

NEW SOUTH WALES

STATE PUBLIC SECTOR OUTLAYS
AND REVENUES CLASSIFIED
BY ECONOMIC TYPE

1990–91

BUDGET PAPER No. 7



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BUDGET PAPER No. 7 – STATE PUBLIC SECTOR OUTLAYS AND REVENUES CLASSIFIED BY ECONOMIC TYPE

Corrigenda

- . p2 – Table 2.1: Figure for Total Outlays – Total State Sector, "19,777" should read "19,702"
- . p3 – 3rd paragraph: "\$406 million" should read "\$439 million"
- . p7 – first paragraph: "a 6.9 per cent reduction" should read "an 8.8 per cent increase"
- . p34 – "Appendix D" should read "Appendix E"
- . p37 – "Appendix E" should read "Appendix D"



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1 INTRODUCTION

In recent years considerable attention has been focused on intergovernmental financial comparisons and, in particular, measures of the public sector's financing requirement. This interest reflects both a need by Governments to improve efficiency and effectiveness within the public sector and community demands for increased accountability through information disclosure. These developments have occurred against the background of Australia's balance of payments difficulties and the need to reduce the call of the public sector on the nation's savings.

Generally information presented in State Budget Papers is insufficient to allow a comprehensive assessment of the interaction between public sector outlays and revenues and movements in key economic aggregates. State Budget data does not cover the operations of the entire public sector and the definitions used are not consistent with internationally recognised conventions.

For these reasons increasing attention has been focused on the Australian Bureau of Statistics (ABS) publication, "Government Financial Estimates". This publication provides a uniform classification of public sector outlays and revenues according to internationally recognised conventions. However, there are a number of significant difficulties with the ABS estimates in terms of timeliness and data sources.

To address these difficulties New South Wales provides, as part of its Budget Papers, estimates of State public sector transactions by economic type. Such a presentation allows an assessment of the economic impact of New South Wales' budgetary and financial strategies.

As far as possible this Budget Paper uses the same concepts as the Government Financial Estimates publication. However, there are a number of areas where it has been found necessary to adopt a different approach to the classification of certain transactions. To assist users of this publication Appendix C provides estimates on a comparable basis to those published by the ABS.

As in previous years the estimates in this Budget Paper do not cover the operations of the NSW Treasury Corporation. While the inclusion of the Treasury Corporation would result in only a minor impact on the Net Financing Requirement it does result in a number of significant changes in the composition of the State's financing transactions and to the level of interest paid and received.

Finally, over the past year significant refinement of 1988-89 data has been undertaken. This has resulted in improvements in the accuracy of information contained in this Budget Paper and a number of changes to estimates published last year.

2 STATE PUBLIC SECTOR OUTLAYS AND REVENUES FOR 1990-91

OVERVIEW

Table 2.1 presents estimates by economic type for NSW public sector outlays, revenues and financing transactions in 1990-91. The definition of terms used are explained in Chapter 5 and Appendix A. More detailed tabulations are provided in Appendix B.

Table 2.1: Summary of Estimates 1990-91 (1)

| | General Government | | Public Trading Enterprise | | Total State Sector (2) | |
|---|--------------------|-------------|---------------------------|-------------|------------------------|-------------|
| | 1990-91 \$m | % change | 1990-91 \$m | % change | 1990-91 \$m | % change |
| Current Outlays | 15,265 | 8.3 | 1,677 | 6.7 | 16,437 | 7.1 |
| . Final Consumption Expenditure | 10,846 | 8.8 | — | n.a. | 10,846 | 8.8 |
| . Current Transfer Payments | 4,419 | 6.9 | 1,677 | 6.7 | 5,590 | 3.9 |
| Capital Outlays | 2,112 | -12.6 | 1,868 | 6.6 | 3,265 | -9.5 |
| . Gross Fixed Capital Expenditure | 1,431 | -18.5 | 1,908 | 8.3 | 3,339 | -5.1 |
| . Other Capital Outlays | 681 | 3.2 | -39 | 306.7 | -74 | na |
| Total Outlays | 17,377 | 5.2 | 3,545 | 6.7 | 19,777 | 3.9 |
| Revenue and Grants Received | 16,849 | 6.9 | 2,750 | 4.4 | 18,308 | 5.0 |
| . Taxes, Fees and Fines | 8,625 | 9.6 | — | n.a. | 8,625 | 9.6 |
| . Other Own Source Revenues | 1,342 | 0.6 | 1,985 | -1.7 | 2,874 | -6.4 |
| . Grants Received | 6,881 | 4.9 | 765 | 24.3 | 6,809 | 4.7 |
| Financing Transactions (3) | 528 | -30.3 | 795 | 279.2 | 1,394 | 34.1 |
| . Less Increase in Provisions and Net Advances Received Equals | -402 | 356.8 | 1,135 | 0.6 | 804 | -27.8 |
| Net Financing Requirement (4) | 929 | 10.1 | -340 | -63.0 | 589 | na |
| Net Financing Requirement after adjustment for special factors (4)(5) | 635 | -24.8 | -340 | -22.5 | 295 | -27.4 |
| - Operating NFR | -478 | -27.7 | -1,328 | -9.9 | -1,806 | -15.4 |
| - Capital NFR | 1,113 | -26.1 | 988 | -4.5 | 2,101 | -17.3 |

- (1) Items may not add to totals due to rounding.
- (2) Does not represent the sum of the general government and public trading enterprise sector due to the existence of intra-sector transactions.
- (3) Total outlays less revenue and grants received.
- (4) Financing Transactions less both net advances received and increases in provisions. A positive number represents a financing requirement, that is a deficit, while a negative number represents a surplus.
- (5) Adjusted for takeover of Commonwealth debt, transfer of electricity substations to County Councils and the transfer of all borrowings by the State Rail Authority for non-commercial services to the General Government sector.

| | 1988-89 \$m | 1989-90 \$m | 1990-91 \$m |
|---|----------------|----------------|----------------|
| Commonwealth debt takeover (subtracted from NFR for GGE, PTE Total sectors) | — | — | 294 |
| Electricity Commission asset sale to County Councils (added to NFR for PTE and Total sectors) | — | 480 | — |
| SRA borrowings (added to NFR for GGE sector and subtracted from NFR for PTE sector) | 197 | — | — |

n.a. Not applicable

Overall the Net Financing Requirement (NFR) of the State sector is projected to decline by 27.4 per cent from \$406 million in 1989–90 to \$295 million in 1990–91 after adjusting for special factors. As a percentage of Gross State Product (GSP) the NFR will decline from 0.3 per cent to 0.2 per cent. The overall positive NFR reflects a deficit for the general government sector and a surplus for the public trading enterprise sector. However, the decline in the NFR for 1990–91 reflects an improvement in the result for the general government sector with this being partly offset by a deterioration in the position of the public trading enterprise sector.

The improved position of the general government sector results from corrective measures taken to address the budget deficit. The decline in the surplus of the public trading enterprise sector results from a subdued revenue outlook for that sector and reduced asset sales. Revenues for the public trading enterprise sector are expected to increase by only 4.4 per cent while asset sales are projected to decline from \$740 million in 1989–90 to \$246 million in 1990–91.

Considerable caution needs to be exercised in interpreting projections of the NFR. While the NFR for the general government sector is reasonably stable, the NFR for the public trading enterprise sector can be subjected to major variations. In last year's budget a NFR for the public trading enterprise sector of \$12 million was projected, whereas the actual result was a surplus of \$919 million before the special adjustment, or \$406 million after adjustment. The turnaround was due to a large increase in asset sales by the Electricity Commission which were unforeseen at the time of the State budget. In particular, the sale of the 132kv substations to the State's County Councils for \$480 million.

Over time, the trend in the NFR has been downward. Moreover, the NFR for New South Wales is considerably below that of other States when measured in relation to Gross State Product as can be seen from Table 2.2 and Figure 2.1.

Table 2.2 Net Financing Requirement*

| | 1985–86 | 1986–87 | 1987–88 | 1988–89 | 1989–90 Prelim/ Est | 1990–91 Proj |
|-------------------------------|--------------|--------------|--------------|--------------|---------------------------|-----------------|
| NSW | | | | | | |
| General Government | 286 | 865 | 342 | -385 | 845 | 635 |
| Public Trading Enterprises | 914 | 1,124 | 823 | -524 | -439 | -340 |
| Total | 1,200 | 1,989 | 1,165 | -909 | 406 | 295 |
| % of GSP | 1.5 | 2.2 | 1.1 | -0.8 | 0.3 | 0.2 |
| All States | | | | | | |
| General Government | 1,261 | 2,517 | 1,269 | -41 | 1,565 | na |
| Public Trading Enterprises | 3,050 | 2,656 | 1,858 | 1,295 | 1,833 | na |
| Total | 4,311 | 5,171 | 3,127 | 1,254 | 3,399 | na |
| % of GSP | 1.8 | 2.0 | 1.1 | 0.4 | 0.9 | na |

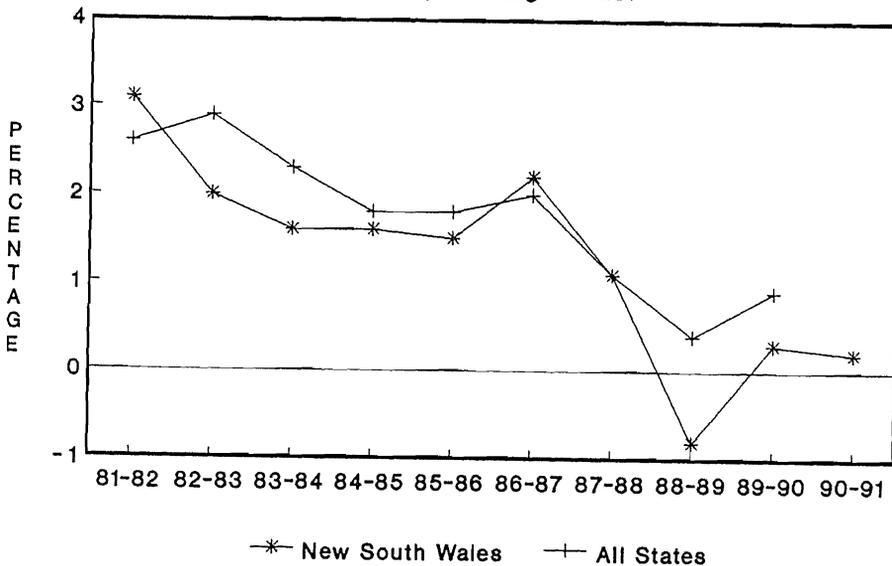
* New South Wales figures for 1988–89, 1989–90 and 1990–91 are sourced from this Budget Paper after adjustment for special factors. All other figures are from the Australian Bureau of Statistics publication "Government Financial Estimates" (Catalogue 5501.0).

Overall the NFR for New South Wales has declined from 1.5 per cent of GSP in 1985–86 to 0.3 per cent in 1989–90 which was substantially below that of other States. In 1990–91 the underlying NFR is projected to improve slightly to 0.2 per cent of GSP. Over a longer period it can be seen that the NFR of New South Wales has improved significantly.

The NFR for both the general government sector and the public trading enterprise sector has been adjusted in 1988–89, 1989–90 and 1990–91 for a series of transactions that distort the statistics. In particular, the following adjustments have been made to facilitate inter-year comparisons –

- the impact of asset sales by the Electricity Commission to County Councils in 1989–90 has been excluded. County Councils are classified within the local government sector and hence such sales reduce the NFR of the State sector. However, on a broader definition, County Councils could be treated as part of the State sector and it was felt advisable for such transfers of debt and assets not to be interpreted as having an economic impact;
- the State Rail Authority was financially restructured in 1989–90 by the removal of all debt and surplus assets which were taken over by Treasury. This has resulted in a decline in the NFR for the public trading enterprise sector and a corresponding increase for the general government sector. Accordingly, a corresponding adjustment has been made to the 1988–89 statistics to facilitate comparability; and
- in 1990–91 the Commonwealth Government has commenced the transfer to the States of Commonwealth debt raised on their behalf. The transfer results in the States increasing their level of approved borrowings and making repayments to the Commonwealth. This process artificially inflates the NFR of the States and deflates the NFR of the Commonwealth.

Figure 2.1
NET FINANCING REQUIREMENT
as a percentage of GSP



General Government Sector

OUTLAYS

In 1990-91 total current outlays by the general government sector are expected to increase by 8.3 per cent. This increase is made up of a 8.8 per cent increase in final consumption expenditure and a 6.9 per cent increase in transfer payments.

The increase in current outlays is in excess of the 7.6 per cent growth in recurrent expenditure as shown in Budget Paper 2. A significant part of the explanation for this is the different approach to the classification of capital and current expenditure between the two Budget Papers and differences in coverage of the two sets of estimates. In particular, payments for coal compensation are shown as part of the capital works program in Budget Paper 2 while being classified as consumption expenditure for the purposes of this Budget Paper. In addition to this, the recurrent expenditure of certain non-budget general government organisations, such as the WorkCover Authority and the Motor Accidents Authority, are expected to increase sharply in 1990-91.

Subsidies to public trading enterprises are projected to remain almost unchanged due to improvements in operating efficiency of both the State Rail Authority and State Transit Authority. It should be noted that in the case of both these organisations subsidies include payments by the general government sector to fund redundancies. Interest payments by the general government sector are expected to fall in 1990-91 reflecting lower anticipated interest rates during 1990-91. When comparing interest payments in 1990-91 with 1988-89 it should be borne in mind that the general government sector has taken over the debts of both the State Rail Authority and the Grain Corporation resulting in a sharp increase in interest payments by the general government sector in 1989-90. The corollary of this is that interest payments by the public trading enterprise sector are reduced substantially compared with 1988-89.

Capital outlays by the general government sector in 1990-91 are projected to fall by 12.6 per cent per cent following an increase of 72.3 per cent in the previous year. Expenditure on new and secondhand fixed assets and the purchase of land is expected to decline 3.6 per cent with asset sales increasing from \$365 million in 1989-90 to \$721 million in 1990-91. Capital outlays are defined as capital expenditure less asset sales and accordingly the combination of reduced capital expenditure and increased asset sales produces a large decline in capital outlays.

Overall, total outlays, current and capital, are projected to increase by 5.2 per cent in 1990-91. This represents a real reduction of 1.7 per cent compared with 1989-90.

REVENUE AND GRANTS RECEIVED

Between 1989–90 and 1990–91 revenues (including grants) are projected to increase by 6.9 compared with an increase of 6.3 per cent in 1989–90. This consists of a 9.6 per cent increase in taxation revenue, a 0.6 per cent increase in property income and other revenue and a 4.9 per cent increase in grants received (principally grants from the Commonwealth). Tax revenue growth differs from that shown in Budget Paper 3 on account of the treatment adopted for land tax refunds unpaid as at the end of last financial year. The Budget offsets this expenditure against receipts in 1989–90 while in this Budget Paper land tax refunds paid in 1990–91 are offset against taxation receipts for that year.

The subdued growth in property income is due to lower interest revenues, reflecting both the rundown in cash and investments in both 1989–90 and 1990–90 and lower projected interest rates, with this being partly offset by an increase in dividends from public trading enterprises and public financial enterprises.

FINANCING TRANSACTIONS

The NFR for the general government sector is projected to be \$635 million after allowing for the impact of special factors. This compares with a NFR of \$845 million in 1989–90 and a surplus of \$385 million in 1988–89.

The NFR can be dissected into an operating and capital component. In 1990–91 the general government sector is expected to continue to show a significant operating surplus of \$478 million, while a capital deficit of \$1,113 million is projected.

The NFR compares with a Budget surplus of \$34 million. The difference is due to two factors –

- the general government sector is broader than the transaction included in the Consolidated Fund. Specifically, some \$576 million of capital expenditure to be financed by borrowings are not included in the Consolidated Fund; and
- the NFR includes movements in cash balances outside the Budget sector. In 1990–91, non budget sector cash balances are expected to decrease by \$22 million.

Public Trading Enterprises

OUTLAYS

In 1990-91 total outlays by the public trading enterprise sector are expected to increase by 6.7 per cent. This follows a 6.9 per cent reduction in 1989-90. Current outlays are expected to increase by 6.7 per cent with capital outlays increasing by 6.6 per cent.

The increase in the current outlays reflects significantly higher dividend payments to the general government sector, partly offset by lower interest payments as a result of a reduction in debt over the past two years. When comparing interest payments in 1990-91 with 1988-89 it should be borne in mind that the general government sector has taken over the debts of both the State Rail Authority and the newly established Grain Corporation, resulting in a sharp reduction in interest payments by the public trading enterprise sector in 1989-90.

Gross fixed capital expenditure by public trading enterprises is expected to increase by 8.3 per cent, reflecting an 11.7 per cent increase in capital expenditure and a reduction in asset sales which are offset against capital expenditure.

REVENUE AND GRANTS RECEIVED

Revenue and grants received by the public trading enterprise sector are projected to increase by 4.4 per cent in 1990-91. Operating revenue of public trading enterprises is expected to increase by only 2.5 per cent as a result of both the government's policy to restrain the growth in charges and impact of the downturn in the economy on such areas as SRA freight revenue and sales of electricity to industry.

Operating expenditure of public trading enterprises will increase by only 3.2 per cent following an increase of 3.9 per cent in the previous year. The significant real reductions in public trading enterprise operating expenditure reflects the improved efficiency of the State's business undertakings.

Capital grants received by the public trading enterprises will increase strongly as a result of the large increase in funding from the general government sector to the State Rail Authority this financial year.

FINANCING TRANSACTIONS

With a substantial increase in outlays in the capital area and a real reduction in revenues, total financing transactions of the public trading enterprise sector are expected to increase sharply in 1990-91. However, the NFR of the public trading enterprise sector is still projected to be a significant surplus of \$340 million. The reduction in the surplus for the public trading enterprise sector in 1990-91 in the main results from reduced asset sales and in particular the impact of the sale of the power substations to the County Councils in 1989-90. Adjusting for this factor the surplus for the public trading enterprise sector will decline by only \$99 million in 1990-91. Like the general government sector, public trading enterprises show a significant surplus on their operating accounts. In 1990-91 the operating result of the public trading enterprise sector is projected as a surplus of \$1,328 million with the capital result being a deficit of \$988 million. It should be borne in mind that when considering the operating result of the public trading enterprise sector subsidies by the general government sector form part of the revenue of this sector and therefore reduce the NFR.

Total State Sector

OUTLAYS

In 1990-91 total state outlays are expected to increase by 6.6 per cent or 3.9 per cent after allowing for special factors. This follows an increase of 13.2 per cent in 1989-90. The real reduction in 1990-91 is due largely to a decline in capital outlays in the general government sector, reflecting principally higher asset sales.

The increase in total outlays in 1990-91 is made up of a 7.1 per cent increase in current outlays and a 9.5 per cent reduction in capital outlays.

Sales of fixed assets and land, while remaining high, (reflecting the Government's program to dispose of surplus assets and reduce debt) are projected at \$967 million in 1990-91, compared to \$1,104 million in 1989-90. The modest reduction reflects the impact of a number of major transactions in 1989-90, including the sale by the Electricity Commission of the 132kv substations to the State's County Councils.

REVENUE AND GRANTS RECEIVED

Total state revenues (including grants received) are expected to increase by 5.0 per cent in 1990-91. This is the lowest increase in state revenues since the early 1960s. Own source revenues are expected to grow by 5.1 per cent with revenue from grants increasing by only 4.7 per cent.

FINANCING TRANSACTIONS

In 1990-91 financing transactions by the state sector are expected to total \$1,394 million. The NFR is projected to be \$295 million compared with \$406 million in 1989-90 and a surplus of \$909 million in 1988-89. Excluding 1988-89, the NFR of the NSW Public Sector will be at its lowest level in absolute terms since 1977-78. The modest improvement is due to the elimination of the Budget deficit, partly offset by a deterioration in the public enterprise sector due to subdued revenue growth and declining asset sales.

3 COMPARISON OF ACTUAL AND ESTIMATED STATE PUBLIC SECTOR OUTLAYS AND REVENUES FOR 1989-90

Variations between actual and projected outlays, revenues and financings for 1989-90 reflect the net product of three factors –

- expansion in the coverage of organisations included in the data, as identified in Appendix E. The impact of this is to increase outlays and revenue, but not significantly, the NFR;
- refinement of data to correct for errors and misclassification of transactions; and
- errors in projections of revenue and outlays.

General Government Sector

The major variation between estimated and actual results for 1989-90 was the increase in the NFR from \$689 million to \$844 million. The major factors influencing this were lower taxation receipts and asset sales as reflected in the Consolidated Fund and the decision to fund all State Rail Authority capital works for non-commercial services via grants from the general government sector. Taxation receipts were down roundly \$200 million, while asset sales were around \$205 million less than expected. The funding decision with regard to SRA capital works (which simply increases the NFR of the general government enterprise sector and reduces the NFR of the public trading enterprise sector) increased capital outlays by \$240 million. Offsetting these influences were lower current outlays (around \$200 million), higher than anticipated interest earnings (\$134 million) and higher other property income.

Other major variations included the transfer of the State Rail Authority's debt to the general government enterprise sector and the write-off of advances to transport undertakings for funding redundancies. The first of these transactions involved a large reduction in subsidies paid to public trading enterprises and a corresponding increase in interest payments by the general government sector. The second transaction involved an increase in subsidies paid to public trading enterprises and a reduction in advances to public trading enterprises.

Public Trading Enterprise Sector

The large variation between estimated and actual NFR for the public trading enterprise sector results from a larger than expected asset sales (up \$304 million), in particular the sale of the 132kv substations to the County Councils. Additional items included greater improvements in operating efficiency (roundly \$200 million), higher interest earnings as a result of higher than expected interest rates (\$103 million) and the decision to fund SRA non-commercial capital works via grants from the general government enterprise sector rather than through borrowings (\$240 million)

Other variations were in current outlays as a result of SRA debt transfer to the general government sector and lower than anticipated capital expenditure.

Total State Sector

From a State perspective current outlays were less than expected and revenues were higher. In the case of current outlays the reduction resulted from two factors:

- delay in award wage increases; and
- the transfer of SRA debt to the general government sector with a corresponding reduction in subsidies paid to public trading enterprises. The impact of this was to reduce current outlays (and revenue and grants received) by around \$500 million. Offsetting this was the revised method of funding transport authority redunancies which added some \$200 million to current outlays and the net operating surplus of public trading enterprises.

Other factors such as the electricity rebate increased current outlays above budget.

Capital outlays were in line with budget projections, with higher asset sales offsetting a larger level of advances to the private sector.

The other main source of the turn around occurred within the revenue and grants received category, which was higher by \$400 million. The main components of this were higher interest earnings (\$230 million), an increase in the net operating surplus of public trading enterprises (\$100 million), higher other property income receipts (\$160 million), including the dividend from the Sydney County Council, and higher capital revenue (\$62 million), principally in the form of developer charges by the Water Board. These higher revenues were offset by lower taxation receipts (\$200 million).

4 COMPARISON WITH OTHER PUBLICATIONS

Since 1989–90, Budget Paper 2 has presented the Budget on the basis of distinguishing between 'above' and 'below the line' transactions. 'Below the line' financing transactions such as loan repayments and borrowing receipts involve movements in assets or liabilities and as such are not counted in expenditure or revenues. As a result of this reform a significant area of difference between the presentation in this Budget Paper and Budget Papers 2 and 3 was eliminated. Nevertheless, there remain a number of differences between the information provided in this Budget Paper and that shown in Budget Papers 2 and 3.

While this Budget Paper generally follows the ABS approach, there are a number of variations and these are also outlined below.

Major Variations with Budget Presentation

COVERAGE OF TRANSACTIONS

Budget Papers 2 and 3 provide expenditure and revenue information on both a Consolidated Fund and Total Payments basis.

Consolidated Fund expenditure reflects both economic transactions and the transfer of funds to special deposit accounts as a provision for future expenditure. Consolidated Fund expenditure does not reflect expenditure financed from other sources such as the drawdown of special deposit accounts or from revenue sources not paid into the Consolidated Fund.

In the past there were considerable transfers to special deposit accounts from the Consolidated Fund. The Government has adopted a recommendation of the Public Accounts Committee to undertake such transfers in a very narrowly defined set of circumstances. Accordingly, this factor should no longer be a significant cause of variation between the estimates in this Budget Paper and Budget Paper 2.

Total Payments presented in Budget Paper 2 reflect both expenditure, financed by the Consolidated Fund and from other sources. In addition, Total Payments exclude accounting transactions such as transfers to and from special deposit accounts. While there should be a closer correspondence between Total Payments and the outlay estimates in this Budget Paper, some differences remain. One reason is that Total Payments do not reflect a complete enumeration of non-Consolidated Fund sources of funds for the budget sector. In addition, there is a different classification of public sector entities, different definitions of recurrent and capital expenditure and finally user charges are offset against expenditures in this Budget Paper but not in Budget Paper 2. Each of these factors is discussed below.

COVERAGE OF PUBLIC SECTOR ENTITIES

The classification of public sector entities between the inner and outer budget sectors differs from the distinction between general government enterprises and public trading enterprises. In particular, the general government enterprise sector covers a larger number of public sector units than that included at present in the inner budget sector. Examples of general government enterprises not included in the inner budget sector are the MacArthur Development Corporation and the Chipping Norton Lake Authority.

Appendix D provides a complete listing of the public sector entities included in this Budget Paper, classified as general government enterprises and public trading enterprises.

DEFINITION OF CURRENT AND CAPITAL OUTLAYS

Recurrent and capital expenditure as used in Budget Papers 2 and 3 do not fully correspond with current and capital outlays as used in this Paper. For example, various capital expenditures in Budget Papers 2 and 3 are maintenance expenditures in terms of the classification approach used in this Budget Paper and are therefore classified as current outlays. An example of this is road maintenance expenditure which is shown in Budget Papers 2 and 3 as capital expenditure, but is classified as a current outlay in this Budget Paper.

OFFSETTING OF REVENUES AND EXPENDITURES

Certain categories of revenues and expenditures are offset to produce a net result. This is necessary to avoid double counting which would otherwise occur because of the different methods of valuing the goods and services provided by the public and private sectors.

An example of the potential for double counting occurs in the definition of final consumption expenditure by the general government sector. Final consumption expenditure accounts for most of the output provided by the general government sector. As is set out in Chapter 5, output by the general government sector is valued at the net cost of inputs (expenditure less any associated revenues from sale of the output) because market prices do not exist. In contrast, final consumption expenditure by the private sector is defined as the value of purchases of goods and services. If final consumption by the general government sector was not valued on a net basis, total final consumption expenditure for the economy would include both the purchase by general government enterprises of inputs from the private sector, and the purchase of output from general government enterprises by the private sector.

To avoid double counting, general government final consumption expenditure is defined as the value of output produced, measured in terms of the cost of goods and services purchased (including wages paid), less revenues from the sale of this output. In contrast, Budget Papers 2 and 3, both in respect to the Consolidated Fund and Total Payments, record revenue and expenditure separately.

The approach of netting revenue and expenditure is used in the economic type classification in the areas of general government final consumption expenditure, gross fixed capital expenditure, expenditure on land and intangible assets, advances received and paid, borrowings and the net operating surplus of public trading enterprises.

COMPARISON WITH BUDGET RESULT

The Budget result of \$34 million surplus compares with an NFR of \$635 million for the general government sector. The reason for the difference largely reflects the fact that the Consolidated Fund excludes capital expenditure, financed off budget by borrowings, principally hospital capital funding and borrowings to finance capital grants to the SRA.

A reconciliation is presented below in Table 4.1.

Table 4.1: RECONCILIATION OF THE NET FINANCING REQUIREMENT FOR GENERAL GOVERNMENT SECTOR AND THE BUDGET RESULT

| | 1989-90 \$mill | 1990-91 \$mill |
|--|-------------------|-------------------|
| Budget Result (1) | 344 | -34 |
| plus Net Advances Repaid by Budget | 81 | 82 |
| | <u>425</u> | <u>48</u> |
| Plus | | |
| - Net Borrowing not included in Budget | 520 | 576 |
| - Rundown in cash and investments excluding Revenue Equalisation Reserve | (100) | 22 |
| - Other | - | (11) |
| Equals | | |
| Net Public Sector Financing Requirement (General Government) | 845 | 635 |

(1) As shown in Budget Paper 2. A negative figure implies a surplus.

Comparison with ABS Concepts and Data

In general this Budget Paper adopts the same approach to that used by the ABS in its Government Financial Estimates publication. At this stage three areas have been identified where classification of transactions in this Budget Paper differs from that used in the Australian Bureau of Statistics Government Financial Estimates publication. These areas are:

- the treatment of certain Commonwealth payments where the State acts merely as an agent;
- dividend payments by the Maritime Services Board; and
- the treatment of the Higher Education levy.

In addition, the presentation adopted in this publication differs slightly from that used in ABS documents in that it identifies an operating and capital Net Public Sector Financing Requirement.

Appendix C provides details of the adjustments required to place the information presented in this Budget Paper on a comparable basis to that published by the ABS.

TREATMENT OF CERTAIN COMMONWEALTH PAYMENTS

For certain Commonwealth payments (higher education, non-government schools and local government tax sharing) the State essentially acts as an agent of the Commonwealth. In addition to this, the Commonwealth makes direct payment to local government. In the case of these payments the State has no control over the spending nor is it involved in any negotiations concerning funding. Given this, it has been decided to treat these items as trust funds in the tables presented in this publication to avoid any distortions of the State sector.

By contrast, the ABS treats these payments as being undertaken by the State on its own behalf.

DIVIDEND PAYMENT BY THE MARITIME SERVICES BOARD

The ABS classifies the dividend payment by the Maritime Services Board as a tax. While the form of the payment, a levy on revenue, resembles a tax it is considered that the nature of the payment is a dividend. For this reason it has been classified as a dividend within this publication.

HIGHER EDUCATION LEVY

The ABS classifies as a State tax the revenue raised from students under the Higher Education Contributions Scheme. Given the exclusion of Commonwealth payments for Universities and Colleges of Advanced Education from the tables appearing in this Budget Paper this revenue item is also excluded.

OPERATING AND CAPITAL NET FINANCING REQUIREMENTS

The ABS presentation does not distinguish between the financing requirement for operating and capital outlays. Such a distinction is considered important since there are grounds for financing capital outlays which provide future services by the use of borrowings. The tables in Appendix B provide estimates of the operating and capital Net Public Sector Financing Requirement.

OTHER POSSIBLE CHANGES

Consideration has been given to also departing from the ABS approach of treating asset sales as an offset against capital outlays. Various commentators have argued in the past that asset sales are analogous in economic impact to the sale of financial assets in that there is a transfer of savings from the private sector to the public sector.

While there may be some merit in this argument, it ignores the need to treat transactions in a consistent manner both within the public sector and between the private and public sectors. For example, if asset sales were treated as a financing transaction it would also be necessary to maintain symmetry to treat asset purchases as a financing transaction. Such an approach would produce an anomalous situation whereby the purchase of an asset is treated differently from the construction of an asset.

Given the reasons outlined above the ABS approach of treating asset sales as an offset to capital outlays has been adopted.

COMPARISON OF DATA SOURCES

When comparing the accompanying tables with those published in Government Financial Estimates a number of differences in the source of information should be recognised. Firstly, the ABS has, up until now, had very limited access to information concerning transactions in special deposit accounts. Secondly, in the case of New South Wales, estimates for the budget year are based on sample data while this publication involves almost a complete census of public sector entities. Finally, this publication has made much greater use of the expertise of finance and accounting officers of the public sector to determine the nature of the transactions.

Given the differences outlined above the information presented in this Budget Paper should be more accurate than that currently published in the ABS publication Government Financial Estimates.

5 ECONOMIC TYPE CLASSIFICATION

The economic type classification adopted in this Budget Paper closely follows international conventions as outlined in the ABS publication, "Classification of Government Finance Statistics", Catalogue Number 1217.0.

A dissection of outlays by functional category is not provided due to the substantial additional data collection involved. However Budget Paper 2, Budget Information, provides a functional break-up of payments broadly in accord with ABS classifications.

Classification of Public Sector Entities

Public sector entities in New South Wales can be classified as either General Government Enterprises (GGEs), Public Trading Enterprises (PTEs) or Public Financial Enterprises (PFEs).

GGEs consist of those public sector entities which provide, in the main, goods and services outside the market mechanism as well as providing for the transfer of income for public policy purposes. The major form of financing of these goods and services and transfers is by taxation, imposed by the State or by the Commonwealth and subsequently on passed to the State. In New South Wales most government departments and a number of statutory authorities (for example, Darling Harbour and Board of Fire Commissioners) fit into this category.

In contrast, public trading enterprises charge for services provided and hence have a broadly commercial orientation. They do not, however, necessarily operate in competitive markets. While public trading enterprises are not required to be fully self funding, a substantial portion of their costs must be met by user charges. The major public trading enterprises in New South Wales are the Electricity Commission, the Water Board and the State Rail Authority.

PFEs are the third category of authorities in the ABS framework. The Government Insurance Office and the State Bank are the major entities in New South Wales operating in this sector. Public financial enterprises are not included in this publication as they operate in competitive markets and at arms length from Government.

The classification of government organisations as between general government enterprises, public trading enterprises and public financial enterprises is broadly similar to the distinction between inner, outer and non budget sectors as applied in Budget Papers 2 and 3. However, there are certain differences, which are detailed in Chapter 5.

Economic Type Classification

Transactions of public entities can be placed into one of four major economic categories, these categories being subdivided into approximately one hundred and fifty subgroups. The four major categories are current outlays, capital outlays, revenue and grants received and financing transactions.

CURRENT OUTLAYS

Current outlays consist of final consumption expenditure and current transfer payments.

Final consumption expenditure is recorded only for the general government sector. This is due to the convention of valuing the services produced by general government on the basis of the costs incurred in providing these services, less any revenues from sales. In effect the general government sector is treated as both a producer and a consumer of publicly provided goods and services on behalf of the community. For other sectors of the economy, consumption expenditure is allocated to the real end user. In the case of the public trading enterprise sector, net receipts from the purchases and sales of goods and services are classified within the revenue and grants received category. The placement of these transactions in this category reflects the fact that these authorities are considered to be producers of goods and services, with consumption of these services recorded in the private sector.

Transfer payments cover transactions such as interest payments, subsidies, personal benefits payments and grants. In these cases there is no exchange of ownership of goods and services. While transfer payments are a very important part of Commonwealth Government current outlays, this is not the case at the State level.

CAPITAL OUTLAYS

Capital outlays can be divided into capital expenditure and capital transfer payments.

Capital expenditure represents expenditure on durable goods intended to be employed in the production process and providing services for longer than one year, net purchases of land and intangible assets and increases in stocks. The sale of fixed assets is offset against new expenditure.

Capital transfer payments can be either in the form of a grant or advance. Advances represent the provision of repayable financial assistance with the intention of furthering a policy objective. Advances are distinguished from investments which are motivated by liquidity management purposes and the need to earn a commercial rate of return.

REVENUE AND GRANTS

Within the revenue and grants category, an important distinction needs to be made between taxes, fees and fines and other forms of revenue.

Taxes are compulsory levies imposed by government in order to raise general revenue. As such there is no linkage between the payment of tax and the provision of goods and services. Taxes should be distinguished from user charges in which there is a clear linkage between the provision of goods and services and the payment of the charge. Examples of user charges include electricity, water and public transport charges.

A major sub-category within revenue and grants received is the net operating surplus of public trading enterprises. It should be noted that, within the economic type framework, interest paid is classified as a current outlay while interest received is classified to its own sub-category within revenue and grants received. Interest paid exceeds interest received, with the result that the net operating surplus of public trading enterprises, as indicated in this Budget Paper, is substantially higher than that recorded by the authorities concerned in their annual reports. Furthermore subsidies received by public trading enterprises are recorded in this publication as operating revenue. Both these factors increase the net operating surplus of public trading enterprises by \$1.7 billion in 1990-91.

FINANCING TRANSACTIONS

In contrast to outlays and revenue, which can be termed 'above the line' items, financing transactions involve changes in financial assets and liabilities and, as such, can be considered 'below the line' items. Total financing transactions is defined as current and capital outlays less revenue and grants received.

Within this Budget Paper financing transactions have been divided into five categories:

- . net advances received;
- . net borrowings;
- . increases in investment, currency and deposits;
- . increases in provisions; and
- . other financing transactions.

The Net Financing Requirement (NFR) is defined as total financing transactions less net advances received and increases in provisions. The NFR represents the direct call of the New South Wales public sector on the savings of the economy. Net advances received are deducted when calculating the NFR to avoid double counting, since they form an outlay of the sector making the advance.

Within the NFR a distinction can be made between that part which results from current outlays and revenues and that part which results from capital outlays and revenues. New South Wales has calculated the operating NFR as current outlays less both current revenue and increases in provisions. The capital NFR is calculated as capital outlays less both capital revenue and net advances received.

An alternative measure of the impact of the public sector on financial markets is the financing requirement. This is calculated as total financing transactions less increases in provisions. The financing requirement measures the difference between cash outlays and cash revenue and grants. It represents the amount of New South Wales public sector expenditure which is required to be externally financed, from the financial markets or by advances from the Commonwealth.

Appendix A provides further details of the terms used in this Budget Paper.

APPENDIX A – DEFINITION OF KEY TERMS

Sectors

GENERAL GOVERNMENT SECTOR

The general government sector comprises enterprises which are principally engaged in the production of goods and services outside the normal market mechanism. Goods and services are produced for consumption by governments and the general public, with the cost of production being financed from public revenue and/or charges which are below the cost of production.

PUBLIC TRADING ENTERPRISE SECTOR

The public trading enterprise sector comprises enterprises which are principally engaged in the production of goods and services for sale in the market with the intention of maximising profits and financial returns to their owners or, at least, recovering all or a significant proportion of their operating costs.

STATE GOVERNMENT SECTOR

This sector combines the operations of general government and public trading enterprises. It should be noted that when combining these two sectors most intra-sector transactions are eliminated or consolidated.

Outlays

GENERAL GOVERNMENT FINAL CONSUMPTION EXPENDITURE

Represents the value of output produced by the general government sector, measured in terms of the cost of goods and services, less revenue from the sale of output.

CURRENT TRANSFER PAYMENTS

Represents current payments where there is no exchange of goods and services. This category includes interest payments, subsidies, personal benefit payments and grants.

GROSS FIXED CAPITAL EXPENDITURE

Represents net expenditure on durable goods intended to be employed in the production process for longer than one year. This item excludes expenditure on land and intangible assets (eg, patents and copyrights) which is classified to Purchase of Land and Intangible Assets respectively.

SALES OF FIXED ASSETS AND PREVIOUSLY RENTED DWELLINGS

Represents the proceeds from the sale of fixed assets and previously rented dwellings. This item does not include proceeds from the sale of land and intangible assets which is classified to Sale of Land and Intangible Assets.

INCREASE IN STOCKS

Represents the net increase in stocks of materials, stores etc.

EXPENDITURE ON LAND AND INTANGIBLE ASSETS

Represents purchases less sales of land and intangible assets such as patents and copyrights. It should be noted that the profit associated with land development which forms an integral part of the operations of an authority is classified as an offset to general government final consumption expenditure or as part of the net operating surplus of public trading enterprises.

PURCHASE OF LAND AND INTANGIBLE ASSETS

Represents the purchase of vacant land, and land with improvements where the improvements can be identified separately or have no value to the purchaser (e.g. for road construction), and the outright purchase of intangible assets. The purchase of land and buildings as a package is normally classified as a purchase of fixed assets unless the land can be valued separately.

SALES OF LAND AND INTANGIBLE ASSETS

Represents the proceeds from the sale of land and intangible assets (e.g. patents, copyrights etc). The land value of land and buildings sold is normally classified to Sales of Fixed Assets unless a separate value for the land component can be identified.

CAPITAL TRANSFER PAYMENTS

Represents capital grants made by public authorities with the aim of meeting part of the cost of capital expenditure of the recipient and other transfers which are not solely associated with operations of a particular year.

ADVANCES

Represents the net creation of financial assets (i.e. an increase in the indebtedness to government units) with the aim of furthering a policy objective. It is distinguished from investments which are motivated for reasons of liquidity management and the need to earn a return.

Revenue and Grants Received

TAXES, FEES AND FINES

Taxes represent compulsory levies imposed by government designed mainly to raise revenue. There is usually no clear and direct link between payment of taxes and the provision of goods and services.

Fees represent levies which are not designed primarily to raise general revenue and which are associated with the granting of a permit or privilege or regulation of activity.

Fines represent civil and criminal penalties imposed on law breakers, other than penalties imposed by taxing authorities which are classified as taxes.

NET OPERATING SURPLUS

Represents the net operating surplus of public trading enterprises, being the excess of the value of output over costs incurred in producing that output. The costs incurred in producing output include depreciation charges but exclude interest, dividends, land rent, royalties and direct taxes.

PROPERTY INCOME AND OTHER NET REVENUE

Represents public sector revenue other than operating surpluses of public trading enterprises and taxes, fees and fines.

GRANTS RECEIVED

Represents current and capital grants received from other units in the non-financial public sector.

Financing Transactions

NET ADVANCES RECEIVED

Represents advances (net of repayments) received from other authorities of the non-financial public sector (see above for definition of Advances).

NET DOMESTIC AND OVERSEAS BORROWING

Represents gross borrowing less the repayment of past borrowing. Gross borrowing is the creation of liabilities through the sale of bonds and bills in the capital markets or by raising loans through direct agreements with lenders. Gross borrowing excludes the receipt of advances from other government units which are classified to Net Advances Received.

INCREASE IN INVESTMENTS, CURRENCY AND DEPOSITS

Investments represent the creation of financial assets (through lending money) for the purpose of earning a return and managing liquidity. They are distinct from advances which are motivated by specific policy objectives (see above for the definition of Advances).

Currency and deposits represents notes and coins on hand and funds held in the form of an account with financial institutions which is recoverable on demand or at relatively short notice.

INCREASE IN PROVISIONS

Represents increased provisions for depreciation, employee entitlements, deferred maintenance and doubtful debts.

OTHER FINANCING TRANSACTIONS

Represents the balance of financing transactions including movements in deposits received as well as debtors and creditors.

FINANCING REQUIREMENT

Represents the difference between cash outlays and cash revenue and grants received, and is the amount of public sector expenditure which is required to be financed. It is calculated as total financing transactions less increases in provisions.

NET FINANCING REQUIREMENT

Represents the direct call of the state public sector on the saving of the economy and is calculated as total financing transactions less both net advances received, which form part of the financing requirement of another sector, and increases in provisions.

The operating Financing Requirement is defined as current outlays less both current revenue and increases in provisions. The capital Net Financing Requirement is defined as capital outlays less both Capital Revenue, Capital Grants Received and Net Advances Received.

APPENDIX B – DETAILED NATIONAL ACCOUNTS TABLES FOR 1988–89 TO 1990–91.

Table 1: General Government Sector – Outlays, Revenue and Financing Transactions

| ECONOMIC TYPE CLASSIFICATION | 1988–89 | 1989–90 prelim | 1990–91 est |
|---|---------|-------------------|----------------|
| | \$ Mill | \$ Mill | \$ Mill |
| Current Outlays | 12,828 | 14,101 | 15,265 |
| General government final consumption expenditure | 9,171 | 9,967 | 10,846 |
| Current transfer payments | 3,657 | 4,133 | 4,419 |
| Interest payments | 1,284 | 2,030 | 2,012 |
| – On Commonwealth advances | 789 | 797 | 788 |
| – Other | 495 | 1,233 | 1,224 |
| Subsidies paid to enterprises | 1,295 | 885 | 943 |
| – Subsidies paid to public trading enterprises | 1,131 | 706 | 708 |
| – Subsidies paid to other enterprises | 164 | 179 | 235 |
| Personal benefit payments | 530 | 614 | 748 |
| Current grants to local government | 142 | 133 | 142 |
| Other current transfer payments | 407 | 471 | 574 |
| Capital Outlays | 1,402 | 2,416 | 2,112 |
| Gross fixed capital expenditure | 1,472 | 1,756 | 1,431 |
| Expenditure on new and secondhand fixed assets | 1,622 | 1,949 | 1,952 |
| Sales of fixed assets and previously rented dwellings | 151 | 193 | 520 |
| Increase in stocks | 30 | 30 | 28 |
| Expenditure on land and intangible assets (net) | –333 | 30 | –79 |
| Purchase of land and intangible assets | 147 | 202 | 121 |
| Sales of land and intangible assets | 480 | 172 | 200 |
| Capital transfer payments | 321 | 640 | 827 |
| Capital grants to local government | 28 | 23 | 60 |
| Capital grants to state public trading enterprises | 281 | 615 | 765 |
| Other capital grants and transfer payments | 12 | 3 | 2 |
| Advances paid (net) | –87 | –40 | –95 |
| Advances to local government (net) | 11 | 12 | – |
| Advances to state public trading enterprises (net) | –36 | –73 | –71 |
| Other advances (net) | –62 | 21 | –24 |

Table 1: General Government Sector – Outlays, Revenue and Financing Transactions (Cont.)

| ECONOMIC TYPE CLASSIFICATION | 1988-89 | 1989-90 | 1990-91 |
|---|---------|-------------------|----------------|
| | \$ Mill | prelim \$ Mill | est \$ Mill |
| Revenue and Grants Received | 14,830 | 15,760 | 16,849 |
| Taxes, fees and fines | 7,491 | 7,867 | 8,625 |
| Property income and other revenue (net) | 1,061 | 1,334 | 1,342 |
| Income from public trading enterprises (net) | 67 | 110 | 290 |
| Income from public financial enterprises | 167 | 148 | 135 |
| Interest received | 509 | 593 | 463 |
| Other property income and other current revenue | 303 | 469 | 446 |
| Capital revenue | 15 | 13 | 8 |
| Grants received | 6,278 | 6,559 | 6,881 |
| Current grants received | 5,406 | 5,536 | 5,768 |
| - From Commonwealth | 5,372 | 5,493 | 5,715 |
| - Other | 34 | 43 | 53 |
| Capital grants received | 872 | 1,023 | 1,114 |
| - From Commonwealth | 858 | 1,006 | 1,094 |
| - Other | 14 | 17 | 20 |
| Financing Transactions | -600 | 757 | 528 |
| Net advances received | -53 | -126 | -418 |
| From Commonwealth | -63 | -131 | -423 |
| Other | 10 | 5 | 5 |
| Net domestic and overseas borrowings | 163 | 512 | 865 |
| Increases in investments, currency and deposits | 753 | -333 | -75 |
| Increase in provisions | 36 | 38 | 16 |
| Other financing transactions (net) | 7 | - | -10 |
| Financing Requirement (a) | -635 | 719 | 512 |
| Net Financing Requirement (b) | -583 | 845 | 929 |
| Net Financing Requirement after adjusting for special factors (c) | -385 | 845 | 635 |
| Operating net financing requirement | -1,151 | -661 | -478 |
| Capital net financing requirement | 765 | 1,506 | 1,113 |

(a) For footnote see Table 3.

(b) For footnote see Table 3.

- Less than \$500,000.

Table 2: Public Trading Enterprises Sector – Outlays, Revenue and Financing Transactions

| ECONOMIC TYPE CLASSIFICATION | 1988-89 | 1989-90 prelim | 1990-91 est |
|---|---------|-------------------|----------------|
| | \$ Mill | \$ Mill | \$ Mill |
| Current Outlays | 1,933 | 1,572 | 1,677 |
| Current transfer payments | 1,933 | 1,572 | 1,677 |
| Interest payments | 1,756 | 1,319 | 1,220 |
| Income transferred by public trading enterprises | 67 | 110 | 290 |
| Other current transfer payments | 111 | 143 | 167 |
| Capital Outlays | 1,121 | 1,272 | 1,868 |
| Gross fixed capital expenditure | 1,532 | 1,281 | 1,908 |
| Expenditure on new and secondhand fixed assets | 1,795 | 1,821 | 2,034 |
| Sales of fixed assets and previously rented dwellings | 263 | 540 | 126 |
| Increase in stocks | -103 | -13 | -39 |
| Expenditure on land and intangible assets (net) | -324 | -95 | -22 |
| Purchase of land and intangible assets | 126 | 105 | 98 |
| Sales of land and intangible assets | 450 | 200 | 120 |
| Capital transfer payments | 16 | 18 | 20 |
| Capital grants to local government | 0 | - | 0 |
| Other capital grants and transfer payments | 16 | 18 | 20 |
| Advances paid (net) | - | 81 | - |
| Advances to local government (net) | 0 | 0 | 0 |
| Other advances (net) | - | 81 | - |

Table 2: Public Trading Enterprises Sector – Outlays, Revenue and Financing Transactions (Cont.)

| ECONOMIC TYPE CLASSIFICATION | 1988–89 | 1989–90 | 1990–91 |
|---|---------|-------------------|----------------|
| | \$ Mill | prelim \$ Mill | est \$ Mill |
| Revenue and Grants Received | 2,176 | 2,634 | 2,750 |
| Net operating surplus of PTEs | 1,459 | 1,505 | 1,542 |
| Operating revenue | 8,473 | 8,790 | 9,062 |
| – Charges for goods and services | 7,342 | 8,084 | 8,354 |
| – Subsidies received | 1,131 | 706 | 708 |
| Operating expenditure | 7,014 | 7,285 | 7,519 |
| – Depreciation charges | 929 | 1,069 | 1,093 |
| – Other operating expenditure | 6,085 | 6,216 | 6,427 |
| Property income and other revenue (net) | 368 | 513 | 442 |
| Interest received | 219 | 325 | 247 |
| Other property income and other current revenue | 15 | 14 | 9 |
| Capital revenue | 133 | 174 | 186 |
| Grants received | 350 | 615 | 765 |
| Capital grants received | 350 | 615 | 765 |
| – From state general government sector | 281 | 615 | 765 |
| – Other | 69 | – | 0 |
| Financing Transactions | 878 | 210 | 795 |
| Net advances received | –36 | –73 | –71 |
| From state general government sector | –36 | –73 | –71 |
| Other | – | – | – |
| Net domestic and overseas borrowings | 311 | –916 | –142 |
| Increases in investments, currency and deposits | 532 | 129 | 20 |
| Increase in provisions | 1,241 | 1,201 | 1,206 |
| Other financing transactions (net) | –106 | 126 | –178 |
| Financing Requirement (a) | –362 | –992 | –411 |
| Net Financing Requirement (b) | –326 | –919 | –340 |
| Net Financing Requirement after adjusting for special factors (c) | –524 | –439 | –340 |
| Operating net financing requirement | –1,000 | –1,473 | –1,328 |
| Capital net financing requirement | 477 | 1,035 | 988 |

- (a) For footnote see Table 3.
(b) For footnote see Table 3.
– Less than \$500,000.

Table 3: Total State Sector – Outlays, Revenue and Financing Transactions

| ECONOMIC TYPE CLASSIFICATION | 1988-89 | 1989-90 | 1990-91 |
|---|---------|-------------------|----------------|
| | \$ Mill | prelim \$ Mill | est \$ Mill |
| Current Outlays | 14,487 | 15,350 | 16,436 |
| General government final consumption expenditure | 9,171 | 9,967 | 10,846 |
| Current transfer payments | 5,317 | 5,383 | 5,590 |
| Interest payments | 2,866 | 3,179 | 3,069 |
| – On Commonwealth advances | 789 | 797 | 788 |
| – Other | 2,077 | 2,383 | 2,281 |
| Subsidies paid to enterprises | 1,295 | 885 | 943 |
| Personal benefit payments | 530 | 614 | 748 |
| Current grants to local government | 143 | 137 | 148 |
| Other current transfer payments | 483 | 568 | 682 |
| Capital Outlays | 2,265 | 3,129 | 3,265 |
| Gross fixed capital expenditure | 3,004 | 3,038 | 3,339 |
| Expenditure on new and secondhand fixed assets | 3,417 | 3,770 | 3,985 |
| Sales of fixed assets and previously rented dwellings | 413 | 733 | 647 |
| Increase in stocks | -73 | 16 | -11 |
| Expenditure on land and intangible assets (net) | -657 | -65 | -101 |
| Purchase of land and intangible assets | 273 | 307 | 220 |
| Sales of land and intangible assets | 930 | 372 | 320 |
| Capital transfer payments | 42 | 27 | 62 |
| Capital grants to local government | 28 | 23 | 60 |
| Capital grants to state public trading enterprises | 0 | 0 | 0 |
| Other capital grants and transfer payments | 14 | 4 | 2 |
| Advances paid (net) | -51 | 113 | -24 |
| Advances to local government (net) | 11 | 12 | - |
| Advances to state public trading enterprises (net) | 0 | 0 | 0 |
| Other advances (net) | -62 | 102 | -23 |

Table 3: Total State Sector – Outlays, Revenue and Financing Transactions (Cont.)

| ECONOMIC TYPE CLASSIFICATION | 1988–89 | 1989–90 | 1990–91 |
|---|---------|-------------------|----------------|
| | \$ Mill | prelim \$ Mill | est \$ Mill |
| Revenue and Grants Received | 16,438 | 17,439 | 18,308 |
| Taxes, fees and fines | 7,491 | 7,867 | 8,625 |
| Net operating surplus | 1,459 | 1,505 | 1,542 |
| Property income and other revenue (net) | 1,188 | 1,567 | 1,331 |
| Income from public trading enterprises (net) | 0 | 0 | 0 |
| Income from public financial enterprises | 167 | 148 | 135 |
| Interest received | 555 | 748 | 548 |
| Other property income and other current revenue | 318 | 483 | 455 |
| Capital revenue | 149 | 187 | 194 |
| Grants received | 6,299 | 6,501 | 6,809 |
| Current grants received | 5,372 | 5,494 | 5,715 |
| – From Commonwealth | 5,372 | 5,493 | 5,715 |
| – Other | – | – | – |
| Capital grants received | 927 | 1,007 | 1,094 |
| – From Commonwealth | 858 | 1,006 | 1,094 |
| – Other | 69 | 1 | 0 |
| Financing Transactions | 315 | 1,039 | 1,394 |
| Net advances received | –53 | –126 | –418 |
| From Commonwealth | –63 | –131 | –423 |
| Other | 10 | 5 | 5 |
| Net domestic and overseas borrowings | 474 | –402 | 727 |
| Increases in investments, currency and deposits | 1,255 | –157 | –74 |
| Increase in provisions | 1,277 | 1,239 | 1,222 |
| Other financing transactions (net) | –129 | 171 | –212 |
| Financing Requirement (a) | –962 | –200 | 172 |
| Net Financing Requirement (b) | –909 | –74 | 589 |
| Net Financing Requirement after adjusting for special factors (c) | –909 | 406 | 295 |
| Operating net financing requirement | –2,151 | –2,135 | –1,806 |
| Capital net financing requirement | 1,242 | 2,541 | 2,101 |

(a) Financing Transactions minus Increase in Provisions.

(b) Financing Transactions minus Net Advances Received and Increase in Provisions.

(c) Takeover of Commonwealth debt, transfer of electricity substations to County Councils and the transfer of all borrowings by the State Rail Authority for non commercial services to the General Government sector.

– Less than \$500,000.

APPENDIX C – DETAILED ESTIMATES FOR 1988–89, 1989-90 AND 1990–91 –AUSTRALIAN BUREAU OF STATISTICS BASIS

The following adjustments are required to place estimates contained in this Budget Paper on a comparable basis with Australian Bureau of Statistics estimates.

| | 1988–89 \$mill | 1989–90 \$mill | 1990–91 \$mill |
|---|-------------------|-------------------|-------------------|
| (A) Adjustments required to the general government sector table. | | | |
| (i) Excluded Commonwealth Payments | | | |
| – Add to general government final consumption expenditure | 689 | 786 | 931 |
| – Add to other current transfer payments | 351 | 384 | 406 |
| – Add to current grants to local government | 257 | 267 | 272 |
| – Add to expenditure on new and secondhand fixed assets | 52 | 59 | 96 |
| – Add to other capital transfer payments | 26 | 19 | 22 |
| – Add to capital grants to local government | 4 | 4 | 3 |
| – Add to current grants received from Commonwealth | 1,298 | 1,437 | 1,608 |
| – Add to capital grants received from Commonwealth | 82 | 81 | 121 |
| (ii) Dividend Payments by PTEs | | | |
| – Add to taxes, fees and fines | 17 | 16 | 25 |
| – Subtract from income from public trading enterprises | 17 | 16 | 25 |
| (iii) Contribution to Higher Education | | | |
| – Add to taxes, fees and fines | 68 | 138 | 171 |
| – Add to general government final consumption expenditure | 68 | 138 | 171 |
| (B) Adjustments required to public trading enterprises sector table. | | | |
| (i) Dividend Payments by PTEs | | | |
| – Subtract from other current transfer payments | 17 | 16 | 25 |
| – Add to other operating expenditure | 17 | 16 | 25 |

(C) Adjustments Required to the State sector table.

(i) Excluded Commonwealth Payments

| | | | |
|---|-------|-------|-------|
| – Add to general government final consumption expenditure | 689 | 786 | 931 |
| – Add to other current transfer payments | 351 | 384 | 406 |
| – Add to current grants to local government | 257 | 267 | 272 |
| – Add to expenditure on new and secondhand fixed assets | 52 | 59 | 96 |
| – Add to other capital transfer payments | 26 | 19 | 22 |
| – Add to capital grants to local government | 4 | 4 | 3 |
| – Add to current grants received from Commonwealth | 1,298 | 1,437 | 1,608 |
| – Add to capital grants received from Commonwealth | 82 | 81 | 121 |

(ii) Dividend Payments by PTEs

| | | | |
|---|----|----|----|
| – Add to taxes, fees and fines | 17 | 16 | 25 |
| – Subtract from net operating surpluses | 17 | 16 | 25 |

(iii) Contribution to Higher Education

| | | | |
|--|----|-----|-----|
| – Add to taxes, fees and fines | 68 | 138 | 171 |
| – Add to general government fund final consumption expenditure | 68 | 138 | 171 |

Table 1: General Government Sector – Outlays, Revenue and Financing Transactions (ABS basis)

| ECONOMIC TYPE CLASSIFICATION | 1989-90 prelim. \$ Mill | 1990-91 est. \$ Mill |
|--|-------------------------------|----------------------------|
| Current Outlays | 15,676 | 17,044 |
| General government final consumption expenditure | 10,891 | 11,948 |
| Current transfer payments | 4,785 | 5,096 |
| Capital Outlays | 2,497 | 2,233 |
| Gross fixed capital expenditure | 1,815 | 1,527 |
| Other capital outlays | 682 | 706 |
| Revenue and Grants Received | 17,416 | 18,749 |
| Taxes, fees and fines | 8,021 | 8,821 |
| Property income and other revenue (net) | 1,318 | 1,317 |
| Grants received | 8,077 | 8,611 |
| Financing Transactions | 757 | 528 |
| Net advances received and increase in provisions | -88 | -402 |
| Other financing transactions (net) | 845 | 929 |
| Financing Requirement (a) | 719 | 512 |
| Net Financing Requirement (b) | 845 | 929 |
| Net Financing Requirement after adjusting for special factors(c) | 845 | 635 |

(a) For footnote see Table 3.

(b) For footnote see Table 3.

(c) For footnote see Table 3.

Table 2: Public Trading Enterprises – Outlays, Revenue and Financing Transactions (ABS basis)

| ECONOMIC TYPE CLASSIFICATION | 1989-90 prelim. \$ Mill | 1990-91 est. \$Mill |
|--|-------------------------------|---------------------------|
| Current Outlays | 1,556 | 1,652 |
| Capital Outlays | 1,272 | 1,868 |
| Gross fixed capital expenditure | 1,281 | 1,908 |
| Other capital outlays | -10 | -39 |
| Revenue and Grants Received | 2,618 | 2,725 |
| Net operating surpluses of PTEs | 1,489 | 1,517 |
| Property income and other revenue (net) | 513 | 442 |
| Grants received | 615 | 765 |
| Financing Transactions | 210 | 795 |
| Net advances received and increase in provisions | 1,129 | 1,135 |
| Other financing transactions (net) | -919 | -340 |
| Financing Requirement (a) | -992 | -411 |
| Net Financing Requirement (b) | -919 | -340 |
| Net Financing Requirement after adjusting for special factors(c) | -439 | -340 |

(a) For footnote see Table 3.

(b) For footnote see Table 3.

(c) For footnote see Table 3.

Table 3: State Government Sector – Outlays, Revenue and Financing Transactions (ABS basis)

| ECONOMIC TYPE CLASSIFICATION | 1989–90 prelim. \$ Mill | 1990–91 est. \$ Mill |
|--|-------------------------------|----------------------------|
| Current Outlays | 16,925 | 18,216 |
| General government final consumption expenditure | 10,891 | 11,948 |
| Current transfer payments | 6,034 | 6,268 |
| Capital Outlays | 3,210 | 3,386 |
| Gross fixed capital expenditure | 3,096 | 3,435 |
| Other capital outlays | 114 | -49 |
| Revenue and Grants Received | 19,095 | 20,208 |
| Taxes, fees and fines | 8,021 | 8,821 |
| Net operating surpluses of PTEs | 1,489 | 1,517 |
| Property income and other revenue (net) | 1,567 | 1,331 |
| Grants received | 8,019 | 8,539 |
| Financing Transactions | 1,039 | 1,394 |
| Net advances received and increase in provisions | 1,113 | 804 |
| Other financing transactions (net) | -74 | 589 |
| Financing Requirement (a) | -200 | 172 |
| Net Financing Requirement (b) | -74 | 589 |
| Net Financing Requirement after adjusting for special factors(c) | 406 | 295 |

(a) Financing Transactions minus Increase in Provisions.

(b) Financing Transactions minus Net Advances Received and Increase in Provisions.

(c) Takeover of Commonwealth debt, transfer of electricity substations to County Councils and the transfer of all borrowings by the State Rail Authority for non-commercial services to the General Government sector.

APPENDIX D – NEW SOUTH WALES PUBLIC SECTOR ENTITIES INCLUDED WITHIN THE GENERAL GOVERNMENT AND PUBLIC TRADING ENTERPRISES SECTORS

General Government

- * Albury–Wodonga (NSW) Corporation
- Attorney–General's Department
- Auditor General's Office
- * Bathurst–Orange Development Corporation
- Board of Fire Commissioners
- Beneficiaries Trust Fund ##
- * Building Services Corporation
- Bush Fire Council
- Cabinet Office
- Capital Works Financing Corporation ##
- Chief Secretary's Department
- * Chipping Norton Lake Authority
- Corporate Affairs Commission
- Darling Harbour Authority
- Department of Administrative Services
- Department of Agriculture and Fisheries
- Department of Business and Consumer Affairs
- Department of Co–operative Societies
- Department of Corrective Services
- Department of Education
- Department of Energy
- Department of Family and Community Services
- Department of Health
- Department of Lands
- Department of Local Government
- Department of Minerals and Energy
- Department of Planning
- Department of Sport, Recreation and Racing
- Department of State Development
- Department of Technical and Further Education
- Department of Water Resources
- Ethnic Affairs Commission
- Forestry Commission
- Government Motor Services
- Government Printing Office
- Grain Handling Ministerial Corporation ##
- Greyhound Racing Control Board
- Harness Racing Authority
- Hen Quota Committee
- Heritage Conservation Fund
- Home Care Service of NSW ##
- * Home Purchase Assistance Fund ##
- Independent Commission Against Corruption
- Insurers Contribution Fund ##
- Judicial Commission
- * Lake Illawarra Authority
- Land Titles Office
- Legal Aid Commission
- * MacArthur Development Corporation
- Materials Testing Laboratory
- * Mine Subsidence Board
- Mines Rescue Board

- Ministry for the Arts
 - Ministry for the Environment
 - Ministry of Education and Youth Affairs
 - Ministry of Transport
 - Motor Accidents Authority
 - Motor Vehicle Industry Repair Council
 - National Parks and Wildlife Service
 - NSW Coal Compensation Board
 - NSW Drug and Alcohol Authority
 - NSW Education and Training Foundation
 - * NSW Meat Industry Authority
 - NSW Medical Board
 - Office of the Director of Public Prosecutions
 - Office of Aboriginal Affairs
 - Ombudsman's Office
 - Police Department
 - Property Services Group ##
 - Public Service Board
 - Public Trustee
 - Public Works Department
 - Regional Operations: Maintenance and Construction
 - Roads and Traffic Authority
 - Rural Assistance Authority
 - * School Furniture Complex
 - Soil Conservation Service
 - State Drug Crime Commission
 - State Electoral Office
 - State Emergency Services
 - State Library
 - State Pollution Control Commission
 - Suitors Fund
 - Sydney Cove Redevelopment Authority
 - The Legislature
 - Tourism Commission
 - Treasury
 - Upper Parramatta River Catchment Trust ##
 - Valuer-General's Department
 - * Wild Dog Destruction Board
 - WorkCover Authority ##
- * Classified as Outer budget entity in Budget Papers 2 and 3.
 ## These entities did not form part of the coverage in 1989–90.

Public Trading Enterprises

Broken Hill Water Board
 Cobar Water Board
 Department of Housing
 Elcom Collieries
 Electricity Commission of NSW
 Fish River Water Supply Authority
 Grain Corporation of NSW
 Homebush Abattoir Corporation
 Hunter District Water Board
 Huntley Collieries
 Irrigation Areas and Districts
 Maritime Services Board
 Mulwala Water Supply Authority
 Newcom Collieries
 NSW Dairy Corporation
 NSW Egg Corporation ##
 NSW Fish Marketing Authority
 NSW State Lotteries
 Public Servant Housing Authority of NSW
 South-West Tablelands Water Supply Authority
 State Brickworks
 * State Rail Authority
 * State Transit Authority
 Sydney Cricket and Sports Ground Trust
 Sydney Market Authority
 Sydney Opera House Trust
 Teacher Housing Authority
 Totalisator Agency Board of NSW
 Waste Management Authority
 Water Board
 Zoological Parks Board

- * Classified as Inner Budget entity in Budget Papers 2 and 3.
 ## These entities did not form part of the coverage in 1989–90.

APPENDIX E: COMPARISON OF ACTUAL AND ESTIMATED STATE PUBLIC SECTOR OUTLAYS, REVENUE AND FINANCINGS FOR 1989-90

**Table 1: Summary of Estimated and Actual Results for the General
Government Sector In 1989-90 (1)**

| | 1989-90 est. \$m | 1989-90 actual \$m | % change |
|--|------------------------|--------------------------|-------------|
| Current Outlays | 13,909 | 14,101 | 1.4 |
| . Final Consumption Expenditure | 10,193 | 9,967 | -2.2 |
| . Current Transfer Payments | 3,715 | 4,133 | 11.2 |
| Capital Outlays | 2,165 | 2,416 | 11.6 |
| . Gross Fixed Capital Expenditure | 1,521 | 1,756 | 15.4 |
| . Other Capital Outlays | 644 | 660 | 2.5 |
| Total Outlays | 16,074 | 16,517 | 2.8 |
| Revenue and Grants Received | 15,494 | 15,760 | 1.7 |
| . Taxes, Fees and Fines | 7,924 | 7,867 | -0.7 |
| . Other Own Source Revenues | 1,054 | 1,334 | 26.6 |
| . Grants Received | 6,516 | 6,559 | 0.7 |
| Financing Transactions (2) | 579 | 757 | 30.7 |
| . Less Increase in Provisions and Net Advances Received | -109 | -88 | -19.3 |
| . Net Financing Requirement (NFR) (3) | 689 | 845 | 22.6 |
| - Operating NFR | -539 | -661 | 22.6 |
| - Capital NFR | 1,227 | 1,506 | 22.7 |

(1) Items may not add to totals due to rounding.

(2) Total outlays less revenue and grants received.

(3) Financing Transactions less both net advances received and increases in provisions. A positive number represents a financing requirement, that is a deficit, while a negative number represents a surplus.

Table 2: Summary of Estimated and Actual Results for the Public Trading Enterprise Sector In 1989-90 (1)

| | 1989-90 est. \$m | 1989-90 actual \$m | % change |
|--|------------------------|--------------------------|-------------|
| Current Outlays | 2,223 | 1,572 | -29.3 |
| . Final Consumption Expenditure | — | — | n.a. |
| . Current Transfer Payments | 2,223 | 1,572 | -29.3 |
| Capital Outlays | 1,566 | 1,272 | -18.8 |
| . Gross Fixed Capital Expenditure | 1,759 | 1,281 | -27.2 |
| . Other Capital Outlays | -193 | -9 | -95.3 |
| Total Outlays | 3,789 | 2,844 | -24.9 |
| Revenue and Grants Received | 2,428 | 2,634 | 8.5 |
| . Taxes, Fees and Fines | — | — | n.a. |
| . Other Own Source Revenues | 2,028 | 2,019 | -0.4 |
| . Grants Received | 400 | 615 | 53.8 |
| Financing Transactions (2) | 1,361 | 210 | -84.6 |
| . Less Increase in Provisions and Net Advances Received | 1,349 | 1,128 | -16.4 |
| . Net Financing Requirement (NFR) (3) | 12 | -919 | n.a. |
| — Operating NFR | -885 | -1,473 | 66.4 |
| — Capital NFR | 897 | 554 | -38.2 |

(1) Items may not add to totals due to rounding.

(2) Total outlays less revenue and grants received.

(3) Financing Transactions less both net advances received and increases in provisions. A positive number represents a financing requirement, that is a deficit, while a negative number represents a surplus.

Table 3: Summary of Estimated and Actual Results for the Total State Sector In 1989-90 (1)

| | 1989-90 est. \$m | 1989-90 actual \$m | % change |
|--|------------------------|--------------------------|-------------|
| Current Outlays | 15,856 | 15,350 | -3.2 |
| . Final Consumption Expenditure | 10,193 | 9,967 | -2.2 |
| . Current Transfer Payments | 5,663 | 5,382 | -5.0 |
| Capital Outlays | 3,132 | 3,129 | -0.1 |
| . Gross Fixed Capital Expenditure | 3,281 | 3,037 | -7.4 |
| . Other Capital Outlays | -149 | 92 | n.a. |
| Total Outlays | 18,988 | 18,479 | -2.7 |
| Revenue and Grants Received | 17,204 | 17,439 | 1.4 |
| . Taxes, Fees and Fines | 7,924 | 7,867 | -0.7 |
| . Other Own Source Revenues | 2,807 | 3,071 | 9.4 |
| . Grants Received | 6,473 | 6,501 | 0.4 |
| Financing Transactions (2) | 1,784 | 1,039 | -41.8 |
| . Less Increase in Provisions and Net Advances Received | -1,083 | 1,113 | 2.8 |
| . Net Financing Requirement (NFR) (3) | 700 | -74 | n.a. |
| - Operating NFR | -1,424 | -895 | -37.1 |
| - Capital NFR | 2,124 | 821 | -61.3 |

(1) Items may not add to totals due to rounding.

(2) Total outlays less revenue and grants received.

(3) Financing Transactions less both net advances received and increases in provisions. A positive number represents a financing requirement, that is a deficit, while a negative number represents a surplus.