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1 INTRODUCTION¹

This Budget Paper presents financial aggregates for the NSW general government and public trading enterprise sectors according to internationally recognised statistical standards and in accordance with a resolution of the 1991 Premiers' Conference.

Care should be taken when comparing the information presented here with the other Budget Papers which, in general, report results for the Budget Sector only. While the coverage of the Budget and general government sectors have a large degree of overlap, significant differences currently remain. However, the General Government Debt Elimination Act 1995 requires, at a time determined by the Treasurer, for the Budget to be presented on a general government basis. Current differences in the coverage between the Budget and general government sectors are outlined in the Appendix which classifies organisations by both administrative unit and Australian Bureau of Statistics (ABS) institutional sector.

The financial aggregates presented in this Budget Paper serve a number of purposes-

- Allow interstate financial comparisons on a consistent basis;
- Facilitate time series comparisons of financial aggregates since they are relatively unaffected by changes in public sector administrative structures; and
- Permit an assessment of the impact of NSW public sector transactions on the economy by providing data classified by economic type.

Outlay and revenue data presented in this Budget Paper are provided on two separate bases. Sections 2.1 and 2.2 provide information which excludes the operations of the NSW Treasury Corporation, selected Commonwealth payments which pass through the State's accounts and universities. While the exclusion of these transactions is considered to provide a fairer representation of State finances, in accordance with the requirements of the 1991 Premiers' Conference resolution, Section 2.3 provides information on a standard ABS basis.

Chapter 3 presents estimates of the State's financial assets and liabilities based on ABS standards. More comprehensive reporting of the State's financial position will be provided in the Consolidated Financial Statements to be released in December. Unlike Chapter 2, it is not necessary to make similar adjustments to the aggregates for the impact of Treasury Corporation since its inclusion does not result in a distortion of the State's financial balance sheet.

Finally, it should be recognised that the move to an early Budget will result in estimates for 1995-96 and 1996-97 being subject to a greater level of revisions than in previous years.

¹ New South Wales Treasury acknowledges the assistance of the Sydney and Canberra offices of the Australian Bureau of Statistics in the preparation of this Budget Paper.

2 OUTLAYS AND REVENUES OF THE NSW PUBLIC SECTOR

2.1 ESTIMATES OF OUTLAYS AND REVENUES FOR 1996-97

Overview

Estimates of NSW public sector outlays and revenues in 1996-97 are presented in Table 2.1. Overall the financial result of the State sector is projected to be a \$158 million deficit. This compares with an estimated deficit of \$92 million in 1995-96.

The projected result reflects a surplus for the general government sector of \$44 million and a balanced position for the public trading enterprise (PTE) sector. It should be noted that the projected outcome for the total State sector differs from the sum of the general government and PTE results due to the need to eliminate transactions between the two sectors.

Adjusting for equity repayments, the underlying general government result² is a surplus of \$14 million compared with an estimated outcome for 1995-96 of \$378 million. In the case of the PTE sector there is expected to be a significant turnaround from a substantial surplus (\$386 million) to a balanced position.

Table 2.1: Estimated Total Public Sector Outlays and Revenues 1996-97

	General Government	Public Trading Enterprises	Total State ⁽¹⁾
	\$m	\$m	\$m
Current Outlays	19,849	2,648	20,959
- % increase	2.7	24.1	3.0
Capital Outlays	2,985	2,012	4,351
- % increase	127.9	(-) 5.4	2.4
Revenue and Grants Received	22,878	3,076	23,568
- % increase	4.7	4.8	3.4
Deficit⁽²⁾	(-) 44	nil	158

(1) Does not represent the sum of the general government and public trading enterprise sectors due to the existence of intra-sector transactions and differences between cash and accrual estimates.

(2) Total outlays less both revenue and grants received and increases in provisions. A positive number represents a deficit, while a negative number represents a surplus.

The projected result for the State sector in 1996-97 maintains the improvement achieved in the financial position of New South Wales in recent years. After peaking in 1991-92 at \$1,207 million, the underlying result for the State in 1996-97 is projected to be a deficit of \$158 million.

2 Underlying results are defined as excluding equity sales, the casino licence fee and tax compensation on sale of the GIO.

The projected outcome for the PTE sector (and therefore the State sector) is heavily influenced by an apparent conservative bias in the estimates provided by the State's public trading enterprises which results in actual outcomes generally being better than projected. For example, the projected result for 1995-96 understated the actual outcome (which was a surplus) by \$470 million with a similar pattern being apparent in previous years. This matter is examined in more detail in the section discussing PTE results.

General Government Sector

A summary of aggregates for the general government sector are presented in the table below.

Table 2.2: Summary of General Government Estimates

	1995-96 \$m	1996-97 \$m	% Change
Current Outlays			
- <i>Final Consumption Expenditure</i>	14,329	15,077	5.2
- <i>Interest</i>	1,697	1,644	(-) 3.1
- <i>Other Current Transfer Payments</i>	3,294	3,129	(-) 5.0
Total Current Outlays	19,320	19,849	2.7
Capital Outlays			
- <i>Gross Fixed Capital Expenditure and Net Purchase of Land</i>	1,928	2,122	10.1
- <i>Other Capital Outlays</i>	(-) 618	863	n.a.
Total Capital Outlays	1,310	2,985	127.9
Revenue and Grants Received			
- <i>Taxes, Fees and Fines</i>	11,269	11,670	3.6
- <i>Commonwealth Grants Received</i>	8,307	8,561	3.1
- <i>Other Revenue</i>	2,269	2,647	16.7
Total Revenue and Grants Received	21,845	22,878	4.7
Deficit ⁽¹⁾	(-) 1,216	(-) 44	(-) 96.4

(1) Total outlays less both revenue and grants received and increases in provisions. A positive number represents a deficit, while a negative number represents a surplus.

• Outlays

In 1996-97, current outlays of the general government sector are expected to increase by 2.7 per cent. The growth in current outlays is made up of a 5.2 per cent increase in final consumption expenditure and a 4.4 per cent reduction in current transfer payments.

The growing importance of consumption expenditure as a proportion of current outlays in 1996-97 reflects a longer term trend which has seen the proportion of current outlays in this area increase from 70 per cent in 1989-90 to 76 per cent in 1996-97. It is likely that this trend will continue with declining interest outlays in future years with the reduction in debt under the General Government Debt Elimination Act 1995 and the declining impact of the motor vehicle third party unfunded insurance liabilities.

In 1996-97 the increase in consumption expenditure is concentrated in the areas of education, police, housing and community amenities, agriculture as well as superannuation. Interest payments are expected to fall by \$53 million, reflecting the full year effect of the projected surplus for 1995-96 and the surplus in 1996-97.

Subsidies to public trading enterprises are projected to fall by \$72 million in line with a reduction in general purpose subsidies to the State Rail Authority. Subsidies paid to public trading enterprises have reduced from \$975 million in 1991-92 to \$640 million in 1996-97, a reduction in real terms of 43 per cent. This results from a progressive improvement in the efficiency of these enterprises as well as reduced funding for redundancies from the Budget.

Subsidy payments to other enterprises are also expected to fall substantially for the fourth successive year, resulting from the declining call on state funds associated with the closure of the third party motor accident claims scheme. The need to fund these liabilities, once the cash reserves of the scheme were exhausted, resulted in a sharp increase in outlays both in 1991-92 and 1992-93. This has been and continues to be a significant contributor to the difference between the Budget and general government sector results.

Capital outlays of the general government sector in 1996-97 are projected to increase by 128 per cent. This increase results, in the main, because of the lower level of equity restructuring payments in 1996-97 which are treated under Government Finance Statistics principles as advance repayments. Excluding this factor from both 1995-96 and 1996-97, capital outlays are projected to increase by only 1.7 per cent between the two years.

Gross fixed capital expenditure, along with net land purchases, is expected to increase by 10.1 per cent, reflecting higher capital expenditure connected with the Olympics. In line with this, expenditure on new fixed assets is expected to increase by 18.3 per cent.

Overall, total outlays, current and capital, are projected to increase by 10.7 per cent in 1996-97 or 2.6 per cent after adjusting for the impact of equity restructuring payments.

- **Revenue and Grants Received**

In 1996-97 revenues (including grants) are projected to increase by 4.7 per cent. This consists of a 3.6 per cent increase in taxation revenue, a 3.1 per cent increase in grants received and a 16.7 per cent increase in other revenue.

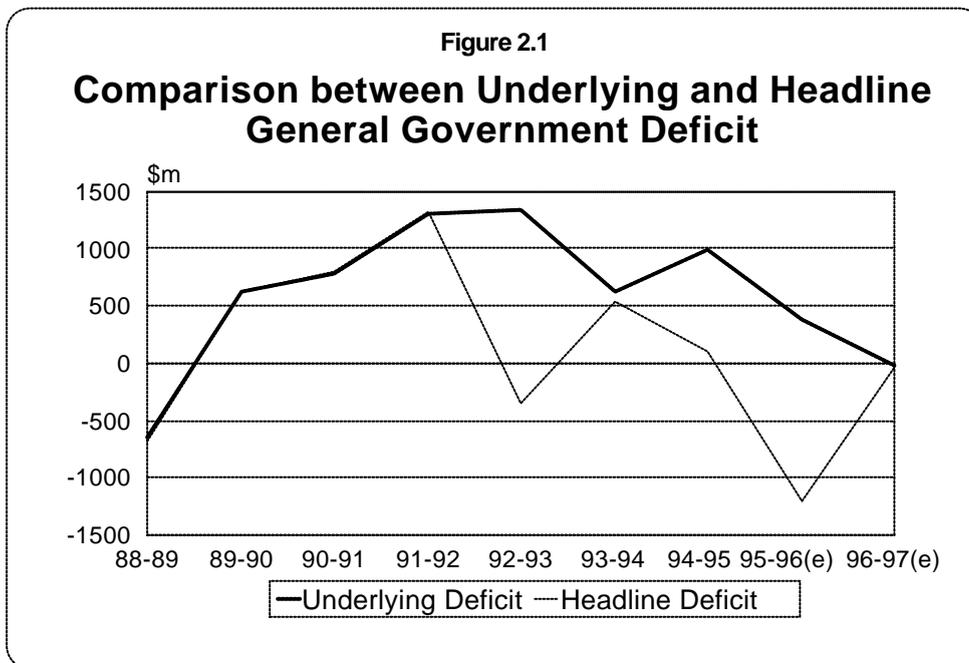
The low real growth in taxation revenue, in spite of the continued strength of economic activity, reflects subdued growth in financial taxes due to innovations and other changes directed at minimising tax liability, lower land tax revenues following the boost in 1995-96 associated with amnesty payments and the impact of the introduction of lower uniform heavy vehicle charges on weight tax revenues.

Non-taxation revenues are expected to grow sharply in 1996-97 as a result of higher PTE dividend payments (which under GFS principles includes tax equivalent payments).

- **Financial Result**

The financial result for the general government sector is projected to be a \$44 million surplus or \$14 million surplus on an underlying basis. This compares with an estimated surplus of \$1,216 million in 1995-96 or a underlying deficit of \$378 million.

Figure 2.1 shows trends in both the headline and underlying general government deficit over the period since 1988-89. Between 1988-89 and 1992-93 there was a sustained increase in the underlying general government deficit. Since that time the deficit has fallen substantially and has been eliminated with the help of asset sales in 1996-97.



The financial result can be dissected into an operating and capital component. In 1996-97 the general government sector is expected to show an improved operating result compared with the previous financial years. In 1996-97 the operating result of the general government sector is expected to be a surplus of nearly \$2.1 billion compared with \$1.6 billion in 1995-96, \$1.2 billion in 1994-95, \$1.0 billion in 1993-94 and a deficit of \$104 million in 1992-93.

The \$44 million surplus for the general government sector compares with a surplus of \$145 million for the Budget Sector. A reconciliation between the Budget result and the general government result is shown below.

Table 2.3: Reconciliation of Budget and General Government Results ⁽¹⁾

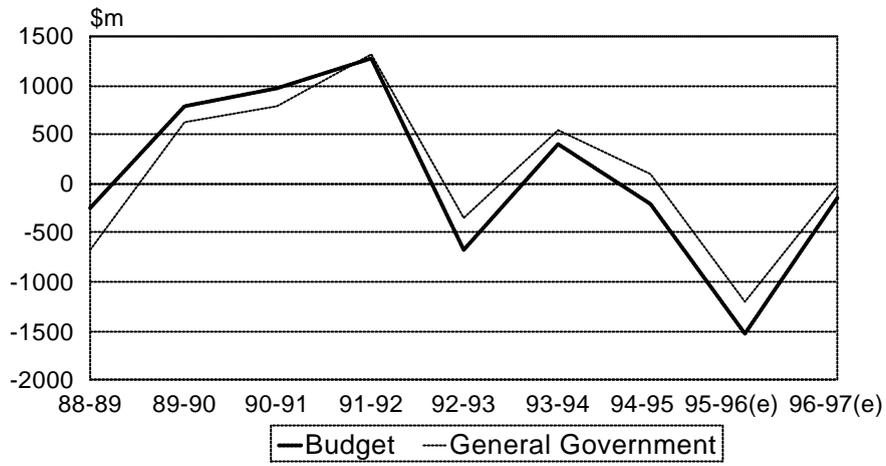
	1995-96 \$m	1996-97 \$m
Budget Result	(-) 1,524	(-) 145
plus		
. Housing Authorities	(-) 1	(-) 73
. Ministerial Insurance Corporation	(-) 2	(-) 44
. Building & Construction Industry Long Service Leave Payments Corporation	110	50
. Public Trustee	(-) 1	49
. Environmental Trusts	13	49
. Darling Harbour Authority	33	1
. Public Works Department	80	16
. State Forests	40	18
. Rental Bond Board	(-) 17	... ⁽²⁾
. City West Development Corporation	34	11
. Honeysuckle Development Corporation	0	15
. Land Titles Office	(-) 1	13
. Other	21	(-) 5
General Government Result	(-) 1,216	(-) 44

(1) A positive number represents a deficit, while a negative number represents a surplus.

(2) Part of Budget sector in 1996-97.

With the move to shift the Budget sector to a general government basis the differences in coverage outlined in the Table 2.3 and in the Appendix will disappear. Figure 2.2 compares the headline Budget and general government results for the period since 1988-89. Clearly there has been a close correspondence between the two headline deficits with the Budget sector recording a slightly better outcome in recent years.

Figure 2.2

**Comparison between Budget and General Government
Headline Deficit**

Public Trading Enterprises

A summary of aggregates for the public trading enterprise sector is presented in the table below.

Table 2.4: Summary of Public Trading Enterprise Estimates

	1995-96 \$m	1996-97 \$m	% Change
Current Outlays			
- <i>Interest Payments</i>	947	1,013	7.0
- <i>Other Current Transfer Payments</i>	1,187	1,635	37.7
Total Current Outlays	2,134	2,648	24.1
Capital Outlays			
- <i>Gross Fixed Capital Expenditure and Net Purchase of Land</i>	2,089	2,018	(-) 3.4
- <i>Other Capital Outlays</i>	37	(-) 6	n.a.
Total Capital Outlays	2,126	2,012	(-) 5.4
Revenue and Grants Received			
- <i>Net Operating Surplus</i>	1,704	1,884	10.6
- <i>Grants Received</i>	882	843	4.4
- <i>Other Revenue</i>	350	349	0.3
Total Revenue and Grants Received	2,936	3,076	4.8
Deficit ⁽¹⁾	(-) 386	nil	(-) 100.0

(1) Total outlays less both revenue and grants received and increases in provisions. A positive number represents a deficit, while a negative number represents a surplus.

- **Outlays**

In 1996-97 total outlays by the public trading enterprise sector are expected to increase by 9.4 per cent to \$4.7 billion. The increase in PTE outlays is made up of growth in current outlays of 24.1 per cent while capital outlays are expected to decrease by 5.4 per cent.

The strong increase in current outlays reflects both higher interest payments as a result of the return of surplus capital to the general government sector as well as projected higher dividend payments. Although interest payments are expected to increase in 1996-97, the success of the PTE sector in reducing its level of debt in recent years is highlighted by the \$400 million reduction in interest payments since 1989-90.

Expenditure on new fixed assets is projected to increase by 3.5 per cent mainly as a result of higher expenditure by Sydney Water (reflecting the takeover of developer assets), Waste Services and the State Transit Authority. On the other hand, gross fixed capital expenditure including net purchases of land is expected to fall by 3.4 per cent due to higher asset sales in 1996-97.

- **Revenues and Grants Received**

The total revenue and grants received of the public trading enterprise sector is expected to increase in 1996-97 by 4.8 per cent, reflecting an increase in the net operating surplus flowing from reduced operating cost in the electricity sector associated with announced reforms. The increase in the net operating surplus will be achieved despite a reduction of \$75 million in subsidies received from the general government sector.

- **Financial Result**

Overall, the public trading enterprise sector is projected to record a balanced result in 1996-97 compared with a surplus of \$386 million in 1995-96.

There is evidence of a conservative bias in estimates of the PTE sector financial results. Table 2.5 indicates that the financial result of PTE sector has been conservatively forecast in each of the past 6 years. Given this, the actual result for this sector in 1996-97 may well be better than projected.

Table 2.5: Comparison of Estimated and Actual Financial Results⁽¹⁾⁽²⁾

	Estimated \$m	Actual \$m	Forecast Error \$m
1990-91	441	445	4
1991-92	159	409	250
1992-93	28	436	408
1993-94	433	501	68
1994-95	(-) 24	355	379
1995-96	(-) 84	386	470

(1) The inclusion of county councils in the actual result for 1993-94 and not in the estimate for that year had a small impact on the actual result.

(2) A positive number represents a surplus.

Like the general government sector, public trading enterprises show a significant surplus on their operating accounts. In 1996-97 the operating result of the public trading enterprise sector is projected as a surplus of \$1.0 billion while the capital result is projected as a deficit of the same amount. It should be recognised that subsidies from the general government sector form part of the revenue of the public trading enterprise sector and therefore increase the operating surplus.

Total State Sector

A summary of aggregates for the total state sector is presented in the table below.

Table 2.6: Summary of Total State Estimates

	1995-96 \$m	1996-97 \$m	% Change
Current Outlays			
- <i>Final Consumption Expenditure</i>	14,329	15,077	5.2
- <i>Current Transfer Payments</i>	6,026	5,883	(-) 2.4
Total Current Outlays	20,355	20,959	3.0
Capital Outlays			
- <i>Gross Fixed Capital Expenditure and Net Purchase of Land</i>	4,016	4,139	3.1
- <i>Other Capital Outlays</i>	234	212	(-) 9.4
Total Capital Outlays	4,250	4,351	2.4
Revenue and Grants Received			
- <i>Taxes, Fees and Fines</i>	11,269	11,670	3.6
- <i>Commonwealth Grants Received</i>	8,307	8,561	3.1
- <i>Other Revenue</i>	3,228	3,337	3.4
Total Revenue and Grants Received	22,804	23,568	3.4
Deficit ⁽¹⁾	92	158	71.7

(1) Total outlays less both revenue and grants received and increases in provisions. A positive number represents a deficit, while a negative number represents a surplus.

- **Outlays**

In 1996-97 total state outlays are expected to increase by 2.9 per cent or 2.5 per cent after adjusting for equity restructuring payments. The adjusted increase in total outlays in 1996-97 is made up of a 3.0 per cent increase in current outlays and a 0.3 per cent increase in capital outlays.

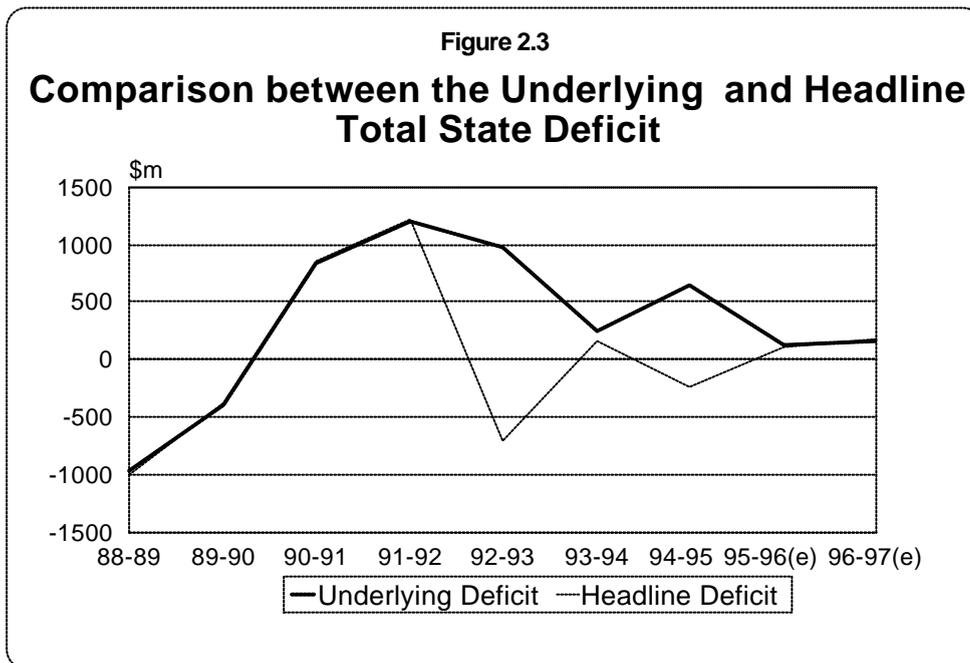
- **Revenue and Grants Received**

Total state revenues (including grants received) are expected to increase by 3.4 per cent in 1996-97. This follows an increase of 4.5 per cent in 1995-96. Own source revenues and grants are expected to increase by similar amounts in 1996-97. In total, own source revenue makes up nearly 64 per cent of state revenue.

- **Financial Result**

In 1996-97 the financial result for the state sector is expected to be a deficit of \$158 million. This compares with a deficit in 1995-96 of \$92 million. On an underlying basis, the deficit is expected to increase from \$120 million in 1995-96 to \$158 million in 1996-97. As outlined earlier, the outcome for the State sector is likely to be better than expected given the past forecasting bias for the PTE sector.

Figure 2.3 shows trends in both the headline and underlying total state deficit since 1988-89. As with the result for the general government sector, the trend was for a deteriorating position in the years leading up to the early 1990s followed by a sustained improvement with a small deficit achieved in 1996-97.



As has been the case in previous years, the operating result for the total state sector in 1996-97 is expected to remain in substantial surplus, estimated to be around \$3.1 billion. Since 1991-92, the operating result of the state sector has nearly doubled in real terms underlying the improvement in the State's financial position following the severe recession in the early 1990s.

DETAILED GOVERNMENT FINANCE STATISTICS ESTIMATES - 1991-92 TO 1996-97

Table 2.7: General Government Sector - Outlays, Revenue and Financing Transactions

ECONOMIC TYPE CLASSIFICATION	1991-92	1992-93	1993-94	1994-95	1995-96 Revised	1996-97 Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
Current Outlays	16,640	17,219	17,583	18,415	19,320	19,849
General government final consumption expenditure	11,671	11,950	12,424	13,371	14,329	15,077
Current transfer payments	4,968	5,269	5,159	5,044	4,991	4,773
Interest payments	1,985	1,903	1,749	1,732	1,697	1,644
- On Commonwealth advances	739	647	507	463	362	313
- Other	1,246	1,256	1,242	1,269	1,335	1,331
Subsidies paid to enterprises	1,561	1,701	1,471	1,337	1,160	965
- Subsidies paid to public trading enterprises	975	901	799	732	712	640
- Subsidies paid to other enterprises	586	800	672	605	448	325
Personal benefit payments	753	924	978	1,031	1,056	1,054
Current grants to local government	61	50	77	49	53	53
Other current transfer payments	608	691	884	896	1,025	1,057
Capital Outlays	2,226	1,236	2,804	2,255	1,310	2,985
Gross fixed capital expenditure	1,636	1,830	2,002	2,124	1,954	2,174
- Expenditure on new fixed assets	1,759	2,072	2,037	2,080	2,119	2,507
- Sales of fixed assets and previously rented dwellings	-123	- 243	-35	43	- 165	- 332
Increase in stocks	-1	3	17	21	29	40
Expenditure on land and intangible assets	-59	- 134	35	- 379	- 26	- 52
- Purchase of land and intangible assets	99	129	176	170	127	136
- Sales of land and intangible assets	158	263	141	549	154	189
Capital transfer payments	972	1,004	1,094	1,040	1,116	1,050
- Capital grants to local government	112	152	157	129	154	155
- Capital grants to state public trading enterprises	780	826	912	867	892	846
- Other capital grants and transfer payments	80	27	25	43	71	48
Advances paid (net)	-321	- 1,467	- 345	- 550	- 1,763	- 227
- Advances to local government (net)	-37	-16	-3	-1	-1	-1
- Advances to state public trading enterprises (net)	-264	-83	-123	-11	-1,706	-201
- Other advances (net)	-20	-1,368	-218	-538	-56	-25



Table 2.7: General Government Sector - Outlays, Revenue and Financing Transactions (cont)

ECONOMIC TYPE CLASSIFICATION	1991-92	1992-93	1993-94	1994-95	1995-96 Revised	1996-97 Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
Revenue and Grants Received	17,562	18,820	19,857	20,584	21,845	22,878
Taxes, fees and fines	8,932	9,316	10,203	10,561	11,269	11,670
Property income and other revenue	1,750	1,845	1,935	2,103	2,268	2,648
- Income from public trading enterprises	706	796	987	1,016	1,016	1,474
- Income from public financial enterprises	107	65	71	25	67	38
- Interest received	480	428	325	470	551	513
- Other property income and other current revenue	443	535	537	565	609	607
- Capital revenue	14	20	14	27	25	15
Grants received	6,881	7,659	7,720	7,920	8,308	8,561
- Current grants received	5,844	5,973	6,469	6,940	7,450	7,622
- From Commonwealth	5,844	5,973	6,469	6,940	7,450	7,622
- Other	...	...	...	...	...	...
- Capital grants received	1,036	1,686	1,251	980	858	939
- From Commonwealth	1,035	1,641	1,197	968	857	939
- Other	1	45	54	12	1	...
Financing Transactions	1,304	-366	530	86	-1,216	-44
Net advances received	-935	-1,171	-394	-673	-385	-458
- From Commonwealth	-910	-1,169	-394	-673	-385	-458
- Other	-25	-2	-1	-1	-1	...
Net domestic and overseas borrowings	1,440	1,371	1,264	865	-852	281
Other financing transactions	799	-566	-340	-105	22	133
Deficit ⁽¹⁾	1,304	-366	530	86	-1,216	-44
- Operating result	128	104	-1,009	-1,162	-1,643	-2,075
- Capital result	1,176	-470	1,539	1,248	427	2,031

(1) Financing Transactions minus Increase in Provisions

(2) ... Nil or less than \$500,000

DETAILED GOVERNMENT FINANCE STATISTICS ESTIMATES - 191-92 TO 1996-97

Table 2.8: Public Trading Enterprise Sector - Outlays, Revenue and Financing Transactions

ECONOMIC TYPE CLASSIFICATION	1991-92	1992-93	1993-94	1994-95	1995-96 Revised	1996-97 Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
Current Outlays	2,031	1,910	2,128	2,112	2,134	2,648
Current Transfer Payments	2,031	1,910	2,128	2,112	2,134	2,648
Interest payments	1,180	1,058	1,008	961	947	1,013
Income transferred by public trading enterprises	684	730	992	1,005	1,019	1,470
Other current transfer payments	167	122	127	146	168	166
Capital	2,054	2,277	2,333	2,369	2,126	2,012
Gross fixed capital expenditure	2,025	2,247	2,422	2,431	2,195	2,166
- Expenditure on new fixed assets	2,273	2,354	2,636	2,624	2,431	2,516
- Net expenditure on secondhand fixed assets	-248	-107	-214	-193	-236	-350
Increase in stocks	32	-42	-10	-11	9	-30
Expenditure on land and intangible assets	22	8	-152	-86	-106	-148
- Purchase of land and intangible assets	153	155	95	131	69	40
- Sales of land and intangible assets	131	147	248	217	175	188
Capital transfer payments	1	66	75	36	28	23
- Capital grants to local government	...	...	...	4	...	...
- Other capital grants and transfer payments	1	66	75	32	28	23
Advances paid (net)	-25	-2	-1	...	...	...
- Advances to local government (net)	...	...	...	...	...	...
- Other advances (net)	-25	-2	-1	...	...	...

Table 2.8: Public Trading Enterprise Sector - Outlays, Revenue and Financing Transactions (cont)

ECONOMIC TYPE CLASSIFICATION	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
	\$m	\$m	\$m	\$m	Revised \$m	Estimate \$m
Revenue and Grants Received	3,223	3,261	3,495	3,204	2,936	3,076
Net operating surplus of PTEs	2,037	2,145	2,245	1,767	1,704	1,884
- Operating revenue	10,948	10,525	12,766	12,686	12,635	12,294
- Charges for goods and services	9,966	9,612	11,967	11,944	11,938	11,672
- Subsidies received	982	913	799	742	697	622
- Operating expenditure	8,911	8,380	10,521	10,919	10,931	10,409
- Depreciation charges	1,359	1,436	1,630	1,812	1,662	1,589
- Other operating expenditure	7,552	6,944	8,891	9,107	9,269	8,821
Property income and other revenue	403	288	277	515	350	348
- Interest received	263	165	88	183	186	166
- Other property income and other current revenue	14	3	2	2	1	1
- Capital revenue	126	121	188	330	164	181
Grants received	782	828	972	922	882	843
- Capital grants received	782	828	972	922	882	843
- From state general government sector	782	826	915	858	882	843
- Other	...	2	57	64	...	...
Financing Transactions	862	927	966	1,277	1,323	1,584
Net advances received	-292	-115	-125	-12	-1,708	-203
- From state general government sector	-292	-115	-124	-11	-1,708	-203
- Other	...	...	-1	...	-1	...
Net domestic and overseas borrowings	52	-550	-174	-425	1,302	-296
Increase in provisions	1,271	1,363	1,466	1,632	1,709	1,584
Other financing transactions	-169	228	-201	82	21	499
Deficit ⁽¹⁾	-409	-436	-501	-355	-386	...
- Operating Result	-1,554	-1,766	-1,673	-1,472	-1,466	-987
- Capital Result	1,145	1,329	1,172	1,117	1,080	987

(1) Financing Transactions minus Increase in Provisions

(2) ... Nil or less than \$500,000

DETAILED GOVERNMENT FINANCE STATISTICS ESTIMATES - 1991-92 TO 1996-97

Table 2.9: Total Government Sector - Outlays, Revenue and Financing Transactions

ECONOMIC TYPE CLASSIFICATION	1991-92	1992-93	1993-94	1994-95	1995-96 Revised	1996-97 Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
Current Outlays	17,870	18,307	18,633	19,439	20,355	20,959
General government final consumption expenditure	11,671	11,950	12,424	13,371	14,329	15,077
Current transfer payments	6,198	6,357	6,209	6,068	6,026	5,883
Interest payments	3,048	2,869	2,672	2,610	2,564	2,588
- On Commonwealth advances	739	647	507	463	362	313
- Other	2,309	2,222	2,165	2,147	2,202	2,275
Subsidies paid to enterprises	1,561	1,701	1,471	1,337	1,160	965
Personal benefit payments	753	924	978	1,031	1,056	1,054
Current grants to local government	61	50	77	49	53	53
Other current transfer payments	775	813	1,011	1,041	1,194	1,223
Capital	3,788	2,727	4,298	3,757	4,250	4,351
Gross fixed capital expenditure	3,660	4,077	4,424	4,555	4,149	4,340
- Expenditure on new fixed assets	4,032	4,427	4,673	4,704	4,550	5,023
- Net expenditure on secondhand fixed assets	-371	-350	-249	-149	-401	-682
Increase in stocks	32	-39	8	9	38	11
Expenditure on land and intangible assets	-38	-126	-117	-465	-133	-201
- Purchase of land and intangible assets	252	285	271	301	196	176
- Sales of land and intangible assets	290	410	389	766	329	377
Capital transfer payments	192	199	205	198	252	227
- Capital grants to local government	112	152	157	133	154	155
- Other capital grants and transfer payments	81	47	48	65	98	71
Advances paid (net)	-58	-1,384	-222	-539	-57	-26
- Advances to local government (net)	-37	-16	-3	-1	-1	-1
- Other advances (net)	-21	-1,368	-219	-538	-56	-25

Table 2.9: Total Government Sector - Outlays, Revenue and Financing Transactions (cont)

ECONOMIC TYPE CLASSIFICATION	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
	\$m	\$m	\$m	\$m	Revised \$m	Estimate \$m
Revenue and Grants Received	19,180	20,393	21,311	21,820	22,804	23,568
Taxes, fees and fines	8,932	9,316	10,203	10,561	11,269	11,670
Net operating surplus	2,037	2,145	2,245	1,767	1,704	1,884
Property income and other revenue	1,331	1,316	1,140	1,519	1,524	1,453
- Income from public financial enterprises	107	65	71	25	67	38
- Interest received	627	501	327	570	658	611
- Other property income and other current revenue	457	613	539	566	610	608
- Capital revenue	140	137	203	358	189	196
Grants received	6,881	7,616	7,723	7,972	8,307	8,561
- Current grants received	5,844	5,973	6,469	6,940	7,450	7,622
- From Commonwealth	5,844	5,973	6,469	6,940	7,450	7,622
- Other	1	...	...	...	...	...
- Capital grants received	1,036	1,643	1,255	1,032	857	939
- From Commonwealth	1,035	1,643	1,255	1,032	857	939
- Other	1	...	...	...	...	...
Financing Transactions	2,478	640	1,620	1,377	1,801	1,743
Net advances received	-910	-1,170	-395	-673	-386	-458
- From Commonwealth	-910	-1,170	-394	-673	-385	-458
- Other	...	...	-1	-1	-1	...
Net domestic and overseas borrowings	1,492	821	1,090	439	450	-15
Increase in provisions	1,271	1,363	1,466	1,632	1,709	1,584
Other financing transactions	625	-374	-541	-21	28	632
Deficit⁽¹⁾	1,207	-723	153	-256	92	158
- Operating result	-1,405	-1,670	-2,687	-2,623	-3,112	-3,058
- Capital Result	2,612	948	2,841	2,368	3,204	3,216

(1) Financing Transactions minus Increase in Provisions

(2) ... Nil or less than \$500,000

2.2 ESTIMATED AND ACTUAL OUTCOME FOR 1995-96

Introduction

Variations between actual and projected outlays and revenues for 1995-96 reflect the net product of three factors -

- changes in coverage of organisations for which data for this Budget Paper is collected. The public sector in New South Wales contains many more organisations than it is feasible to collect data from. Given this, the organisational coverage of this Budget Paper is based on a criteria of materiality which may involve changes in organisational coverage from year to year;
- Refinement of data to correct for errors and the misclassification of transactions; and
- errors in projections of revenues and outlays.

General Government Sector

In terms of variation between estimated and actual results for 1995-96, the surplus increased from an estimated \$864 million to \$1,216 million. The major variations were as follows -

- Current outlays were higher by \$311 million reflecting increased Budget Sector interest costs (\$54 million), higher expenditure by the Public Works Department as well as the reclassification of expenditure from capital to current outlays.
- Capital outlays were lower than forecast by \$1,726 million largely due to the reclassification of equity restructuring payments from a dividend received to an offset to capital outlays. In addition, expenditure on new fixed assets was significantly below budget reflecting delays in regard to Olympics expenditure and lower expenditure by the RTA, Public Works Department and Honeysuckle and City West Development Corporations. Asset sales were also substantially lower than forecast mainly as a result of delays in the sale of crown assets.
- On the revenue side, receipts were \$1,064 million lower than projected mainly due to the reclassification of equity restructuring payments. In addition to this factor, taxation revenues were \$113 million higher reflecting the better than expected turnover in the property market. Interest receipts were also significantly higher than expected.

Table 2.10: Summary of Estimated and Actual Results for the General Government Sector in 1995-96 ⁽¹⁾

ECONOMIC TYPE CLASSIFICATION	1995-96 Estimate \$m	1995-96 Revised \$m	Variation \$m
Current Outlays	19,009	19,320	311
. Final Consumption Expenditure	14,125	14,329	204
. Current Transfer Payments	4,884	4,991	107
Capital Outlays	3,036	1,310	(-) 1,726
. Gross Fixed Capital Expenditure	2,078	1,954	(-) 124
. Other Capital Outlays	958	(-) 644	(-) 1,602
Total Outlays	22,045	20,630	(-) 1,415
Revenue and Grants Received	22,909	21,845	(-) 1,064
. Taxes, Fees and Fines	11,156	11,269	113
. Other Own Source Revenue	3,355	2,268	(-) 1,087
. Grants	8,398	8,308	(-) 90
Financial Result ⁽²⁾	(-) 864	(-) 1,216	(-) 352
- Operating Result	(-) 2,947	(-) 1,643	1,304
- Capital Result	2,083	427	(-) 1,656

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

(2) Total outlays less revenue and grants received. A positive number represents a deficit, while a negative number represents a surplus.

Public Trading Enterprise and Total State Sectors

The surplus for the public trading enterprise sector of \$386 million compares with a projected deficit last year of \$1,219 million. The dramatic improvement was due to a combination of:

- the reclassification of equity restructure payments from dividend payments to advance repayments as well as higher dividend payments by agencies such as Pacific Power;
- reduced capital expenditure by a number of agencies including Pacific Power, the electricity distribution industry, Sydney Water and the State Rail Authority; and
- a significantly higher net operating surplus for Pacific Power offset by poorer results for the State Rail Authority and Landcom.

The higher net operating surplus for Pacific Power has come about mainly as a result of current estimates of operating expenditure being around \$160m lower than forecast in the 1995-95 Budget. The State Rail Authority deficit is higher due to reduced operating revenue (around \$60 million), reduced subsidies from the Budget sector and higher depreciation charges. The Landcom net operating position has deteriorated due to reduced operating revenue of around \$60 million partly offset by reduced operating expenditure of around \$30 million.

Reflecting the better than projected results for both the general government and public trading enterprise sectors the total state sector surplus was \$403 million better than projected.

Table 2.11: Summary of Estimated and Actual Results for the Public Trading Enterprise Sector in 1995-96 ⁽¹⁾

ECONOMIC TYPE CLASSIFICATION	1995-96 Estimated \$m	1995-96 Revised \$m	Variation \$m
Current Outlays	3,228	2,134	(-) 1,094
. Interest Payments	953	947	(-) 6
. Current Transfer Payments	2,275	1,187	(-) 1,088
Capital Outlays	2,553	2,126	(-) 427
. Gross Fixed Capital Expenditure	2,554	2,195	(-) 359
. Other Capital Outlays	(-) 1	(-) 69	(-) 68
Total Outlays	5,781	4,260	(-) 1,521
Revenue and Grants Received	2,896	2,936	40
. Net Operating Surplus	1,646	1,704	58
. Other Own Source Revenue	342	350	8
. Grants	908	882	(-) 26
Financial Result ⁽²⁾	1,219	(-) 386	(-) 1,605
- Operating Result	(-) 244	(-) 1,466	(-) 1,222
- Capital Result	1,463	1,080	(-) 383

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

(2) Total outlays less both revenue and grants received an increases in provisions. A positive number represents a deficit, while a negative number represents a surplus.

2.3 UNIFORM REPORTING REQUIREMENTS

Introduction

The standards applied to produce estimates of outlays and revenues in Sections 2.1 and 2.2 are the same as those used by the ABS in its Government Financial Estimates publication (Catalogue No. 5501.0), but with four exceptions -

- Commonwealth payments where the State acts merely as an agent;
- Universities;
- Treasury Corporation; and
- Premiums on loans

In accordance with the resolutions on uniform presentation of financial information passed by the Premiers' Conference in 1991, Tables 1 through to 7 of this Section provide estimates on a comparable basis to that published by the ABS. The following sections outline the differences between the estimates in Sections 2.1 and 2.2 and Section 2.3 and the reasons for these variations.

Treatment of Certain Commonwealth Payments

For certain Commonwealth payments (eg non-government schools, local government tax sharing and road funding) the State essentially acts as an agent of the Commonwealth.

Despite the fact that the State has no control over these payments and is not involved in any negotiations concerning them, GFS conventions require their inclusion in the State sector.

While the inclusion of these payments does not distort the underlying financial position, the growth in expenditure in these areas can be significantly different than for the remainder of the State sector.

In light of these considerations, certain Commonwealth grants classified as passing through (rather than to) the State in the Commonwealth Budget are excluded from the tables in Section 2.1 and 2.2.

Exclusion of Universities

For some time, New South Wales has argued that universities are more appropriately classified to the Commonwealth rather than the State sector. This position has been based on the situation that effective financial control rests with the Commonwealth despite the fact that the institutions remain constituted under State legislation.

The financial control of the Commonwealth is highlighted by the considerable degree of funding provided and by the decision in 1993 to phase out capital funding and force universities to fund part of their capital programs from borrowings.

In response to the suggestion by New South Wales (and some other States), the ABS has now decided to allocate universities to a separate administrative sector. This change will commence in 1997.

Inclusion of Treasury Corporation

Most public sector borrowing in New South Wales is carried out through the Treasury Corporation. The ABS at present, classifies the Treasury Corporation as a general government authority on the basis that its predominant purpose is to serve the State Government sector.

The detailed estimates in Sections 2.1 and 2.2 of this Budget Paper exclude the Treasury Corporation from the general government sector. The decision to adopt this position is based on a number of considerations -

- The activities of Treasury Corporation essentially represent financial intermediation, while the rest of the general government sector is mainly involved in the provision of core public services. This position was confirmed by the exclusion of central borrowing authorities from Loan Council controls. In fact, the ABS has now issued an exposure draft suggesting that central borrowing authorities be classified as financial enterprises.
- The inclusion of Treasury Corporation in the general government sector seriously distorts intergovernmental and time series comparisons. Given that the main purpose of the government finance statistics is to facilitate these comparisons, the inclusion of central borrowing authorities seriously impacts on the usefulness of the statistics. For example, in 1995-96 the inclusion of Treasury Corporation within the general government sector increases the State deficit by around \$135 million despite the fact that it records an accounting profit before dividends and tax.
- The application of Government Finance Statistic standards require that realised and unrealised gains and losses on financial instruments not be recognised as a revenue or outlay. Given that these gains and losses are offset in present value terms by higher or lower future interest payments and receipts (which impact on the recorded deficit), the adoption of this approach can seriously distort underlying trends. This is particularly a problem with active debt management during periods of significant interest rate movement.
- The forward estimates of central borrowing authorities are highly influenced by the assumptions made. In fact, differing assumptions can greatly affect the projected growth in general government and total state aggregates. As an example of this, last year's Budget Paper estimated that the inclusion of Treasury Corporation in the general government sector would increase the State deficit in 1995-96 by around \$47 million. In fact, current estimates show the deficit will be increased by around \$135 million.

With the above factors in mind, it is considered appropriate to exclude Treasury Corporation from the estimates contained in Sections 2.1 and 2.2.

Loan Premiums

Current ABS statistical standards require a premium on a loan to be classified as a negative interest payment in the year the loan is raised. New South Wales disagrees with this approach since it results in an asymmetric treatment with discounts on loans which are treated as a balloon interest payment on the maturity of the loan.

The position put by New South Wales can be illustrated by considering a par loan to be made up of two loans, one at a discount and one at a premium. Under the ABS approach the transactions recorded under GFS standards result in a difference in the timing of interest payments between the par loan and the combined premium-discount loan. To avoid this problem, New South Wales has proposed recording the premium as a negative interest payment in the final year of the loan.

While strict accordance with GFS standards requires the ABS approach to be adopted for the estimates in this section, the ABS has recognised the accounting difficulties of this approach. Given this, a compromise has been reached on this issue which involves all jurisdictions and the ABS departing from GFS principles on this matter.

Table 2.12: General Government Sector - Outlays, Revenue and Financing Transactions (ABS basis)

ECONOMIC TYPE CLASSIFICATION	1995-96 Revised \$m	1996-97 Estimated \$m
Current Outlays	21,860	22,255
Final consumption expenditure	15,650	16,395
Interest payments	1,950	1,751
Other current payments	4,259	4,109
Capital Outlays	1,472	3,058
Gross fixed capital expenditure	1,973	2,212
Capital grants	1,153	1,086
Advances	(-) 1,657	(-) 227
Other Capital Outlays	3	(-) 12
Revenue and Grants Received	24,398	25,296
Taxes, fees and fines	11,269	11,670
Property income and other revenue (net)	2,502	2,733
Grants received	10,626	10,893
Financing Transactions	(-) 1,066	17
Net advances received	(-) 385	(-) 458
Net domestic and overseas borrowings	(-) 4,349	57
Other financing transactions (net)	3,668	418
Deficit ⁽¹⁾	(-) 1,066	17

(1) For the general government sector this equals Financing Transactions.

Table 2.13: Public Trading Enterprises - Outlays, Revenue and Financing Transactions (ABS basis)

ECONOMIC TYPE CLASSIFICATION	1995-96 Revised \$m	1996-97 Estimated \$m
Current Outlays	2,134	2,648
Interest payments	947	1,013
Other current transfer payments	1,187	1,635
Capital Outlays	2,126	2,012
Gross fixed capital expenditure	2,195	2,166
Capital grants	28	23
Advances	...	...
Other Capital Outlays	(-) 97	(-) 178
Revenue and Grants Received	2,936	3,076
Net operating surpluses of PTEs	1,704	1,884
Property income and other revenue (net)	350	348
Grants received	882	843
Financing Transactions	1,323	1,584
Net advances received	(-) 1,708	(-) 203
Net domestic and overseas borrowings	1,302	(-) 296
Increase in provisions	1,709	1,584
Other financing transactions (net)	21	499
Deficit ⁽¹⁾	(-) 386	...

(1) Financing Transactions minus increase in Provisions.

Table 2.14: State Government Sector - Outlays, Revenue and Financing Transactions (ABS basis)

ECONOMIC TYPE CLASSIFICATION	1995-96 Revised \$m	1996-97 Estimated \$m
	\$m	\$m
Current Outlays	22,810	23,292
Final consumption expenditure	15,650	16,395
Interest payments	2,732	2,623
Other current payments	4,428	4,274
Capital Outlays	4,412	4,425
Gross fixed capital expenditure	4,168	4,378
Capital grants	289	263
Advances	49	(-) 26
Other Capital Outlays	(-) 95	(-) 190
Revenue and Grants Received	25,271	25,913
Taxes, fees and fines	11,269	11,670
Net operating surpluses of PTEs	1,704	1,884
Property income and other revenue (net)	1,673	1,465
Grants received	10,625	10,893
Financing Transactions	1,951	1,804
Net advances received	(-) 386	(-) 458
Net domestic and overseas borrowings	(-) 3,047	(-) 238
Increase in provisions	1,709	1,584
Other financing transactions (net)	3,675	916
Deficit ^(a1)	242	220

(1) Financing Transactions minus Increase in Provisions.

**Table 2.15: Current Outlays of the Total State Sector by Function,
- ABS Basis**

FUNCTION	1995-96 Revised \$m	1996-97 Estimated \$m
	\$m	\$m
General Public Services	1,417	1,601
Public Order and Safety	1,865	1,917
Education	6,868	7,046
Health	4,270	4,327
Social Security and Welfare	1,550	1,631
Housing and Community amenities	501	503
Recreation and Culture	469	464
Fuel and Energy	74	97
Agriculture, Forestry and Fishing	464	489
Mining, Manufacturing and Construction	44	38
Transport and Communication	1,559	1,488
Other Economic Affairs	656	651
Other Purposes ⁽¹⁾	3,073	3,041
TOTAL CURRENT OUTLAYS	22,810	23,292

(1) Treasurer's Advance is included in this item.

**Table 2.16: Capital Outlays of the Total State Sector by Function,
- ABS Basis**

FUNCTION	1995-96 Revised \$m	1996-97 Estimated \$m
	\$m	\$m
General Public Services	12	78
Public Order and Safety	220	194
Education	318	344
Health	446	412
Social Security and Welfare	28	54
Housing and Community amenities	764	693
Recreation and Culture	193	396
Fuel and Energy	579	615
Agriculture, Forestry and Fishing	85	83
Mining, Manufacturing and Construction	2	(-) 9
Transport and Communication	1,687	1,897
Other Economic Affairs	56	31
Other Purposes	23	(-) 363
TOTAL CAPITAL OUTLAYS	4,412	4,425

**Table 2.17: Total Outlays of the Total State Sector by Function,
- ABS Basis**

FUNCTION	1995-96 Revised \$m	1996-97 Estimated \$m
	\$m	\$m
General Public Services	1,428	1,678
Public Order and Safety	2,084	2,110
Education	7,186	7,390
Health	4,716	4,739
Social Security and Welfare	1,578	1,685
Housing and Community amenities	1,264	1,196
Recreation and Culture	662	861
Fuel and Energy	653	712
Agriculture, Forestry and Fishing	549	572
Mining, Manufacturing and Construction	46	30
Transport and Communication	3,247	3,384
Other Economic Affairs	712	682
Other Purposes ⁽¹⁾	3,096	2,678
TOTAL OUTLAYS	27,222	27,717

(1) Treasurer's Advance is included in this item.

Table 2.18: Taxes, Fees and Fines - ABS Basis

TAXES, FEES AND FINES CLASSIFICATION	1995-96 Revised \$m	1996-97 Estimated \$m
	\$m	\$m
Payroll Tax	2,852	2,988
Taxes on Property	2,987	3,158
Land Tax	580	576
Other Taxes on Immovable Property	27	28
Estate, Inheritance and Gift Taxes	...	...
Stamp Duties on Financial and Capital Transactions	1,543	1,678
Financial Institutions Transaction Taxes	819	853
Government Borrowing Levies	17	22
Taxes on Provision of Goods and Services	2,017	2,119
Levies on Statutory Authorities	38	40
Taxes on Gambling	1,182	1,242
Taxes on Insurance	797	836
Taxes on the Use of Goods and the Performance of Activities	3,029	3,040
Motor Vehicle Taxes	1,281	1,204
Franchise Taxes	1,702	1,757
Other Taxes on the Use of Goods and the Performance of Activities	47	79
Fees and Fines	384	366
Fees	198	187
Fines	186	179
TOTAL TAXES, FEES AND FINES	11,269	11,670

2.4 CLASSIFICATION FRAMEWORK

Introduction

The economic type classification adopted in this Budget Paper closely follows international conventions as outlined in the ABS publication, "Government Finance Statistics Australia - Concepts, Sources and Methods, 1994", Catalogue Number 5514.0.

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 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 Authority) fit into this category.

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

PFEs are the third category of authorities in the ABS framework. The State Superannuation Board is the major entity in New South Wales operating in this sector. PFEs are not included in this publication as they operate in competitive markets and are at arms length from Government.

The classification of government organisations as between GGEs and PTEs is broadly similar to the distinction between budget and non budget sectors in Budget Papers 2 and 3.

Economic Type Classification

Transactions of public entities can be placed into one of four major economic categories, these categories being subdivided into approximately 150 groups. 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 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 these authorities being considered 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 benefit 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 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 Received**

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 interest paid is classified as a current outlay while interest received is classified to its own sub-category within revenue and grants received. As interest paid generally exceeds interest received, the net operating surplus of public trading enterprises is substantially higher than the operating surplus recorded by the authorities concerned in their annual reports. Furthermore subsidies received by public trading enterprises are recorded in this publication as operating revenue.

- **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 four categories -

- net advances received;
- net borrowings;
- increases in provisions; and
- other financing transactions.

The deficit is defined as the difference between outlays and revenues after deducting any increases in provisions. It represents the call on savings by the public sector (including the call on the savings of the Commonwealth).

Within the deficit 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. The operating deficit is calculated as current outlays less both current revenues and increases in provisions. The capital deficit is calculated as capital outlays less capital revenues (including Commonwealth capital grants).

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.

4 LOAN COUNCIL REPORTING REQUIREMENTS

Table 4.1 presents estimates of the State's Loan Council Allocation (LCA) for 1995-96 and 1996-97.

The 1996-97 LCA has been prepared on the basis of two classification changes from previous years which have yet to be agreed formally by Loan Council. Firstly, private sector infrastructure projects are assessed on the basis of full government contingent liability rather than the risk weighted approach. Secondly, Government sponsored home lending schemes have been included within the scope of LCA's.

Overall, there is a negative Loan Council Allocation requirement of \$967 million for New South Wales for 1996-97.

Table 4.1: Loan Council Allocation Estimates

	1995-96 Current Estimate	1996-97 Bid	1996-97 Budget Estimate
	\$m	\$m	\$m
Total State Sector Deficit (ABS Basis)	242	146	220
Memorandum Items			
• Operating Leases	(-) 19	92	5
• Private Sector Infrastructure ¹	...	16	11
• Recourse asset sales	...	...	...
• Local government financing requirement	170	226	226
• Superannuation	(-) 1,015	(-) 1,226	(-) 1,283
• Net financing requirement for statutory marketing authorities	...	(-) 5	(-) 3
• Treasury Corporation	(-) 135	(-) 22	(-) 28
• Home Finance Schemes	n/a	(-) 115	(-) 115
LOAN COUNCIL ALLOCATION	(-) 757	(-) 888	(-) 967
University Borrowings ²	15	36	34

1. No private sector projects were signed up in 1995-96. The 1996-97 total is based on full government contingent liability.

2. University borrowings are included in the general government sector deficit. This item is for information only and is not additive.

APPENDIX A: CLASSIFICATION OF PUBLIC SECTOR AGENCIES

Public sector entities can be classified by either institutional or administrative sector. The classification of entities into institutional sectors involves determining whether a public sector body is either a General Government authority, a Public Trading Enterprise or a Public Financial Enterprise.

General Government authorities 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 Workcover) 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 Pacific Power, the Hunter Water Corporation and the State Rail Authority.

The third category of public sector authorities are Public Financial Enterprises. The State Bank is the major entity 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.

In contrast to an institutional classification, the State separates public sector bodies as belonging to either in the Budget or Non Budget sectors. The Budget Sector is essentially defined as those bodies which rely for more than half their income on general purpose taxation. In addition to this funding criteria, consideration is also given to the extent to which the financial operations of an organisation should be controlled through the Budget process.

The following table classifies organisations within both an institutional and administrative framework.

Appendix D: Classification of Agencies

Agency/Activity	ABS Category		Budget Category	
	General Government	Public Trading Enterprise	Budget Sector	Non Budget Sector
Aboriginal Affairs, Department of	*		*	
Aboriginal Land Council, New South Wales	*			*
Adult Migrant English Services	*			*
Ageing and Disability Department	*		*	
Agricultural Scientific Collections Trust	*			*
Agriculture, Department of	*		*	
Air Transport Council	*			*
Albury-Wodonga (NSW) Corporation (a)	*			*
Anzac Memorial Building, Trustees of	*			*
Architects of New South Wales, Board of	*			*
Archives Authority of New South Wales	*		*	
- Government Records Repository	*			*
Art Gallery of New South Wales	*		*	
Arts, Ministry for the	*		*	
Attorney General's Department	*		*	
Audit Office of NSW, The	*			*
Australian Museum	*		*	
Banana Industry Committee	*			*
Barristers Admission Board	*			*
Bicentennial Park Trust	*		*	
Board of Studies, Office of	*		*	
Broken Hill Water Board		*		*
Building and Construction Industry Long Service Leave Payments Corporation	*			*
Bush Fire Services, Department of	*		*	
Cabinet Office	*		*	
Cancer Council of New South Wales	*			*
Casino Control Authority	*		*	
Centennial and Moore Park Trust	*		*	
Chipping Norton Lake Authority	*			*
City West Development Corporation	*			*
City West Housing Pty Ltd		*		*
Coal and Oil Shale Mine Workers Superannuation Tribunal	*			*
Coal Compensation Board	*		*	
Coal Mining Industry Long Service Leave Trust Fund	*			*
Coal Miners Superannuation Fund (b)				*
Coastal Council of New South Wales	*			*
Cobar Water Board		*		*
Commercial Fishing Advisory Council	*			*
Community Services Commission	*		*	
Community Services, Department of	*		*	
Corrective Services, Department of	*		*	
Crime Commission, New South Wales	*		*	
Crown Transactions	*		*	

Appendix D: Classification of Agencies (cont)

Agency/Activity	ABS Category		Budget Category	
	General Government	Public Trading Enterprise	Budget Sector	Non Budget Sector
Dairy Corporation, NSW	*			*
Dairy Industry Conference, NSW	*			*
Darling Harbour Authority	*			*
Dental Board	*			*
Dumaresq-Barwon Border Rivers Commission	*			*
Eastern Creek Raceway		*		*
Electricity Distribution Corporations -				
Advance Energy		*		*
Energy South		*		*
EnergyAustralia		*		*
Far West Energy		*		*
Integral Energy		*		*
NorthPower		*		*
Energy, Department of	*		*	
- Gas Council of New South Wales	*			*
Environment Protection Authority	*		*	
Environmental Trusts	*			*
Ethnic Affairs Commission	*		*	
Fair Trading, Department of (c)	*		*	
- Registry of Encumbered Vehicles	*			*
Film and Television Office, New South Wales	*		*	
Financial Counselling Trust Fund	*			*
Financial Institutions Commission, New South Wales	*			*
Fire Brigades, New South Wales	*		*	
First State Power		*		*
Fisheries, New South Wales	*		*	
Fish River Water Supply Authority		*		*
Freight Rail Corporation		*		*
Gaming and Racing, Department of	*		*	
Government Actuary	*			*
Greyhound Racing Control Board	*			*
Harness Racing Authority of New South Wales	*			*
Health Care Complaints Commission	*		*	
Health, Department of (including Area Health Services, Public Hospitals, Ambulance Services)	*		*	
Health Professionals Registration Board	*			*
Heritage Conservation Fund	*			*
Historic Houses Trust of NSW	*			*
Home Care Service of New South Wales	*		*	
HomeFund Commissioner's Office	*		*	
Home Purchase Assistance Authority	*			*
Honeysuckle Development Corporation	*			*
Housing, Department of		*		*
Hunter Water Corporation		*		*

Appendix D: Classification of Agencies (cont)

Agency/Activity	ABS Category		Budget Category	
	General Government	Public Trading Enterprise	Budget Sector	Non Budget Sector
Hunter Catchment Management Trust	*			*
Independent Commission Against Corruption	*		*	
Independent Pricing and Regulatory Tribunal	*		*	
Industrial Relations, Department of	*		*	
Insurance Ministerial Corporation	*			*
Insurers Contribution Fund	*			*
Insurers Guarantee Fund	*			*
Internal Audit Bureau	*			*
Jenolan Caves Reserve Trust		*		*
Judicial Commission of New South Wales	*		*	
Juvenile Justice, Department of	*		*	
Lake Illawarra Authority	*			*
Land and Water Conservation, Department of	*		*	
- Land Titles Office	*			*
- Soil Business	*			*
- Surveyors Board	*			*
- Valuer General's Office	*			*
- Coleambally Region Irrigation Areas and Districts		*		*
- Murrumbidgee Region Irrigation Areas and Districts		*		*
Landcom		*		*
Law Reporting, Council of	*			*
Legal Aid Commission of New South Wales	*		*	
Legislature, The	*		*	
Local Government, Department of	*		*	
Lord Howe Island Board	*			*
Lotteries, New South Wales		*		*
Luna Park Reserve Trust	*			*
Macquarie Generation		*		*
Marketing Boards -				
Central Coast Citrus	*			*
Dried Fruits	*			*
NSW Grains	*			*
Rice	*			*
Tobacco Leaf	*			*
Wine Grapes	*			*
Kiwifruit	*			*
MIA Citrus Fruit	*			*
Processing Tomato	*			*
Marine Ministerial Holding Corporation	*			*
Marine Safety and Port Strategy, Office of	*		*	
Meat Industry Authority NSW	*			*
Medical Board	*			*
Mineral Resources, Department of	*		*	
Mines Rescue Board	*			*
Mines Subsidence Board	*			*
Ministerial Development Corporation	*			*

Appendix D: Classification of Agencies (cont)

Agency/Activity	ABS Category		Budget Category	
	General Government	Public Trading Enterprise	Budget Sector	Non Budget Sector
Motor Accidents Authority	*			*
Museum of Applied Arts and Sciences	*		*	
National Parks and Wildlife Service	*		*	
Newcastle International Sports Centre Trust		*		*
Newcastle Port Corporation		*		*
Newcastle Showground and Exhibition Centre Trust		*		*
Olympic Co-ordination Authority	*		*	
Ombudsman's Office	*		*	
Pacific Power		*		*
Parliamentary Counsel's Office	*		*	
Parramatta Stadium Trust		*		*
Police, Ministry for	*		*	
Police Service, New South Wales	*		*	
Port Kembla Port Corporation		*		*
Powercoal Pty Ltd		*		*
Premier's Department	*		*	
Premiums Adjustment Fund	*			*
Protective Commissioner	*			*
Public Employment Office	*		*	
Public Trustee	*			*
Public Trustee Common Fund	*			*
Public Prosecutions, Office of the Director of	*		*	
Public Works and Services, Office of the Minister for	*		*	
Public Works and Services, Department of	*			*
Rail Access Corporation		*		*
Railway Services Authority		*		*
Registry of Births, Deaths and Marriages	*			*
Roads and Traffic Authority	*		*	
Royal Botanic Gardens and Domain Trust	*		*	
Rural Assistance Authority	*		*	
School Education, Department of	*		*	
Solicitors Admission Board	*			*
Somersby Park Pty Ltd	*			*
South-West Tablelands Water Supply Authority		*		*
Sport and Recreation, Department of	*		*	
State and Regional Development, Department of	*		*	
State Electoral Office (includes Election Funding Authority of NSW)	*		*	
- Statutory and Industrial Ballots and Local Government Elections	*			*
State Emergency Service	*		*	
State Forests of New South Wales	*			*
State Library of New South Wales	*		*	
State Rail Authority		*		*
State Sports Centre Trust	*			*

Appendix D: Classification of Agencies (cont)

Agency/Activity	ABS Category		Budget Category	
	General Government	Public Trading Enterprise	Budget Sector	Non Budget Sector
State Transit Authority		*		*
Superannuation Administration Authority	*			*
Superannuation Funds Management Corporation (d)				*
Sustainable Energy Development Authority	*		*	
Sydney Cove Redevelopment Authority	*			
Sydney Cricket and Sports Ground Trust		*		*
Sydney Market Authority		*		*
Sydney Opera House Trust		*		*
Sydney Organising Committee for the Olympic Games	*			*
Sydney Ports Corporation		*		*
Sydney Region Development Fund	*			*
Sydney Water Corporation		*		*
TAFE Commission, New South Wales	*		*	
Teacher Housing Authority of NSW		*		*
Tick Control, Board of	*			*
Totalisator Agency Board of NSW		*		*
Tourism New South Wales	*		*	
Tow Truck Industry Council of New South Wales	*			*
TransGrid		*		*
Training and Education Co-ordination, Department of	*		*	
Transport, Department of	*		*	
Treasury	*		*	
Treasury Corporation of New South Wales (d)	*			*
Upper Parramatta River Catchment Trust	*			*
Urban Affairs and Planning, Department of	*		*	
Veterinary Surgeons Board NSW	*			*
Vocational Education and Training Accreditation Board	*			*
Waste Recycling and Processing Service		*		*
Waterways Authority	*		*	
Wild Dog Destruction Board	*			*
Wollongong Sportsground Trust		*		*
Women, Department for	*		*	
WorkCover Authority (includes Sporting Injuries Committee)	*			*
Worker's Compensation (Dust Diseases) Board	*			*
Workmen's Compensation (Broken Hill) Act Joint Committee	*			*
Zoological Parks Board		*		*

- (a) Classified as a Commonwealth General Government authority by the Australian Bureau of Statistics.
- (b) Classified as Public Financial Enterprise by the Australian Bureau of Statistics.
- (c) Includes the former Building Services Corporation, Motor Vehicle Repair Industry Council and Office of Real Estate Services (including Rental Bond Board).

- (d) Budget Paper No. 6 treats this organisation as a Public Financial Enterprise.