

NEW SOUTH WALES

# STATE PUBLIC SECTOR OUTLAYS AND REVENUES CLASSIFIED BY ECONOMIC TYPE

1989-90

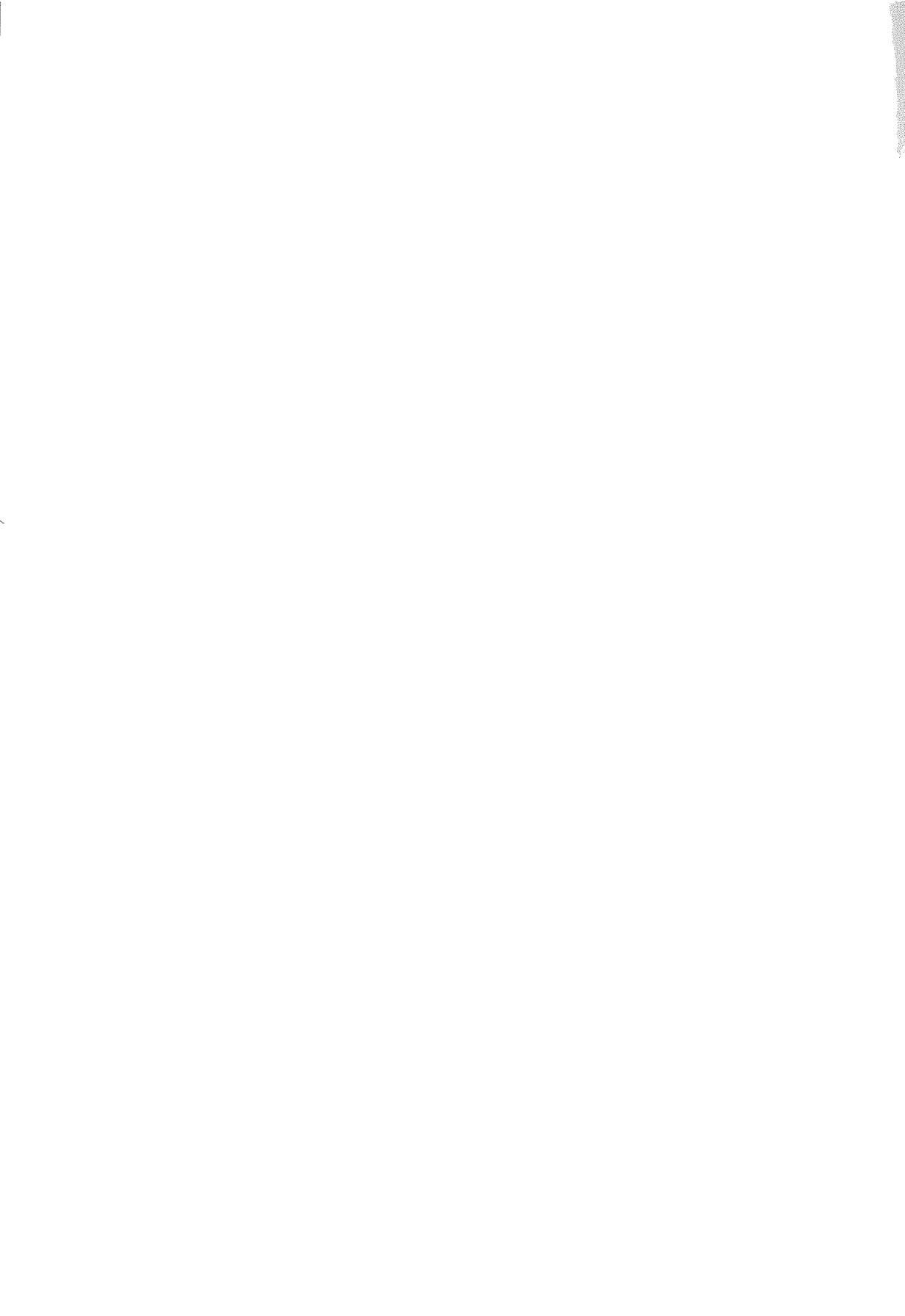


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## 1 INTRODUCTION

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 the commitment by Governments to improving efficiency and effectiveness within the public sector and the need for increased information disclosure to enhance accountability. 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 state 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 some significant difficulties with the ABS estimates in terms of timeliness and data sources.

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

As far as possible, this Budget Paper has attempted to use 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. These differences are fully documented later in this paper.

The estimates in this paper are still at the experimental stage and need to be treated with caution. In particular, this Budget Paper presents a higher estimate of outlay growth than is shown for total expenditure in Budget Paper 2. This is largely due to the practice of offsetting asset sales against capital expenditure and the significantly higher estimate of asset sales in 1988-89 relative to 1989-90. Alternative data sources do not show this fall off between the years. When adjustment is made for this factor the two sets of estimates are broadly consistent.

## 2 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, 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 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 GGEs, PTEs and PFEs 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 covered in detail 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 around 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 PTE 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 and payment of personal benefits 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. In 1988-89 77.7 per cent of total Commonwealth current outlays were transfers. In contrast, the corresponding figure for the New South Wales was only 36.3 per cent.

### **CAPITAL OUTLAYS**

Capital outlays are divided into gross fixed capital expenditure and capital transfer payments.

Gross fixed capital expenditure represents expenditure on durable goods intended to be employed in the production process and providing services for longer than one year. The sale of fixed assets is offset against new expenditure.

Capital transfer payments represent grants or advances provided with the objective of meeting part of the cost of capital expenditure. 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 PTEs are recorded in this publication as operating revenue. Both these factors increase the net operating surplus of PTEs by \$2.9 billion in 1989-90.

## 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 gives further details of terms used in the classification by economic type, as implemented by New South Wales.

### 3 STATE PUBLIC SECTOR OUTLAYS AND REVENUES FOR 1988-89 AND 1989-90

Table 3.1 presents estimates by economic type for NSW public sector outlays, revenues and financing transactions in 1989-90. More detailed tabulations are provided in Appendix B.

Table 3.1: Summary of Estimates for 1988-89 and 1989-90 (1)

	General Government		Public Trading Enterprise		Total State Sector (2)	
	1989-90 \$m	% change	1989-90 \$m	% change	1989-90 \$m	% change
Current Outlays	13,909	9.7	2,223	17.9	15,856	10.9
. Final Consumption Expenditure	10,193	11.9	-	n.a.	10,193	11.9
. Current Transfer Payments	3,715	4.2	2,223	17.9	5,663	9.0
Capital Outlays	2,165	40.0	1,566	45.1	3,132	31.9
. Gross Fixed Capital Expenditure	1,521	0.0	1,759	23.1	3,281	11.2
. Other Capital Outlays	643	(3)	-193	-44.7	-149	-74.1
Total Outlays	16,073	13.0	3,789	27.8	18,988	13.8(6)
Revenue and Grants Received	15,494	5.6	2,428	7.6	17,204	5.3
. Taxes, Fees and Fines	7,924	7.3	-	n.a.	7,924	7.3
. Other Own Source Revenues	1,054	2.8	2,027	7.6	2,808	5.6
. Grants Received	6,516	4.0	400	7.3	6,473	2.9
Financing Transactions (4)	579	n.a.	1,361	92.4	1,784	414.6
. Less Increase in Provisions and Net Advances Received	5 -114	-52.6 116.2	1,193 156	-0.9 n.a.	1,198 -115	-1.3 113.1
Equals						
. Net Financing Requirement (NFR) (5)	689	n.a.	12	n.a.	700	n.a.
- Operating NFR	-539	-50.5	-885	-17.4	-1,424	-34.0
- Capital NFR	1,227	81.3	897	34.3	2,124	58.0

(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) More than 1000 per cent.

(4) Total outlays less revenue and grants received.

(5) 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.

(6) Growth is 11.0 per cent when the effects of asset sales is excluded.

## General Government Sector

### OUTLAYS

In 1989-90 total current outlays by the general government sector are expected to increase by 9.7 per cent. This increase is made up of a 11.9 per cent increase in final consumption expenditure and a 4.2 per cent increase in transfer payments.

The increase in current outlays is in excess of the growth in recurrent expenditure as shown in Budget Paper 2. A significant part of the explanation for this is the different approach to classification of capital and current expenditure between the two Budget Papers. In particular, a substantial part of roads expenditure, which is shown in Budget Paper 2 as capital expenditure, is classified as maintenance and as such, for the purposes of this Budget Paper, is shown under current outlays. When an adjustment is made for this factor, growth in current outlays is reduced to 8.5 per cent. The balance of the difference between this growth rate and the 7.0 per cent shown in Budget Paper 2 is due to the different coverage of organisations and the draw down of funds from special deposits accounts that is not reflected in Budget Paper 2.

Transfer payments are expected to show subdued growth because of a significant real reductions in subsidies to PTEs and grants to local government. Subsidies to PTEs will decline due to improvements in operating efficiency for both of the State Rail Authority and State Transit Authority.

Capital outlays by the general government sector in 1989-90 are projected to increase by 40 per cent per cent. This is broadly in line with the budgeted increase in Consolidated Fund capital expenditure and is due to the accelerated roads program, increased capital expenditure on health facilities, courts and prisons and large advances to the transport authorities for redundancy payments.

Overall, total outlays, current and capital, are projected to increase by 13.0 per cent in 1989-90. The large real increase is due to the accelerated capital program, as well as the draw down of funds for purposes such as redundancy payments and coal compensation.

## REVENUE AND GRANTS RECEIVED

Between 1988-89 and 1989-90 revenues (including grants) are projected to increase by 5.6 per cent, the lowest increase for more than 15 years. This consists of a 7.3 per cent increase in taxation revenue, a 2.8 per cent increase in property income and other revenue and a 4.0 per cent increase in grants received (principally grants from the Commonwealth). The subdued growth in property income is due to lower interest revenues, reflecting the rundown in cash and investments in 1989-90.

## FINANCING TRANSACTIONS

For the general government sector, financing transactions (the difference between outlays and revenues) are expected to total \$579 million in 1989-90 compared with a surplus of \$453 million in 1988-89 and a deficit of \$457 million in 1987-88. The large turnaround reflects the deterioration in the Budget result from a surplus of \$428 million in 1988-89 to a deficit of \$119 million in 1989-90. In addition, cash balances were built up in 1988-89 from asset sales and other sources which will be drawn down in 1989-90. The draw down of asset sale proceeds will substitute for net borrowings and hence reduce future debt charges. Other significant draw downs of cash balances are for coal compensation, redundancy payments and computer funding.

The Net Financing Requirement (NFR), which is total financing transactions less net advances received and increases in provisions, is projected to be \$689 million compared with a surplus of \$410 million in 1988-89 and a deficit of \$426 million in 1987-88.

The NFR can be dissected into an operating and capital component. In 1989-90 the general government sector is expected to continue to show a significant operating surplus, projected at \$539 million, offset by a capital deficit of \$1,227 million.

## Public Trading Enterprises

### OUTLAYS

In 1989-90 total outlays by the public trading enterprise sector are expected to increase by 25.0 per cent. This follows a 21.7 per cent reduction in 1989-89. Current outlays are expected to increase by 17.9 per cent with capital outlays increasing by 45.1 per cent.

The increase in the current outlays reflects significantly higher interest payments by PTEs, in particular the Electricity Commission and the State Rail Authority. In the case of the Electricity Commission a number of overseas loans have recently been converted into Australian dollar borrowings. High interest rates in Australia have resulted in increased interest costs.

Gross fixed capital expenditure by PTEs is expected to increase by 23.1 per cent reflecting a reduction in asset sales which are offset against capital expenditure. Assets sales (including the sale of airspace) are expected to total over \$400 million in 1989-90 compared with nearly \$800 million the previous year. While asset sales will decline in 1989-90 they will still remain at historically high levels.

#### REVENUE AND GRANTS RECEIVED

Revenue and grants received by the public trading enterprises sector are projected to increase by 7.6 per cent in 1989-90. Operating revenue of PTEs is expected to increase by 7.6 per cent compared with an increase in operating expenditure of only 6.9 per cent. Capital grants received by the PTEs will increase strongly following the revised arrangements for Commonwealth funding for housing.

#### FINANCING TRANSACTIONS

With a substantial increase in outlays and a modest increase in revenues, total financing transactions of the PTE sector are expected to almost double in 1989-90. Much of the increase in the financing transactions by PTEs results from a movement to full accrual accounting by a number of major statutory authorities. In particular, provisions for depreciation and employee entitlements by the State Rail Authority will increase from virtually zero in 1987-88 to \$319 million in 1988-89 and \$393 million in 1989-90.

In 1989-90 the Net Financing Requirement of PTEs is projected as a small deficit of \$12 million compared with a surplus of \$497 million in 1988-89. Like the general government sector, PTEs show a significant surplus on their operating accounts. In 1989-90 the operating result of the PTE sector is projected as a surplus of \$885 million with the capital result being a deficit of \$897 million. It should be borne in mind that when considering the operating result of the public trading enterprise sector that subsidies by the general government sector form part of the revenue of this sector and therefore reduce the NFR.

## **Total State Sector**

### **OUTLAYS**

In 1989-90 total state outlays are expected to increase by 13.8 per cent. This follows a reduction of 1.0 per cent in 1988-89. The 1988-89 reduction largely is due to a decline both in gross fixed capital expenditure of PTEs and a substantial increase in asset sales which is offset against capital expenditure.

The increase in total outlays in 1989-90 is made up of a 10.9 per cent increase in current outlays and a 31.9 per cent increase 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 \$1005 million in 1989-90, compared to \$1326 million in 1988-89. The modest reduction reflects the impact of a number of major transactions in 1988-89, including the sale of Darling Harbour land and airspace rights. In contrast to Budget Paper 2 asset sales are netted off against capital outlays and hence reduce the level of capital expenditure presented.

The downturn in asset sales between the two years is largely responsible for the higher estimate of total outlay (13.8 per cent) growth compared with Budget Paper 2 (10.1 per cent). Alternative data sources for asset sales show a quite different pattern with asset sales actually increasing between the two years. Abstracting for the effects of asset sales provides an estimate for the growth in total outlays of 11.0 per cent.

### **REVENUE AND GRANTS RECEIVED**

Total state revenues (including grants received) are expected to increase by 5.3 per cent in 1989-90. This is the lowest increase in state revenues since the early 1960's. Own source revenues are expected to grow by 6.9 per cent with revenue from grants increasing by only 2.9 per cent.

### **FINANCING TRANSACTIONS**

In 1989-90 financing transactions by the state sector are expected to total \$1,784 million. The NFR is projected to be \$700 million compared with a surplus of \$814 million in 1988-89 and a deficit of \$1,376 million in 1987-88. Excluding 1988-89 the Net Financing Requirement of the NSW Public Sector will be at its lowest level in absolute terms since 1979-80. The 1988-89 result was in large part the product of extremely buoyant revenue conditions and very substantial asset sales. The deterioration in the economic environment, reduced Commonwealth grants, subdued State revenue and a deteriorating

property market have all contributed to the reversal from a surplus to a deficit. The 1989-90 operating result is projected to be a surplus of \$1,424 million while the capital result is projected at a deficit \$2,124 million.

A dissection of movements in Net Financing Requirements is presented in Table 3.2.

**Table 3.2: Movement in Net Financing Requirements in 1988-89 and 1989-90**

	1988-89 \$m	1989-90 \$m	Change \$m
<u>General Government</u>			
. Borrowings	158	167	9
. Run down in cash	(714)	515	1,229
. Other	146	7	(139)
. NFR	(410)	689	1,099
<u>PTE</u>			
. Borrowings	229	67	(162)
. Run down in cash	(539)	(53)	486
. Other	(94)	(2)	92
. NFR	(404)	12	416
<u>Total</u>			
. Borrowings	387	233	(154)
. Run down in cash	(1,223)	447	1,670
. Other	22	20	(2)
. NFR	(814)	700	1,514

If the previous adjustment for asset sales were made to the Net Financing Requirement the turnaround would be reduced from \$1.5 billion to \$1.2 billion.

## 4 COMPARISON OF ACTUAL AND ESTIMATED STATE PUBLIC SECTOR OUTLAYS AND REVENUES FOR 1988-89

A summary comparison of estimated and actual outlays, revenues and financings for the state public sector for 1988-89 is presented below. A more detailed presentation is provided in Appendix E.

**Table 4.1: Summary Comparison of Actual and Projected Outlays, Revenue and Financing for 1988-89**

	Estimated \$m	Actual \$m	Change \$m	%
<b>Current Outlays</b>				
. general government	12,569	12,675	106	0.8
. public trading enterprise	1,975	1,885	-90	-4.6
. total	14,274	14,304	30	0.2
<b>Capital Outlay</b>				
. general government	1,782	1,546	-236	-13.6
. public trading enterprise	1,591	1,079	-512	-33.2
. total	3,101	2,375	-726	-23.4
<b>Revenue and Grants Received</b>				
. general government	14,044	14,675	631	4.5
. public trading enterprise	2,464	2,257	-207	-8.4
. total	15,943	16,332	389	2.4
<b>New Financing Requirement (1)</b>				
. general government	337	-410	-747	-
. public trading enterprise	497	-404	-901	
. total	834	-814	-1,648	

(1) Total outlays less total revenue and grants less net advances received and increase in provisions. A positive number represents a financing requirement while a negative number represents a surplus.

The major feature of the 1988-89 result relative to that projected is the dramatic turnaround in the net financing requirement from a projected deficit of \$834 million to a surplus of \$814 million, a gross turnaround of \$1648 million.

While there was relatively little variation in current outlays, the turnaround was in the main the product of a large reduction relative to projection in capital outlays and a very large increase above projection in revenue for the general government sector. The increase in general government revenue was partially offset by a decline relative to projection in PTEs gross operating surplus.

The less than projected capital outlays was largely due to an additional \$500 million in asset sales which are offset against gross capital expenditure.

The increase in revenue above projection was due to the large increase in general government revenue in the areas of stamp duty on contracts and conveyancing and other transactions affected by the buoyant property market.

The reason for the lower than projected gross operating surplus of PTEs was due to a large increase in provisions for accruing liabilities, in line with the Government's commitments to the full recognition of outstanding liabilities.

## 5 COMPARISON WITH OTHER PUBLICATIONS

Beginning in 1988-89, Budget Paper 2 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 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 are still a number of differences between the information provided in this Budget Paper and that shown in Budget Papers 2 and 3. A reconciliation between the budget result and the Net Financing Requirement for the General Government sector is provided in Appendix F.

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

### Major Variations with Other Budget Papers

#### 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 the 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 GGEs and PTEs. In particular, the GGE sector covers a larger number of public sector units than that included at present in the inner budget sector. Examples of GGEs not included in the inner budget sector are the Chipping Norton Lake Authority and the MacArthur Development Corporation.

The Government has recently endorsed a policy document on the Classification and Control of State Organisations. Government organisations are classified into the inner or outer budget sectors by two criteria: the level of self funding, and the degree to which they operate in competitive markets in providing goods and services.

Based on this classification, it is intended to develop a framework for appropriate controls on processes (e.g. appointment of boards and chief executives, ministerial directions, etc), inputs (staffing, expenditure and financing), output (pricing, production and programs) and accountability (accounting and reporting requirements, performance targets and review). Implementation over time of the new classification approach should further reduce differences between the two methods of classifying government entities.

Appendix D gives a complete listing of the public sector entities included in this Budget Paper, classified as GGEs and PTEs.

## **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 and in terms of the classification approach used in this Budget Paper are treated as current outlays. An example of this is roads maintenance expenditure which is shown in the State's Capital Program in Budget Papers 2 and 3 as capital expenditure but is classified in current outlays in this Budget Paper.

## **OFFSETTING OF REVENUES AND EXPENDITURES**

Within certain categories in the classification of transactions by economic type, 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 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 set out in Chapter 2, 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. By contrast, final consumption expenditure by the private sector is defined as the purchase of goods and services from the general government sector and the rest of the private sector. If final consumption by the general government sector were not valued on a net basis, total final consumption expenditure would include both the purchase by GGEs of inputs from the private sector, and the purchase of output from GGEs 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. By 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 operating revenue, and expenditure of public trading enterprises.

## **Comparison with ABS Concepts and Data**

The production of the tables appearing in this Budget Paper involves the classification by economic type of thousands of individual transactions. Inevitably, when classifying such a large volume of data, some differences of view concerning the nature of the transactions or the appropriateness of including certain items will occur.

In an effort to assist the comparability of information in this budget paper with ABS publications, New South Wales is committed to providing a reconciliation statement for any significant differences between the application of the ABS concepts and NSW's classification by economic type.

At this stage four 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 an agent, dividend payments by a statutory authority, on-passing of timber royalties by the Forestry Commission 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 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 decided to classify this item 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 purchase of an asset is treated differently from the construction of an asset.

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

#### 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, the Government Financial Estimates publication is based on sample data while this publication involves essentially 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.

## **APPENDIX A – DEFINITION OF KEY TERMS**

### **Sectors**

#### **GENERAL GOVERNMENT SECTOR**

The general government sector comprises enterprises which are mainly 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 enterprises sector comprises enterprises which are mainly 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 intergral 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 PTE's.

### **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 PTEs 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 AND 1989-90.

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

ECONOMIC TYPE CLASSIFICATION	1988-89 prelim. \$ Mill	1989-90 est. \$ Mill
Current outlays	12,675	13,909
General government final consumption expenditure	9,109	10,193
Current transfer payments	3,566	3,715
Interest payments	1,278	1,328
- On Commonwealth advances	789	801
- Other	489	527
Subsidies paid to enterprises	1,214	1,212
Subsidies paid to public trading enterprises	1,123	1,087
Subsidies paid to other enterprises	90	126
Personal benefit payments	526	590
Current grants to local government	141	104
Other current transfer payments	407	481
Capital Outlays	1,546	2,165
Gross fixed capital expenditure	1,521	1,521
Expenditure on new and secondhand fixed assets	1,699	1,927
Sales of fixed assets and previously rented dwellings	178	406
Increase in stocks	30	30
Expenditure on land and intangible assets (net)	-215	41
Purchase of land and intangible assets	162	204
Sales of land and intangible assets	378	163
Capital transfer payments	349	436
- Capital grants to local government	32	25
- Capital grants to state public trading enterprises	305	400
- Other capital grants and transfer payments	13	11
Advances paid (net)	-138	137
- Advances to local government (net)	11	8
- Advances to state public trading enterprises (net)	-92	157
- Other advances (net)	-57	-29
Revenue and grants received	14,675	15,494
Taxes, fees and fines	7,381	7,924
Property income and other revenue (net)	1,026	1,054
Income from public trading enterprises (net)	67	114
Income from public financial enterprises	167	150
Interest received	491	459
Other property income and other current revenue	286	318
Capital revenue	15	13
Grants received	6,268	6,516
Current grants received	5,361	5,477
- From Commonwealth	5,355	5,476
- Other	6	1
Capital grants received	907	1,039
- From Commonwealth	862	994
- Other	45	45

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

ECONOMIC TYPE CLASSIFICATION	1988-89	1989-90
	prelim.	est.
	\$ Mill	\$ Mill
Financing transactions	-453	579
Net advances received	-53	-114
- Commonwealth	-63	-119
- Other	10	5
Net domestic and overseas borrowings	158	167
Increases in investments, currency and deposits	714	-515
Increase in provisions	10	5
Other financing transactions (net)	146	6
 Financing requirement (a)	 -463	 575
 Net financing requirement (b)	 -410	 689
Operating net financing requirement	-1,087	-539
Capital net financing requirement	677	1,227

(a) For footnote see Table 3.

(b) For footnote see Table 3.

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

ECONOMIC TYPE CLASSIFICATION	1988-89	1989-90
	prelim. \$ Mill	est. \$ Mill
Current outlays	1,885	2,223
Current transfer payments	1,885	2,223
Interest payments	1,753	2,036
Income transferred by public trading enterprises (net)	67	114
Other current transfer payments	65	73
Capital Outlays	1,079	1,566
Gross fixed capital expenditure	1,429	1,759
Expenditure on new and secondhand fixed assets	1,788	1,903
Sales of fixed assets and previously rented dwellings	359	144
Increase in stocks	-102	-13
Expenditure on land and intangible assets	-289	-223
Purchase of land and intangible assets	123	70
Sales of land and intangible assets	412	292
Capital transfer payments	41	42
- Capital grants to local government	0	0
- Other capital grants and transfer payments	41	42
Advances paid (net)	0	0
- Advances to local government (net)	0	0
- Other advances (net)	0	0
Revenue and grants received	2,257	2,428
Net operating surpluses of PTEs	1,525	1,690
Operating revenue	8,421	9,065
Charges for goods and services	7,298	7,979
Subsidies received	1,123	1,087
Operating expenditure	6,896	7,375
Depreciation charges	927	974
Other operating expenditure	5,969	6,401
Property income and other revenue (net)	359	337
Interest received	214	222
Other property income, and other current revenue.	12	2
Capital revenue	132	113
Grants received	373	400
Capital grants received	373	400
- From state general government sector	305	400
- Other	69	0

**Table 2: Public Trading Enterprises—Outlays, Revenue and Financing Transactions**

ECONOMIC TYPE CLASSIFICATION	1988-89	1989-90
	prelim.	est.
	\$ Mill	\$ Mill
Financing transactions	707	1,361
Net advances received	-94	156
- State general government sector	-92	157
- Other	-1	-1
Net domestic and overseas borrowings	229	67
Increases in investments, currency and deposits	539	53
Increase in provisions	1,205	1,193
Other financing transactions (net)	-94	-2
Financing requirement (a)	-497	168
Net financing requirement (b)	-404	12
Operating net financing requirement	-1,071	-885
Capital net financing requirement	668	897

(a) For footnote see Table 3.

(b) For footnote see Table 3.

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

ECONOMIC TYPE CLASSIFICATION	1988-89	1989-90
	prelim. \$ Mill	est. \$ Mill
Current outlays	14,304	15,856
General government final consumption expenditure	9,109	10,193
Current transfer payments	5,195	5,663
Interest payments	2,848	3,203
- On Commonwealth advances	790	802
- Other	2,058	2,402
Subsidies paid to enterprises	1,214	1,212
Personal benefit payments	526	590
Current grants to local government	142	105
Other current transfer payments	466	553
Capital Outlays	2,375	3,132
Gross fixed capital expenditure	2,950	3,281
Expenditure on new and secondhand fixed assets	3,487	3,830
Sales of fixed assets and previously rented dwellings	537	549
Increase in stocks	-73	18
Expenditure on land and intangible assets	-504	-182
Purchase of land and intangible assets	285	273
Sales of land and intangible assets	789	455
Capital transfer payments	47	36
- Capital grants to local government	32	25
- Other capital grants and transfer payments	15	11
Advances paid (net)	-46	-21
- Advances to local government (net)	11	8
- Other advances (net)	-57	-29
Revenue and grants received	16,332	17,204
Taxes, fees and fines	7,381	7,924
Net operating surpluses of PTEs	1,525	1,690
Property income and other revenue (net)	1,134	1,117
Income from public financial enterprises	167	150
Interest received	522	521
Other property income and other current revenue	298	321
Capital revenue	147	125
Grants received	6,292	6,473
Current grants received	5,355	5,476
- From Commonwealth	5,355	5,476
- Other	1	1
Capital grants received	937	997
- From Commonwealth	862	994
- Other	75	3

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

ECONOMIC TYPE CLASSIFICATION	1988-89 prelim. \$ Mill	1989-90 est. \$ Mill
Financing transactions	347	1,784
Net advances received	-54	-115
- Commonwealth	-63	-120
- Other	10	5
Net domestic and overseas borrowings	387	233
Increases in investments, currency and deposits	1,223	-447
Increase in provisions	1,214	1,198
Other financing transactions	22	20
 Financing requirement (1)	 -868	 586
 Net financing requirement (2)	 -814	 700
Operating net financing requirement	-2,158	-1,424
Capital net financing requirement	1,344	2,124

(a) Financing Transactions minus Increase in Provisions.

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

## APPENDIX C - RECONCILIATION ADJUSTMENTS TO PLACE NEW SOUTH WALES AND AUSTRALIAN BUREAU OF STATISTICS ESTIMATES ON A COMPARABLE BASIS

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

	1988-89	1989-90
	\$mill	\$mill
<b>(A) Adjustments required to the general government sector table.</b>		
<b>(i) Excluded Commonwealth Payments</b>		
- Add to general government final consumption expenditure	685	723
- Add to other current transfer payments	351	399
- Add to current grants to local government	229	236
- Add to expenditure on new and secondhand fixed assets	52	67
- Add to capital transfer payments	26	20
- Add to current grants received from Commonwealth	1,265	1,358
- Add to capital grants received from Commonwealth	78	86
<b>(ii) Dividend Payments by PTEs</b>		
- Add to taxes, fees and fines	17	16
- Subtract from income from public trading enterprises	17	16
<b>(iii) Contribution to Higher Education</b>		
- Add to taxes, fees and fines	68	145
- Add to general government final consumption expenditure	68	145
<b>(B) Adjustments required to public trading enterprises sector table.</b>		
<b>(i) Dividend Payments by PTEs</b>		
- Subtract from other current transfer payments	17	16
- Add to other operating expenditure	17	16
<b>(C) Adjustments Required to the State sector table.</b>		

(i)	Excluded Commonwealth Payments		
	- Add to general government final consumption expenditure	685	723
	- Add to other current transfer payments	351	399
	- Add to current grants to local government	229	236
	- Add to expenditure on new and secondhand fixed assets	52	67
	- Add to capital transfer payments	26	20
	- Add to current grants received from Commonwealth	1,265	1,358
	- Add to capital grants received from Commonwealth	78	86
(ii)	Dividend Payments by PTEs		
	- Add to taxes, fees and fines	17	16
	- Subtract from net operating surpluses	17	16
(iii)	Contribution to Higher Education		
	- Add to taxes, fees and fines	68	145
	- Add to general government fund final consumption expenditure	68	145

## **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
- \* Building Services Corporation
- Bush Fire Council
- Cabinet Office
- 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
- Hen Quota Board
- Heritage Conservation Fund
- Independent Commission Against Corruption
- Judicial Commission
- \* Lake Illawarra Authority
- Land Titles Office
- Legal Aid Commission
- \* MacArthur Development Corporation
- Materials Testing Laboratory
- Meat Industry Authority
- \* Mine Subsidence Board
- Mines Rescue Board

- Ministry for the Arts
- Ministry for the Environment
- Ministry of Education and Youth Affairs
- Ministry of Transport
- Motor Vehicle Industry Repair Council
- \* Mulwala Water Supply Authority
- National Parks and Wildlife Service
- \* NSW Coal Compensation Board
- NSW Drug and Alcohol Authority
- \* NSW Meat Industry Authority
- Office of the Director of Public Prosecutions
- Office of Aboriginal Affairs
- Ombudsman's Office
- Police Department
- Public Service Board
- Public Trustee
- Public Works Department
- Roads and Traffic Authority
- Rural Assistance Authority
- Rural Assistance Board
- \* School Furniture Complex
- Soil Conservation Service
- State Drug Crime Commission
- State Electoral Office
- State Emergency Services
- State Library
- State Pollution Control Commission
- Sydney Cove Redevelopment Authority
- The Legislature
- Tourism Commission
- Treasury
- Valuer-General's Department
- \* Wild Dog Destruction Board
- Zoological Parks Board
  
- \* Classified as Outer budget entity in Budget Papers 2 and 3.

## 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 Handling Authority of NSW  
Homebush Abattoir Corporation  
Hunter District Water Board  
Huntley Collieries  
Irrigation Areas and Districts  
Maritime Services Board  
Metropolitan Waste Disposal Authority  
Newcom Collieries  
NSW Dairy Corporation  
NSW Fish Marketing Authority  
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  
Water Board

\* Classified as Inner Budget entity in Budget Papers 2 and 3.

**APPENDIX E: COMPARISON OF ACTUAL AND ESTIMATED  
STATE PUBLIC SECTOR OUTLAYS, REVENUE AND  
FINANCINGS FOR 1988-89**

**Table 1: Summary of Estimated and Actual Results for 1988-89 (1)**

	General Government		
	1988-89 est. \$m	1988-89 actual \$m	\$ change
Current Outlays	12,569	12,675	0.8
. Final Consumption Expenditure	9,195	9,109	-0.9
. Current Transfer Payments	3,374	3,566	5.7
Capital Outlays	1,782	1,546	-13.2
. Gross Fixed Capital Expenditure	1,538	1,521	-1.1
. Other Capital Outlays	244	26	-89.5
Total Outlays	14,351	14,221	-0.9
Revenue and Grants Received	14,044	14,675	4.5
. Taxes, Fees and Fines	6,919	7,381	6.7
. Other Own Source Revenues	927	1,026	10.6
. Grants Received	6,198	6,268	1.1
Financing Transactions (4)	308	-453	n.a.
. Less Increase in Provisions and Net Advances Received	3 -32	10 -53	222.3 64.4
. Net Financing Requirement (NFR) (5)	337	-410	n.a.
- Operating NFR	-595	-1,087	-45.3
- Capital NFR	932	677	37.7

(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) More than 1000 per cent.

(4) Total outlays less revenue and grants received.

(5) 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 1988-89 (1)**

	Public Trading Enterprises		
	1988-89	1988-89	% change
	est. \$m	actual \$m	
Current Outlays	1,975	1,885	-4.6
. Final Consumption Expenditure	-	-	n.a.
. Current Transfer Payments	1,975	1,885	-4.6
Capital Outlays	1,591	1,079	-32.2
. Gross Fixed Capital Expenditure	1,737	1,429	-17.7
. Other Capital Outlays	-146	-350	139.8
Total Outlays	3,566	2,964	-16.9
Revenue and Grants Received	2,464	2,257	-8.4
. Taxes, Fees and Fines	-	-	n.a.
. Other Own Source Revenues	2,183	1,884	-13.7
. Grants Received	281	373	-44.4
Financing Transactions (4)	1,102	707	-35.8
. Less Increase in Provisions and Net Advances Received	628 -23	1,205 -94	91.8 306.8
. Net Financing Requirement (NFR) (5)	497	-404	-18.8
- Operating NFR	-760	1,071	-240.9
- Capital NFR	1,257	-668	-153.1

(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) More than 1000 per cent.

(4) Total outlays less revenue and grants received.

(5) 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 1988-89 (1)**

	Total State Sector (2)		
	1988-89 est. \$m	1988-89 actual \$m	% change
Current Outlays	14,274	14,304	0.2
. Final Consumption Expenditure	9,195	9,109	-0.9
. Current Transfer Payments	5,079	5,195	2.3
Capital Outlays	3,101	2,374	-23.4
. Gross Fixed Capital Expenditure	3,275	2,950	-9.9
. Other Capital Outlays	-174	-575	230.7
Total Outlays	17,375	16,679	-4.0
Revenue and Grants Received	15,943	16,332	2.4
. Taxes, Fees and Fines	6,919	7,381	6.7
. Other Own Source Revenues	2,845	2,659	-6.5
. Grants Received	6,179	6,292	1.8
Financing Transactions (4)	1,432	347	-75.8
. Less Increase in Provisions and Net Advances Received	631 -32	1,214 -54	92.4 67.9
. Net Financing Requirement (NFR) (5)	834	-814	n.a.
- Operating NFR	1,354	-2,158	n.a.
- Capital NFR	2,188	1,344	-38.6

(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) More than 1000 per cent.

(4) Total outlays less revenue and grants received.

(5) 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.

## APPENDIX F: RECONCILIATION OF THE NET FINANCING REQUIREMENT FOR GENERAL GOVERNMENT SECTOR AND THE BUDGET RESULT

	1988-89 \$mill	1989-90 \$mill
Budget Result (1)	(428)	119
Less Net Advances Received by Budget	3	(75)
	----- (431)	----- 194
Plus		
- Net Borrowing not included in Budget (eg Hospitals, Roads and Traffic Authority)	169	257
- Rundown in cash and investments excluding Revenue Equalisation Reserve	(294)	231
- Other	146	7
Equals		
Net Public Sector Financing Requirement (General Government)	(410)	689

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