CBA) - all borrowing from the CBA in the same jurisdiction.
- Securities maturing in less than one year and later - maturity calculated on the basis of remaining term to maturity not original term to maturity. Includes promissory notes, bills of exchange, certificates of deposit, fixed term deposits, Treasury notes and bonds, debentures, long term notes, net value of swaps and other derivatives in a net liability position.

Unfunded Liability for Employee Entitlements - employers' liability to pay future benefits to employees less amounts paid into separately constituted funds not able to be used by government and established to pay these benefits as they arise. Includes liability for superannuation (measured as present value of future benefit payments discounted by an appropriate rate), sick leave paid on resignation or retirement, recreation leave, long service leave, workers' compensation (where benefits are paid by an employer and not a separate insurer) and accrued wages and salaries.

Financial Assets

Cash and deposits - notes and coins on hand, cheques held but not yet deposited, cash and deposits in both Australian currency and foreign currency at all banks, non-bank financiers and other deposit taking institutions which are recoverable or transferable on demand, deposits placed in Short Term Money Market (for example grants received from the Commonwealth deposited overnight); and units issued by cash management trusts and withdrawable share capital of building societies. Excludes bank certificates of deposit and fixed deposits held with banks.

Advances paid - loans motivated by policy considerations rather than for liquidity management purposes; as a general rule, all loans made by general government to other government bodies, except loans made by central borrowing authorities, are deemed to be for policy purposes. Includes long and short term loans, non-marketable debentures and long and short term promissory agreements (bonds and bills) issued to Non-Financial Public Sector (NFPS) for the purpose of achieving government policy objectives. Excludes: Government equity in government owned enterprises, grants and non-repayable funds and investment for liquidity management and income generation.

Other Lending - comprises

- Loans and Placements, non-negotiable, non-transferable loans, other than advances, credit foncier loans and deferred payment schemes (repurchase agreements); and
- Securities maturing in less than one year and later, promissory notes, bills of exchange, certificates of deposit, fixed term deposits, Treasury notes and bonds, redeemable preference shares, debentures, long term notes, net value of swaps and other derivatives that are in a net asset position.