



# statistical indicators



## NSW Parliamentary Research Service

### **Trends in NSW State finances 2003/04 to 2012/13**

**Statistical Indicators 2/2013**

by Lenny Roth

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# Trends in NSW State Finances: 2003/04 to 2012/13

**by**

Lenny Roth

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## SUMMARY

This paper reports on ten-year trends in NSW State finances between 2003/04 and 2012/13 (inclusive). For some of the key indicators, the paper also shows trends for the last two (53<sup>rd</sup> and 54<sup>th</sup>) Parliaments, and for the first two years of the current (55<sup>th</sup>) Parliament. This paper sets out the key trends but only briefly discusses the reasons for the trends. A full analysis of the trends up to 2010/11 appears in the *NSW Financial Audit 2011* (Ch 2-4). An important point to bear in mind is that Federal Government funding can have a significant impact on the trends outlined in this paper. This is particularly the case from 2008/09 onwards with the Federal Government's Economic Stimulus payments. This paper draws on a number of key sources including the *NSW Financial Audit 2011*, *NSW Budget Papers*, and the *Report on State Finances 2011-12*.

### Budget results for the years from 2003/04 to 2012/13 (\$m)

	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13 (B)
Result	1,155	241	1,928	795	935	-862	988	1,340	680	-824
Adjusted result*	-----	-----	-----	-----	-----	-1,030	-897	240	-101	-94

\* Adjusted for federal economic stimulus payments and changes to the timing of federal road grants.

### Key budget aggregates: 10yr growth & annual growth by Parliament (%)

Description	10yrs	53rd	54th	55th
Total revenue (general government)	58.6	5.5	6.3	2.2
Total expenses (general government)	65.9	6.4	6.2	4.2
Capital expenditure (general government)	90.8	6.4	13.2	-0.5
Capital expenditure (total state)	124.6	10.0	11.0	0.7
Net debt (general government)	489.3	0.0	21.5	48.4
Net financial liabilities (general government)	143.9	0.3	17.9	10.9
Net debt (total state)	212.4	6.6	12.9	21.6
Net financial liabilities (total state)	145.3	4.6	14.4	9.9

### Revenue by source: 10yr growth & annual growth by Parliament (%)

Description	10yrs	53rd	54th	55th
Own-source (e.g. State taxes)	58.1	6.6	4.5	4.4
Federal grants – general purpose (GST)	49.2	2.4	6.2	3.3
Federal grants – specific purpose	77.7	6.5	12.9	-5.6
Total revenue	58.6	5.5	6.3	2.2

### Expenses by policy area: 10yr growth & annual growth by Parliament (%)

Policy area	10yrs	53rd	54th	55th
Health	71.2	7.2	6.9	4.1
Education	55.4	4.0	5.1	5.6
Transport and communications	87.0	7.5	8.0	7.8
Public order and safety	69.4	6.0	7.8	3.2
Social security and welfare	75.3	5.9	10.4	1.4
Housing and community amenities	202.3	8.0	28.6	-6.3
Recreation and culture	57.4	3.6	7.1	1.7
Other	78.1	3.5	10.2	5.7
Total expenses	72.6	5.6	8.1	4.2

### Capital expenditure by policy area: 10yr growth & annual growth by Parliament (%)

Policy area	10yrs	53rd	54th	55th
Transport and communications	179.0	8.5	11.5	10.3
Electricity (fuel and energy)	203.7	16.2	10.6	11.5
Housing and community amenities	49.8	12.9	9.5	-20.7
Health	132.8	2.2	10.4	10.7
Education	25.3	8.8	34.6	-47.0
Public order and safety	-11.1	9.5	-2.0	0.9
Recreation and culture	64.0	4.0	-3.4	20.5
Environment and natural resources	N/R	-1.3	13.1	N/R
Social security and welfare	304.2	19.5	-0.7	34.7
Other	43.0	4.6	-4.4	14.1
Total capital expenditure	123.6	10.0	11.0	0.4

## 1. INTRODUCTION

### 1.1 Outline

This paper reports on ten-year trends in NSW State finances between 2003/04 and 2012/13 (inclusive). For some of the key indicators, the paper also shows trends for the last two (53<sup>rd</sup> and 54<sup>th</sup>) Parliaments, and for the first two years of this (55<sup>th</sup>) Parliament. This paper sets out the key trends but only briefly discusses the reasons for the trends. A full analysis of the trends up to 2010/11 appears in the [NSW Financial Audit 2011](#) (Ch 2-4). An important point to bear in mind is that Federal Government funding can have a significant impact on the trends outlined in this paper. This is particularly the case from 2008/09 onwards with the Federal Government's Economic Stimulus payments. It is intended that this statistical indicators paper will be updated after the release of the 2013/14 budget, and will then be released on an annual basis.

### 1.2 Key sources

This paper draws on the following key sources:

- The [NSW Financial Audit 2011](#), which provided an in-depth examination of ten-year trends in NSW State Finances up to 2010/11.
- The [Report on State Finances 2011-12](#) (tabled on 31 October 2012)
- The [NSW Budget Papers](#) (including the 2012-13 budget papers).

NSW Treasury also provided some figures for expenditure by policy area.

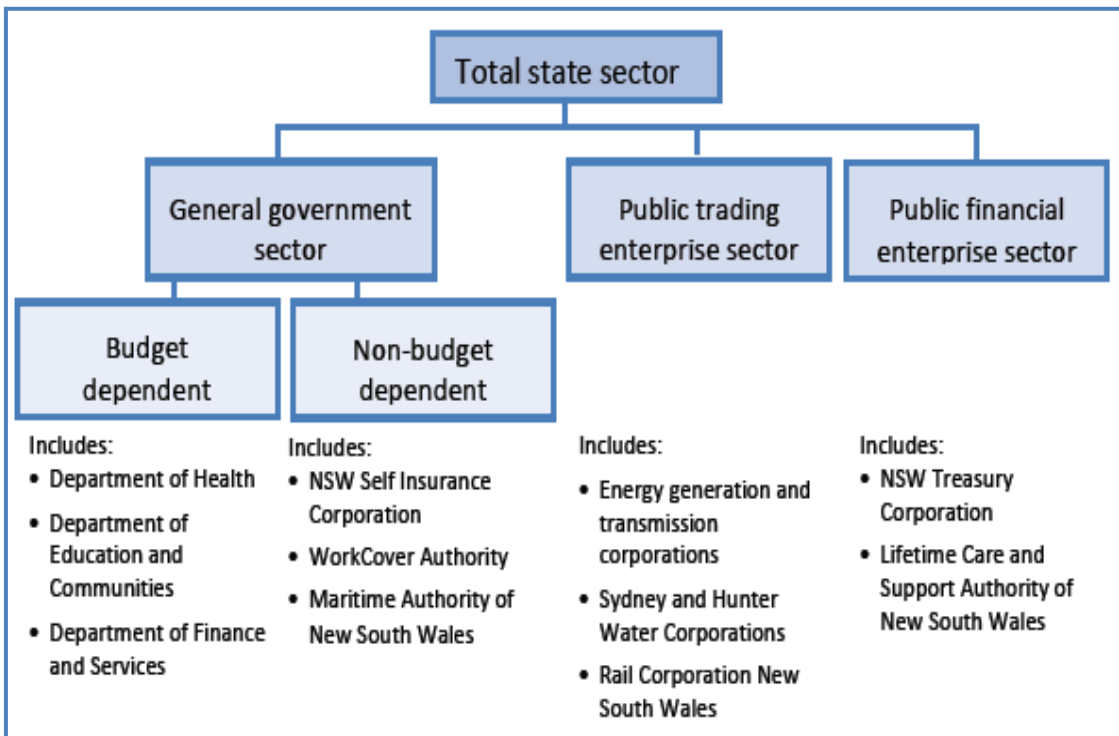
### 1.3 Note about figures

The figures presented for the years 2003/04 to 2011/12 are mostly actual figures for the relevant year (exceptions include the figures in section 4.4.3, which are revised budget estimates, as indicated by the notation "(R)"). The figures for 2012/13 are budget estimates only (as indicated by the notation "(B)"). This paper does not include revised budget estimates for 2012-13, which were published in the [Half-Yearly Review 2012-13](#) in December 2012 (based on results for the first three months of 2012-13). In some of the tables below, the notation (N/R) is used to indicate that the figure was not reported.

The following diagram shows the structure of the NSW public sector, which is made up of three sectors: the general government sector, the public trading enterprise sector, and the public financial enterprise sector. As the *budget result* relates to the general government sector, the figures in Sections 2 to 4 of this paper (budget result, revenue and expenses) are presented for the general government sector only. The indicators outlined in Sections 5 and 6 (capital expenditure and liability management) are presented for both the general government sector and the total state sector (i.e. all three sectors).



Chart 1.3: Structure of the NSW public sector



Source: NSW Financial Audit 2011, p1-2

#### 1.4 Note about trends by Parliament

The trends by Parliament include compound annual growth rates (CAGR) over the term of the Parliament. These rates were calculated as follows:

$$\text{CAGR} = \left( \frac{\text{EndingValue}}{\text{BeginningValue}} \right)^{\left( \frac{1}{\text{NumberOfYears}} \right)} - 1$$

The Table below shows the years used to calculate the growth rates for each of the Parliaments that were under review:

Parliament	Beginning	Ending	Number of years
53 <sup>rd</sup> Parliament	2002/03	2006/07	4
54 <sup>th</sup> Parliament	2006/07	2010/11	4
55 <sup>th</sup> Parliament	2010/11	2012/13	2

## 2. BUDGET RESULT

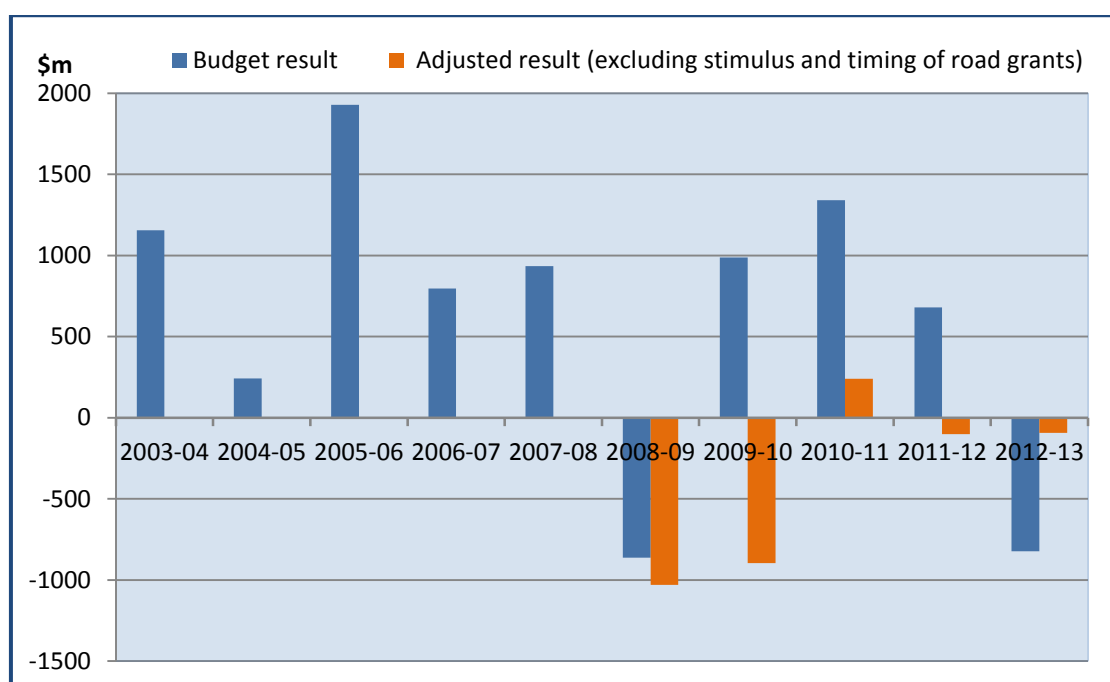
### 2.1 Actual budget results

The budget result "represents the difference between expenses and revenues from transactions for the general government sector" (see Budget Papers 2012-13, Budget Statement, p G1). Table 2.1.1 shows the budget result for the past nine years and the forecast result for 2012/13. It can be seen that the budget result was in surplus for seven of the last nine years but is predicted to be in deficit in 2012/13 (-\$824 million). The table also shows the adjusted budget result after excluding the Federal Government's economic stimulus payments to NSW and the timing of Federal road grants. On this adjusted basis, the budget was in deficit for three of the past four years and is expected to again be in deficit in 2012-13. The budget result figures are also presented in chart 2.1.1

**Table 2.1.1 Budget result (\$m)**

	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13 (B)
Revenue	37,657	39,085	42,634	44,705	47,434	49,669	56,328	57,144	59,032	59,727
Expenses	36,502	38,844	40,706	43,910	46,499	50,530	55,340	55,804	58,352	60,552
Result	1,155	241	1,928	795	935	-862	988	1,340	680	-824
Adjusted result	N/A	N/A	N/A	N/A	N/A	-1,030	-897	240	-101	-94

**Chart 2.1.1 Budget result and result excluding stimulus etc (\$m)**



**Sources:** The revenue, expense and result figures are from Budget Papers 2012-13, *Budget Statement*, p1-30 (table 1.5) except for the figures for 2011/12, which are from the *Report on State Finances 2011-12*, p5-6. The adjusted results for 2008/09 is from Budget Papers 2011-12, *Budget Statement*, p3-6 (chart 3.1); the adjusted result for 2009-10, 2010-11, and 2012-13 are from Budget Papers 2012-13, *Budget Statement*, p-3-6 (chart 3.2); and the adjusted result for 2011-12 was supplied by NSW Treasury.

## 2.2 Forecasts and outcomes

Table 2.2.1 shows the difference between the forecast and the actual budget result over the past nine years; and Table 2.2.2 provides a breakdown of the variations. The actual budget results have been better than the forecast result in all years except for 2004/05 and 2008/09. On five occasions, the budget variations were in excess of \$1 billion (including the worse than expected result in 2008/09). The positive variations in the budget result have ranged from \$129 million to \$1.978 billion. In most cases, these positive variations were the result of higher than expected revenues. However, the much better than expected budget results in 2010/11 and 2011/12 were due to expenses being under budget. The worse than expected result in 2008/09 (during the global financial crisis) was due to a combination of lower tax and GST revenue (offset by the Federal Government's stimulus package) and above-budget expenses.

As reported in the media, the Auditor-General's October 2012 [audit report](#) noted (p12) that the audited budget result for 2011/12 was \$1 billion better than Treasury's estimate in June 2012 (which was based on actual information for the first nine months and projections for the final quarter). The reasons for this large variance included unexpected grants provided by the Federal Government in late June, and a reduction in employee-related expenses due to the workers compensation legislative reforms in the last few days in June 2012. The Auditor-General stated that "many other items contributing to the variances appear related to the quality of data and the ability to make accurate projections". He added "I understand Treasury has identified a number of potential actions aimed at improving the accuracy of information used in budgeting".

**Table 2.2.1 Difference between forecast and actual results (\$m)**

	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13 (B)
Forecast result	1,026	836	303	-700	40	268	-990	773	-718	-824
Actual result	1,155	241	1,928	795	935	-862	988	1,340	680	N/A
Difference	+129	-595	+1,625	+1,495	+895	-1,130	+1,978	+567	+1,398	N/A

**Sources:** The forecast results are from *NSW Financial Audit 2011*, p2-64 (table 2.4.1) and budget papers for 2011-12 and 2012-13. The actual results are from NSW Budget Papers 2012-13, *Budget Statement*, p1-30 (table 1.5), except for 2011/12, which is from the *Report on State Finances 2011-12*, p5-6

**Table 2.2.2 Difference between forecast and actual revenue/expenses (\$m: %)**

	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13 (B)
Revenue (\$)	+1,415	+775	+1,821	+2,544	+2,786	+1,753	+3,376	-525	+6	N/A
Revenue (%)	3.9	2.0	4.5	6.0	6.2	3.7	6.4	-0.9	0.0	N/A
Expenses (\$)	+1,289	+1,372	+195	+1,049	+1,891	+2,882	+1,392	-1,092	-1,392	N/A
Expenses (%)	3.7	3.7	0.5	2.4	4.2	6.0	2.6	-1.9	-2.3	N/A

**Sources:** The figures for 2003/04 to 2009/10 are taken from *NSW Financial Audit*, p2-64 (table 2.4.1). The forecast figures for 2010/11 and 2011/12 are calculated from NSW Budget Papers for 2010/11 and 2011/12 and *Report on State Finances 2011-12*, p5-6.

### 3. REVENUE

#### 3.1 Total revenue

Tables 3.1.1 and 3.1.2 show total government sector revenue, and the breakdown between own-source revenue and Federal Government grants to NSW. Table 3.1.3 shows the growth in total revenue from year to year and over the decade. Table 3.1.4 shows trends in total revenue over the last two Parliaments and the first two years of the current Parliament.

As shown, the split between own-source revenue and Federal grants in 2012/13 is almost exactly the same as it was in 2003/04 (59 percent; 41 percent). Federal grants made up a larger proportion of State revenue from 2008/09 to 2011/12 (44 to 47 percent), which is largely explained by the Federal Government's economic stimulus payments (outlined further below). Over the ten year period, total revenue growth was 59 percent. The size of the increase from year to year ranged from 1.4 percent to 13.4 percent. Compound annual revenue growth for the past two Parliaments was 5.5 percent and 6.3 percent respectively, compared to only 2.2 percent during this Parliament.

**Table 3.1.1 Total revenue by source (\$m)**

	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13 (B)
Own source revenue	22,160	22,891	24,594	26,947	27,905	27,978	30,023	32,169	32,989	35,030
Federal grants	15,493	16,191	18,040	17,751	19,528	21,692	26,319	24,975	26,043	24,696
Total revenue	37,653	39,084	42,634	44,697	47,434	49,669	56,342	57,144	59,032	59,727

**Table 3.1.2 Total revenue by source (%)**

	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13 (B)
Own source revenue	58.9	58.6	57.7	60.3	58.8	56.3	53.3	56.3	55.9	58.7
Federal grants	41.1	41.4	42.3	39.7	41.2	43.7	46.7	43.7	44.1	41.3
Total revenue	100	100	100	100	100	100	100	100	100	100

**Table 3.1.3 Growth in total revenue by source (%)**

	03/04 to 04/05	04/05 to 05/06	05/06 to 06/07	06/07 to 07/08	07/08 to 08/09	08/09 to 09/10	09/10 to 10/11	10/11 to 11/12	11/12 to 12/13 (B)	10yrs
Own-source revenue	3.3	7.4	9.6	3.6	0.3	7.3	7.1	2.5	6.2	58.1
Federal grants	4.5	11.4	-1.6	10.0	11.1	21.3	-5.1	4.3	-5.2	59.4
Total revenue	3.8	9.1	4.9	6.1	4.7	13.4	1.4	3.3	1.2	58.6

**Table 3.1.4 Trends in total revenue by Parliament (%)**

	Average share of total (%)			Compound annual growth (%)		
	53rd	54th	55th	53rd	54th	55th
Own source	58.8	56.2	57.3	6.6	4.5	4.4
Federal grants	41.2	43.8	42.7	3.9	8.9	-0.6
Total revenue	100	100	100	5.5	6.3	2.2

**Sources for above Tables:** The figures for 2003-04 to 2008-09 are from *NSW Financial Audit 2011*, p2-11 (table 2.2.1). The figures for 2010-11 and 2011-12 are from the *Report on State Finances 2011-12*, p5-6. The figures for 2012/13 are from NSW Budget Papers 2012-13, *Budget Statement*, p5-7 (table 5.3). Total revenue (real growth) is from Budget Papers 2012-13, *Budget Statement*, p1-29 (table 1.4). The real growth figures for 2010/11 to 2011/12 and 2011/12 to 2012/13 in the budget papers have been adjusted based on updated revenue figures for 2010/11 and 2011/12. **Note:** the compound annual growth rates were calculated in the manner outlined in the introduction.

### 3.2 Own-source revenue

Tables 3.2.1 and 3.2.2 show general government own-source revenue over the past ten years, and the current year, by type of revenue. Table 3.2.3 shows the growth in own-source revenue over this period.

State taxes have been by far the largest source of own-source revenue. State tax revenue grew by 47 percent over the ten years (including 2012/13) but, as a proportion of total own-source revenue, tax revenue declined from 68 percent in 2003/04 to an estimated 63 percent in 2012/13. State tax revenue is expected to make up 37 percent of total State revenue in 2012/13 (39 percent in 2003/04). The second largest category of own-source revenue has been the sale of goods and services (e.g. revenue from rent of State-owned property, and tolls from government-operated roads). This category had 87 percent growth over the ten years (including 2012/13) and increased its share of own-source revenue from 12.2 percent to 14.5 percent. The biggest growth in percentage terms was for mining royalties, which grew by seven times and increased its share of own-source revenue from 1.1 percent to 5.4 percent.

**Table 3.2.1 Own-source revenue by type (\$m)**

	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13 (B)
State taxes	15,018	15,300	15,902	17,697	18,554	17,885	19,124	20,395	20,660	22,111
Sale of goods & services	2,714	2,804	3,037	3,306	3,663	4,024	4,357	4,658	4,961	5,066
Interest income	862	1,050	1,298	1,314	454	416	313	468	530	367
Dividends & income tax equivalents	1,614	1,508	1,837	1,951	2,320	2,029	2,322	2,412	2,548	2,913
Royalties	233	396	504	489	574	1,279	985	1,240	1,464	1,878
Fines, fees, licences	475	549	570	510	578	644	736	791	762	768
Grants & contributions	371	506	456	450	557	602	669	642	700	698
Other revenue	873	778	990	1,230	1,205	1,099	1,517	1,563	1,364	1,229
Total	22,160	22,891	24,594	26,947	27,905	27,978	30,023	32,169	32,989	35,030

**Table 3.2.2 Own-source revenue by type (%)**

	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13 (B)
State taxes	67.8	66.8	64.7	65.7	66.5	63.9	63.7	63.4	62.6	63.1
Sale of goods & services	12.2	12.2	12.3	12.3	13.1	14.4	14.5	14.5	15.0	14.5
Interest income	3.9	4.6	5.3	4.9	1.6	1.5	1.0	1.5	1.6	1.0
Dividends & income tax equivalents	7.3	6.6	7.5	7.2	8.3	7.3	7.7	7.5	7.7	8.3
Royalties	1.1	1.7	2.0	1.8	2.1	4.6	3.3	3.9	4.4	5.4
Fines, fees, licences	2.1	2.4	2.3	1.9	2.1	2.3	2.5	2.5	2.3	2.2
Grants & contributions	1.7	2.2	1.9	1.7	2.0	2.2	2.2	2.0	2.1	2.0
Other revenue	3.9	3.4	4.0	4.6	4.3	3.9	5.1	4.9	4.1	3.5
Total	100	100	100	100	100	100	100	100	100	100

**Table 3.2.3 Growth in own-source revenue by type (%)**

	03/04 to 04/05	04/05 to 05/06	05/06 to 06/07	06/07 to 07/08	07/08 to 08/09	08/09 to 09/10	09/10 to 10/11	10/11 to 11/12	11/12 to 12/13 (B)	10yrs
State taxes	1.9	3.9	11.3	4.8	-3.6	6.9	6.6	1.3	7.0	47.2
Sale of goods & services	3.3	8.3	8.9	10.8	9.9	8.3	6.9	6.5	2.1	86.7
Interest income	21.8	23.6	1.2	-65.4	-8.4	-24.8	49.5	13.2	-30.8	-57.4
Dividends & income tax equivalents	-6.6	21.8	6.2	18.9	-12.5	14.4	3.9	5.6	14.3	80.5
Royalties	70.0	27.3	-3.0	17.4	122.8	-23.0	25.9	18.1	28.3	706.0
Fines, fees, licences	15.6	3.8	-10.5	13.3	11.4	14.3	5.2	-3.7	0.8	61.7
Grants & contributions	36.4	-9.9	-1.3	23.8	8.1	11.1	-4.0	9.0	-0.3	88.1
Other revenue	-10.9	27.2	24.2	-2.0	-8.8	38.0	4.2	-12.7	-9.9	40.8
Total	3.3	7.4	9.6	3.6	0.3	7.3	7.1	2.5	6.2	58.1

**Sources for above Tables:** Figures for 2003-04 to 2008-09 are from *NSW Financial Audit 2011*, p2-11 (table 2.2.1). Figures for 2010-11 and 2011-12 are from the *Report on State Finances 2011-12*, p5-6. The figures for 2012/13 are from NSW Budget Papers 2012-13, *Budget Statement*, p5-7 (table 5.3). **Note** that the category "grants and contributions" includes contributions by electricity and water providers to the Climate Change Fund, contributions to schools by parents and citizens associations, and payments from the Australian Government to the Home Care Service of NSW.

The following tables show **State tax revenue** by type, and the growth of State tax revenue by type. In 2003/04, stamp duties accounted for the largest share of State tax revenue (37 percent). Stamp duties grew by 11 percent over the ten-year period (including 2012/13) but it now comprises a much smaller share (28 percent) of State tax revenue. Payroll tax rose by 61 percent over the ten-year period, and is now the largest category of State tax revenue (32 percent in 2012/13, compared to 29 percent in 2003/04). The category "other taxes" grew by the most in percentage terms over the ten-year period (95 percent), followed by land tax (88 percent) and vehicle taxes (68 percent).

**Table 3.2.4 State tax revenue by type (\$m)**

	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13 (B)
Payroll tax	4,356	4,835	5,184	5,661	6,205	6,356	6,138	6,382	6,721	7,024
Stamp duties	5,502	4,806	4,826	5,950	5,535	4,106	5,176	5,337	5,388	6,095
Land tax	1,355	1,646	1,717	2,036	1,937	2,252	2,296	2,289	2,350	2,559
Vehicle taxes	1,203	1,272	1,341	874	1,498	1,547	1,654	1,831	1,927	2,025
Gambling	1,310	1,429	1,519	1,652	1,569	1,624	1,706	1,757	1,815	1,885
Other	1,291	1,314	1,315	1,524	1,810	1,999	2,155	2,799	2,459	2,523
<b>Total</b>	<b>15,018</b>	<b>15,301</b>	<b>15,902</b>	<b>17,697</b>	<b>18,554</b>	<b>17,885</b>	<b>19,124</b>	<b>20,395</b>	<b>20,660</b>	<b>22,111</b>

**Table 3.2.5 State tax revenue by type (%)**

	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13 (B)
Payroll tax	29.0	31.6	32.6	32.0	33.4	35.5	32.1	31.3	32.5	31.8
Stamp duties	36.6	31.4	30.3	33.6	29.8	23.0	27.1	26.2	26.1	27.6
Land tax	9.0	10.8	10.8	11.5	10.4	12.6	12.0	11.2	11.4	11.6
Vehicle taxes	8.0	8.3	8.4	4.9	8.1	8.6	8.6	9.0	9.3	9.2
Gambling	8.7	9.3	9.6	9.3	8.5	9.1	8.9	8.6	8.8	8.5
Other	8.6	8.6	8.3	8.6	9.8	11.2	11.3	13.7	11.9	11.4
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

**Table 3.2.6 Growth in State tax revenue by type (%)**

	03/04 to 04/05	04/05 to 05/06	05/06 to 06/07	06/07 to 07/08	07/08 to 08/09	08/09 to 09/10	09/10 to 10/11	10/11 to 11/12	11/12 to 12/13 (B)	10 yrs
Payroll tax	11.0	7.2	9.2	9.6	2.4	-3.4	4.1	5.3	4.5	61.2
Stamp duties	-12.6	0.4	23.3	-7.0	-25.8	26.1	7.0	1.0	13.1	10.8
Land tax	21.5	4.3	18.6	-4.9	16.3	2.0	-0.3	2.7	8.9	88.9
Vehicle taxes	5.7	5.4	-34.8	71.4	3.3	6.9	10.7	5.2	5.1	68.3
Gambling	9.1	6.3	8.8	-5.0	3.5	5.0	3.0	3.3	3.9	43.9
Other	1.8	0.1	15.9	18.8	10.4	7.8	20.3	-12.1	2.6	95.4
<b>Total</b>	<b>1.9</b>	<b>3.9</b>	<b>11.3</b>	<b>4.8</b>	<b>-3.6</b>	<b>7.0</b>	<b>6.6</b>	<b>1.3</b>	<b>7.0</b>	<b>47.2</b>

**Sources for above Tables:** Figures for 2003/04 to 2009/10 are from *NSW Financial Audit 2011*, p2-11 (table 2.2.1). Figures for 2010-11 and 2011/12 are from the *Report on State Finances 2011-12*, p5-35 (note that the report does not separate out vehicle taxes and other tax revenue: the figures for vehicle taxes for these years are from NSW Budget Papers 2012-13, p5-10). The figures for 2012-13 are from NSW Budget Papers 2012-13, *Budget Statement*, p5-10 (table 5.5).

### 3.3 Federal Government grants

The following three tables show Federal Government grants to NSW by type, and growth in these grants. General purpose grants make up the majority of federal grants but their share of federal grants declined over the ten-year period (from 64 percent in 2003/04 to an estimated 60 percent in 2012/13). Up until 2005-06, general purpose grants included National Competition Policy payments of between \$200m and \$300m but general purpose grants are now comprised almost entirely of GST payments. Over the past ten years (including 2012/13), general purpose grants increased by 49 percent, specific purpose grants by 78 percent, and total Federal grants increased by 59 percent.

**Table 3.3.1 Federal Government grants by type (\$m)**

	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13 (B)
General purpose	9,939	10,181	10,720	10,938	11,942	11,974	13,419	13,900	14,289	14,826
Specific purpose	5,554	6,010	7,320	6,813	7,586	9,718	12,900	11,075	11,754	9,870
Total	15,493	16,192	18,040	17,750	19,529	21,691	26,320	24,975	26,043	24,697

**Table 3.3.2 Federal Government grants by type (%)**

	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13 (B)
General purpose	64.2	62.9	59.4	61.6	61.2	55.2	51.0	55.7	54.9	60.0
Specific purpose	35.8	37.1	40.6	38.4	38.8	44.8	49.0	44.3	45.1	40.0
Total	100	100	100	100	100	100	100	100	100	100

**Table 3.3.3 Growth in Federal Government grants by type (%)**

	03/04 to 04/05	04/05 to 05/06	05/06 to 06/07	06/07 to 07/08	07/08 to 08/09	08/09 to 09/10	09/10 to 10/11	10/11 to 11/12	11/12 to 12/13 (B)	10 yrs
General purpose	2.4	5.3	2.0	9.2	0.3	12.1	3.6	2.8	3.8	49.2
Specific purpose	8.2	21.8	-6.9	11.3	28.1	32.7	-14.1	6.1	-16.0	77.7
Total	4.5	11.4	-1.6	10.0	11.1	21.3	-5.1	4.3	-5.2	59.4

**Source:** Figures for 2003/04 to 2008/09 are from *NSW Financial Audit 2011*, p2-11 (table 2.2.1). Figures for 2010-11 and 2011/12 are from the *Report on State Finances 2011-12*, p5-6. The figures for 2012-13 are from NSW Budget Papers 2012-13, *Budget Statement*, p6-3 (table 6.1). **Note:** From 2008/09, specific purpose payments include National Specific Purpose Payments and National Partnership Payments.

**Table 3.3.4 Growth in Federal Government grants by Parliament (%)**

	Compound annual growth (%)		
	53rd	54th	55th
General purpose	2.4	6.2	3.3
Specific purpose	6.5	12.9	-5.6
Total	3.9	8.9	-0.6

**Note:** the compound annual growth rates were calculated in the manner outlined in the introduction.



Historically, the Federal Government has provided a range of **specific purpose grants** to NSW, with the funds to be spent in particular areas. In 2008, the Federal Government and State Governments agreed to consolidate most of these payments in two broad streams: National Specific Purpose Payments, which support National Agreements in six policy areas; and National Partnership Payments, which support specified projects, facilitate reforms or reward jurisdictions that deliver on nationally significant reforms (see *NSW Financial Audit*, p2-41; and Budget Papers 2012-13, *Budget Statement*, p6-14).

Tables 3.3.5 and 3.3.6 show National Specific Purpose payments (NSPPs) by type and other specific purpose payments (under service level agreements between the Federal government and NSW government agencies). Health has been the largest category of NSPPs (61 percent of total payments in 2012/13), followed by education (18 percent in 2012/13). However, over the past five years, education NSPPs have grown at a faster rate than health NSPPs (29 percent compared to 13 percent). It should be noted that health, education and housing have also received National Partnership Payments (see Table 3.3.7 below).

**Table 3.3.5 National Specific Purpose Payments and other payments (\$m)**

	08/09	09/10	10/11	11/12 (R)	12/13 (B)
Health	3,871	3,714	3,935	4,138	4,381
Education	1,020	1,106	1,186	1,245	1,312
Disability*	613	654	724	397	416
Skills	430	439	443	448	453
Housing	370	384	388	396	404
Other	268	259	183	173	237
<b>Total</b>	<b>6,573</b>	<b>6,555</b>	<b>6,860</b>	<b>6,797</b>	<b>7,203</b>

**Table 3.3.6 Growth in National Specific Purpose Payments and other (%)**

	08/09 to 09/10	09/10 to 10/11	10/11 to 11/12 (R)	11/12 to 12/13 (B)	5yrs
Health	-4.1	6.0	5.2	5.9	13.2
Education	8.4	7.2	5.0	5.4	28.6
Disability*	6.7	10.7	-45.2	4.8	-32.1
Skills	2.1	0.9	1.1	1.1	5.3
Housing	3.8	1.0	2.1	2.0	9.2
Other	3.8	1.0	2.1	2.0	-11.6
<b>Total</b>	<b>-0.3</b>	<b>4.7</b>	<b>-0.8</b>	<b>5.8</b>	<b>9.6</b>

**Sources for above Tables:** Figures for 2003/04 to 2008/09 are from *NSW Financial Audit 2011*, p2-41 (table 2.2.10). Figures for 2010-11 to 2012-13 are from NSW Budget Papers 2012-13, *Budget Statement*, p6-15 (table 6.7). **Note:** Until 2011-12, disability payments included payments for Home and Community Care. Since 2011-12, these have been made as a National Partnership Payment (other category).

Table 3.3.7 shows National Partnership Payments (NPPs) by type from 2008/09 to 2012/13. Economic stimulus and nation building payments dominated NPPs in

2009/10 and 2010/11, and were also substantial in 2011/12. Of the other categories of NPPs, transport received the largest proportion of NPPs in each of the five years. Of the four other main categories, health and education have taken turns in receiving the second largest share of payments. In the case of health, education, and environment, NPPs were expected to be higher in 2012/13 than in 2008/09. For all other categories, the NPPs were expected to be lower.

**Table 3.3.7 National Partnership Payments (\$m)**

	08-09	09-10	10-11	11-12 (R)	12-13 (B)	5 yrs
Health	429	250	452	521	452	5.4
Education	294	437	427	691	554	88.4
Transport	922	1,277	783	1,298	574	-37.7
Stimulus/nation building	666	3,428	2,086	1,351	387	-41.9
Housing	88	257	58	71	60	-31.8
Environment	49	65	50	62	67	36.7
Other	697	631	360	816	574	-17.6
<b>Total</b>	<b>3,145</b>	<b>6,345</b>	<b>4,215</b>	<b>4,810</b>	<b>2,667</b>	<b>-114.9</b>

**Source:** Figures for 2003/04 to 2008/09 are from *NSW Financial Audit 2011*, p2-41 (table 2.2.10). Figures for 2010-11 to 2012-13 are from NSW Budget Papers 2012-13, *Budget Statement*, p6-16 (table 6.8).

## 4. EXPENSES

### 4.1 Total expenses

This section deals with recurrent expenses, which are expenses incurred in the provision of goods and services. Recurrent expenses are distinct from capital expenses, which are expenses incurred in the acquisition of assets (covered in Section 5). In the general government sector, total recurrent expenses grew by 66 percent over the ten-year period (including the forecast for 2012/13). This compares to total revenue growth of 59 percent over the same period. Annual growth in expenses has ranged from 0.8 percent to 9.5 percent. Expenses growth was significantly higher in the past two Parliaments (6.4 percent and 6.2 percent respectively), compared to the current Parliament (4.2 percent).

**Table 4.1.1 Total expenses and growth (\$m: %)**

	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13 (B)	10 yrs
Expenses	36,502	38,844	40,706	43,910	46,499	50,530	55,340	55,804	58,352	60,552	24,050
Annual change-nominal (%)	-----	6.4	4.8	7.9	5.9	8.7	9.5	0.8	4.6	3.8	65.9%

**Table 4.1.2 Total expenses growth by Parliament (%)**

	Compound annual growth (%)		
	53rd	54th	55th
Expenses	6.4	6.2	4.2

**Sources for above Tables:** NSW Budget Papers 2012-13, *Budget Statement*, p1-30 (table 1.5) and p1-29 (table 1.4); except for the 2011/12 figures, which are from the *Report on State Finances 2011-12*, p5-6. The real growth figures for 2010/11 to 2011/12 and 2011/12 to 2012/13 in the budget papers have been adjusted based on updated revenue figures for 2010/11 and 2011/12. **Note:** the compound annual growth rates were calculated in the manner outlined in the introduction.

### 4.2 Expenses by type

The following tables show general government recurrent expenses by type for the past ten years; and growth in expenses over the same period. Employee-related expenditure is by far the largest category: in each year it has accounted for half or almost half of total expenditure (48 percent in 2012-13). Over the ten years (including the forecast for 2012/13), employee-related expenditure grew by 65 percent. A number of other categories of expenses have grown at a faster rate: e.g. finance expenses (the smallest category) increased by 173 percent; and capital grants (the second smallest category) increased by 110 percent.

**Table 4.2.1 Recurrent expenses by type (\$m)**

	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13 (B)
Employee-related	17,687	19,505	20,732	21,344	22,896	24,740	26,167	27,322	28,540	29,088
Current grants and subsidies	5,879	6,035	6,797	7,426	7,347	7,703	7,988	8,905	9,220	9,264
Capital grants	1,222	1,368	1,621	2,839	2,269	3,044	5,211	2,494	2,143	2,561
Depreciation	1,927	1,994	2,127	2,308	2,467	2,614	2,777	2,818	2,978	3,294
Finance	788	1,061	1,184	1,257	1,300	1,469	1,654	1,826	2,061	2,148
Other	9,014	8,530	8,240	8,726	10,220	10,959	11,543	12,439	13,410	14,197
<b>Total</b>	<b>36,517</b>	<b>38,493</b>	<b>40,701</b>	<b>43,900</b>	<b>46,499</b>	<b>50,530</b>	<b>55,340</b>	<b>55,804</b>	<b>58,352</b>	<b>60,552</b>

**Table 4.2.2 Recurrent expenses by type (%)**

	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13 (B)
Employee-related	48.4	50.7	50.9	48.6	49.2	49.0	47.3	49.0	48.9	48.0
Current grants and subsidies	16.1	15.7	16.7	16.9	15.8	15.2	14.4	16.0	15.8	15.3
Capital grants	3.3	3.6	4.0	6.5	4.9	6.0	9.4	4.5	3.7	4.2
Depreciation	5.3	5.2	5.2	5.3	5.3	5.2	5.0	5.0	5.1	5.4
Finance	2.2	2.8	2.9	2.9	2.8	2.9	3.0	3.3	3.5	3.5
Other	24.7	22.2	20.2	19.9	22.0	21.7	20.9	22.3	23.0	23.4
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

**Table 4.2.3 Growth in recurrent expenses by type (%)**

	03/04 to 04/05	04/05 to 05/06	05/06 to 06/07	06/07 to 07/08	07/08 to 08/09	08/09 to 09/10	09/10 to 10/11	10/11 to 11/12	11/12 to 12/13 (B)	10yrs
Employee expenses	10.3	6.3	3.0	7.3	8.1	5.8	5.0	4.5	1.9	64.5
Current grants and subsidies	2.7	12.6	9.3	-1.1	4.8	3.7	11.5	3.5	0.5	57.6
Capital grants	11.9	18.5	75.1	-20.1	34.2	71.2	-52.1	-14.1	19.5	109.6
Depreciation	3.5	6.7	8.5	6.9	6.0	6.2	1.5	5.7	10.6	70.9
Finance	34.6	11.6	6.2	3.4	13.0	12.6	10.5	12.9	4.2	172.6
Other	11.5	-3.4	5.9	17.1	7.2	5.3	6.4	7.8	5.9	85.6
<b>Total</b>	<b>5.4</b>	<b>5.7</b>	<b>7.9</b>	<b>5.9</b>	<b>8.7</b>	<b>9.5</b>	<b>0.8</b>	<b>4.6</b>	<b>3.8</b>	<b>65.8</b>

**Sources for above Tables:** The figures for 2003/04 are from NSW Budget Papers 2005-06, *Budget Statement*, p1-29; the figures from 2004/05 to 2006/07 are from NSW Budget Papers 2008/09, *Budget Statement*, p3-5; the figures for 2007/08 are from NSW Budget Papers 2011-12, *Budget Statement*, p4-11; the figures for 2008/09 to 2009/10 are from Budget Papers 2012-13, *Budget Statement*, p4-11 (table 4.2); the figures for 2010/11 and 2011/12 are from the *Report on State Finances 2011-12*, p5-6; and the figures for 2012/13 are from Budget Papers 2012-13, *Budget Statement*, p4-11 (table 4.2).

### 4.3 Expenses by policy area

The following tables show total recurrent expenses by policy areas for the past ten years; and growth in these expenses over the same period. Table 4.3.4 also shows trends in expenses by policy area over the Parliaments. The policy areas are Government Finance Statistics (GFS) which “align with a government function rather than a specific agency”.

Health and education have dominated the budget, together accounting for around half of total expenses. The proportion of the budget allocated to health has remained fairly stable over the past ten years (27.2 percent forecast in 2012/13 compared to 27.5 percent in 2003/04), while the proportion allocated to education has declined significantly (22.4 percent forecast in 2012/13 compared to 24.9 percent in 2003/04). Health expenditure grew by 71 percent over the ten years, whereas education expenditure increased by 55 percent over the same period (making it the slowest growing policy area for expenses).

The next largest areas of expenses are transport and communications (11.3 percent in 2012/13), public order and safety (10.8 percent), and social security and welfare (8.2 percent). All of these three areas grew by over 60 percent over the ten years but public transport and communications was the only one of these policy areas to increase its share of the budget significantly (11.3 percent in 2012/13 compared to 10.4 percent in 2003/04). Housing and community amenities was the fastest growing policy area for expenses over the ten year period and it increased its allocation of the budget (3.9 percent in 2012/13 compared to 2.2 percent in 2003/04). The *NSW Financial Audit* provides an analysis of expenses growth by policy area (p2-53).

The trends by Parliament are shown in Table 4.3.4. During the current Parliament, the share of the budget allocated to all policy areas is very similar to the previous Parliament: notable changes are a decrease in the allocation to housing and community amenities (from 4.9 percent to 3.9 percent), an increase in social security and welfare expenses (from 8.2 percent to 8.5 percent) and an increase in “other” expenses (from 12.8 percent to 13.9 percent). During the current Parliament, the annual compound growth in expenses has been lower than in the previous two Parliaments for all policy areas except education (higher than in both of the previous Parliaments), and transport and communications (higher than in the 53<sup>rd</sup> Parliament).

**Table 4.3.1 Recurrent expenses by policy area (\$m)**

Policy area	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13
Health	9,636	10,400	10,988	11,673	12,806	13,619	14,250	15,225	15,905	16,493
Education	8,731	9,398	9,660	9,968	10,525	10,998	11,955	12,162	12,798	13,564
Transport & communications	3,660	3,851	4,157	4,332	4,361	6,205	7,092	5,894	6,548	6,843
Public order & safety	3,846	4,194	4,294	4,521	4,857	5,246	5,721	6,113	6,371	6,514
Social security & welfare	2,836	2,877	2,957	3,262	3,641	4,036	4,450	4,837	5,167	4,971
Housing & community amenities	789	725	781	994	1,093	2,706	3,890	2,719	2,224	2,385
Recreation and culture	848	826	932	983	1,125	1,229	1,266	1,292	1,212	1,335
Other	4,742	4,998	5,129	5,136	5,641	6,521	6,715	7,562	8,127	8,447
<b>Total</b>	<b>35,088</b>	<b>37,269</b>	<b>38,898</b>	<b>40,869</b>	<b>44,049</b>	<b>50,560</b>	<b>55,339</b>	<b>55,804</b>	<b>58,352</b>	<b>60,552</b>

**Table 4.3.2 Recurrent expenses by policy area (%)**

Policy area	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13 (B)
Health	27.5	27.9	28.2	28.6	29.1	26.9	25.8	27.3	27.3	27.2
Education	24.9	25.2	24.8	24.4	23.9	21.8	21.6	21.8	21.9	22.4
Transport & communications	10.4	10.3	10.7	10.6	9.9	12.3	12.8	10.6	11.2	11.3
Public order & safety	11.0	11.3	11.0	11.1	11.0	10.4	10.3	11.0	10.9	10.8
Social security & welfare	8.1	7.7	7.6	8.0	8.3	8.0	8.0	8.7	8.9	8.2
Housing & community amenities	2.2	1.9	2.0	2.4	2.5	5.4	7.0	4.9	3.8	3.9
Recreation and culture	2.4	2.2	2.4	2.4	2.6	2.4	2.3	2.3	2.1	2.2
Other	13.5	13.4	13.2	12.6	12.8	12.9	12.1	13.6	13.9	13.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**Table 4.3.3 Growth in recurrent expenses by policy area (%)**

Policy area	03/04 to 04/05	04/05 to 05/06	05/06 to 06/07	06/07 to 07/08	07/08 to 08/09	08/09 to 09/10	09/10 to 10/11	10/11 to 11/12	11/12 to 12/13 (B)	10 yrs
Health	7.9	5.7	6.2	9.7	6.3	4.6	6.8	4.5	3.7	71.2
Education	7.6	2.8	3.2	5.6	4.5	8.7	1.7	5.2	6.0	55.4
Transport & communications	5.2	7.9	4.2	0.7	42.3	14.3	-16.9	11.1	4.5	87.0
Public order & safety	9.0	2.4	5.3	7.4	8.0	9.1	6.9	4.2	2.2	69.4
Social security & welfare	1.4	2.8	10.3	11.6	10.8	10.3	8.7	6.8	-3.8	75.3
Housing & community amenities	-8.1	7.7	27.3	10.0	147.6	43.8	-30.1	-18.2	7.2	202.3
Recreation & culture	-2.6	12.8	5.5	14.4	9.2	3.0	2.1	-6.2	10.1	57.4
Other	5.4	2.6	0.1	9.8	15.6	3.0	12.6	7.5	3.9	78.1
<b>Total</b>	<b>6.2</b>	<b>4.4</b>	<b>5.1</b>	<b>7.8</b>	<b>14.8</b>	<b>9.5</b>	<b>0.8</b>	<b>4.6</b>	<b>3.8</b>	<b>72.6</b>

**Table 4.3.4 Trends in these expenses by Parliament (%)**

	Average share of total (%)			Compound annual growth (%)		
	53rd	54th	55th	53rd	54th	55th
Health	28.0	27.3	27.2	7.2	6.9	4.1
Education	24.8	22.3	22.2	4.0	5.1	5.6
Transport & communications	10.5	11.4	11.3	7.5	8.0	7.8
Public order & safety	11.1	10.7	10.8	6.0	7.8	3.2
Social security & welfare	7.8	8.2	8.5	5.9	10.4	1.4
Housing & community amenities	2.2	4.9	3.9	8.0	28.6	-6.3
Recreation & culture	2.4	2.4	2.1	3.6	7.1	1.7
Other	13.2	12.8	13.9	3.5	10.2	5.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>5.6</b>	<b>8.1</b>	<b>4.2</b>

**Sources for above Tables:** In Table 4.3.1, the figures from 2003/04 to 2007/08 were supplied by NSW Treasury; and the figures for later years are from Budget Statements in NSW Budget Papers for these later years (in the chapter on uniform financial reporting: in 2012/13 this was chapter 9) and from the *Report on State Finances 2011-12*, p6-15 (for 2010/11 and 2011/12 figures). **Note:** the compound annual growth rates were calculated in the manner outlined in the introduction.

#### 4.4 Expenses for selected departments

This section outlines expenses for a number of selected departments over the past ten years. A full breakdown of expenses is provided for the Department of Health and for the Department of Education and Training. For a selected group of other departments, only the total expenses are shown.

**4.4.1 Department of Health expenses:** Table 4.4.1.1 provides a breakdown of expenses of the former Department of Health and current Ministry of Health (which was established in October 2011). Table 4.4.1.2 shows the growth in these expenses over the ten-year period; and Table 4.4.1.3 shows the compound annual growth in these expenses during each Parliament.

Expenses for the Department/Ministry of Health have grown by 79 percent over the ten-year period. Inpatient services account for by far the largest proportion of total expenses (48 percent in 2012/13), followed by emergency services (11 percent in 2012/13), and outpatient services (10 percent in 2012/13). Inpatient services grew by 78 percent over the ten-year period. Higher growth rates were experienced in emergency services (87 percent) and outpatient services (86 percent). Higher growth rates were also achieved in teaching and research (93 percent), mental health (102 percent), and Aboriginal health (127 percent).

The annual growth in the Department of Health's expenses was highest in the 53<sup>rd</sup> Parliament (7.2 percent), followed by the 54th Parliament (6.9 percent), with the first two years of the current Parliament having the lowest annual growth rate (6.6 percent). During the current Parliament, the annual growth in expenses in most service groups was lower than in the previous Parliament with the exceptions being primary and community health (0.7 percent higher growth) and teaching and research (8.1 percent higher growth).

**Table 4.4.1.1 Department of Health expenses (\$m)**

	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13
Population health	269	285	712	332	477	466	486	478	505	405
Primary & community	825	847	976	1,022	1,100	953	1,076	1,144	1,167	1,228
Aboriginal health	44	46	43	47	53	37	47	80	77	100
Outpatient	923	1,023	1,097	1,255	1,244	1,365	1,398	1,603	1,628	1,717
Emergency	982	1,035	1,064	1,197	1,368	1,492	1,504	1,652	1,700	1,836
Inpatient	4,624	5,003	4,870	5,315	6,105	6,619	6,824	7,128	7,688	8,239
Mental health	700	800	838	882	993	1,010	1,118	1,232	1,258	1,412
Rehabilitation & extended care	834	903	912	980	909	1,026	1,119	1,205	1,105	1,324
Teaching & research	435	458	476	643	557	625	653	694	723	839
Cluster grants	N/R	N/R	N/R	N/R	N/R	N/R	N/R	N/R	8	177
<b>Total</b>	<b>9,636</b>	<b>10,400</b>	<b>10,988</b>	<b>11,673</b>	<b>12,806</b>	<b>13,593</b>	<b>14,225</b>	<b>15,216</b>	<b>15,859</b>	<b>17,278</b>

**Table 4.4.1.2 Growth in Department of Health expenses (%)**

	03/04 to 04/05	04/05 to 05/06	05/06 to 06/07	06/07 to 07/08	07/08 to 08/09	08/09 to 09/10	09/10 to 10/11	10/11 to 11/12	11/12 to 12/13 (B)	10yrs
Population health	5.9	149.8	-53.4	43.7	-2.3	4.3	-1.6	5.6	-19.8	50.6
Primary & community	2.7	15.2	4.7	7.6	-13.4	12.9	6.3	2.0	5.2	48.8
Aboriginal health	4.5	-6.5	9.3	12.8	-30.2	27.0	70.2	-3.8	29.9	127.3
Outpatient	10.8	7.2	14.4	-0.9	9.7	2.4	14.7	1.6	5.5	86.0
Emergency	5.4	2.8	12.5	14.3	9.1	0.8	9.8	2.9	8.0	87.0
Inpatient	8.2	-2.7	9.1	14.9	8.4	3.1	4.5	7.9	7.2	78.2
Mental health	14.3	4.8	5.3	12.6	1.7	10.7	10.2	2.1	12.2	101.7
Rehabilitation & extended care	8.3	1.0	7.5	-7.2	12.9	9.1	7.7	-8.3	19.8	58.8
Teaching & research	5.3	3.9	35.1	-13.4	12.2	4.5	6.3	4.2	16.0	92.9
Cluster grants	N/R	N/R	N/R	N/R	N/R	N/R	N/R	N/R	2,112	N/A
<b>Total</b>	<b>7.9</b>	<b>5.7</b>	<b>6.2</b>	<b>9.7</b>	<b>6.1</b>	<b>4.6</b>	<b>7.0</b>	<b>4.2</b>	<b>8.9</b>	<b>79.3</b>

**Table 4.4.1.3 Growth in these expenses by Parliament (%)**

	Compound annual growth (%)		
	53rd	54th	55th
Population health	7.2	9.5	-8.0
Primary & community	6.8	2.9	3.6
Aboriginal health	7.6	14.2	11.8
Outpatient	9.7	6.3	3.5
Emergency	5.3	8.4	5.4
Inpatient	6.3	7.6	7.5
Mental health	9.1	8.7	7.1
Rehabilitation & extended care	6.4	5.3	4.8
Teaching & research	15.7	1.9	10.0
Cluster grants	N/R	N/R	N/R
<b>Total</b>	<b>7.2</b>	<b>6.9</b>	<b>6.6</b>

**Sources for above Tables:** The figures in Table 4.4.1.1 were supplied by NSW Treasury (except for 2012/13, which was taken from the Budget Estimates for that year). **Note:** the compound annual growth rates were calculated in the manner outlined in the introduction.



**4.4.2 Department of Education and Training expenses:** Table 4.4.2.1 provides a breakdown of expenses of the former Department of Education and Training and the current Department of Education and Communities (in relation to education expenses only), which was established in April 2011. Tables 4.4.2.2 and 4.4.2.3 show the growth in these expenses over ten years, and during each of the last two Parliaments and the current Parliament.

Expenses for the Department of Education and Training have grown by 57 percent over the ten years. Expenditure on government primary schools is the largest category of expenditure (39 percent in 2012/13), followed by expenditure on government secondary schools (35 percent in 2012/13), and then expenditure on TAFE NSW (13 percent). Expenditure on government primary schools grew by 60 percent over the ten year period. The only service group with a higher growth rate was VET (75 percent).

The annual growth in expenses so far during the current Parliament (6.2 percent) has been higher than in both of the previous Parliaments (5.1 percent in the 54<sup>th</sup> Parliament, and 4 percent in the 53<sup>rd</sup> Parliament). During the current Parliament, the annual growth in expenses in most service groups has been equal to or higher than the previous Parliament with the exception being expenses for government secondary schools (where the annual growth rate declined from 5.7 percent to 3.0 percent).

**Table 4.4.2.1 Department of Education and Training expenses (\$m)**

	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13 (B)
Preschool/early childhood*	16	19	19	21	21	25	25	43	220	377
Govt primary schools	3,354	3,639	3,679	3,791	4,091	4,469	4,758	4,776	5,087	5,357
Govt secondary schools	3,232	3,418	3,554	3,664	3,753	3,993	4,299	4,576	4,617	4,851
Non-government schools	605	666	694	735	774	796	813	875	896	960
TAFE NSW	1,312	1,397	1,483	1,548	1,682	1,519	1,799	1,637	1,653	1,810
VET	212	259	231	209	204	187	265	274	314	371
Total	8,731	9,398	9,660	9,968	10,525	10,989	11,959	12,181	12,787	13,727

**Table 4.4.2.2 Growth in Department of Education and Training expenses (%)**

	03/04 to 04/05	04/05 to 05/06	05/06 to 06/07	06/07 to 07/08	07/08 to 08/09	08/09 to 09/10	09/10 to 10/11	10/11 to 11/12	11/12 to 12/13 (B)	10 yrs
Preschool/early childhood*	18.8	0.0	10.5	0.0	19.0	0.0	72.0	411.6	71.4	2,256
Govt primary schools	8.5	1.1	3.0	7.9	9.2	6.5	0.4	6.5	5.3	59.7
Govt secondary schools	5.8	4.0	3.1	2.4	6.4	7.7	6.4	0.9	5.1	50.1
Non-government schools	10.1	4.2	5.9	5.3	2.8	2.1	7.6	2.4	7.1	58.7
TAFE NSW	6.5	6.2	4.4	8.7	-9.7	18.4	-9.0	1.0	9.5	38.0
VET	22.2	-10.8	-9.5	-2.4	-8.3	41.7	3.4	14.6	18.2	75.0
Total	7.6	2.8	3.2	5.6	4.4	8.8	1.9	5.0	7.4	57.2

**Table 4.4.2.3 Growth in these expenses by Parliament (%)**

	Compound annual growth (%)		
	53rd	54th	55th
Preschool/early childhood*	7.0	19.6	196.1
Govt primary schools	3.7	5.9	5.9
Govt secondary schools	4.1	5.7	3.0
Non-government schools	3.7	4.5	4.7
TAFE NSW	5.7	1.4	5.2
VET	-1.4	7.0	16.4
Total	4.0	5.1	6.2

**Sources for above Tables:** The figures in Table 4.4.2.1 were supplied by NSW Treasury (except for 2012/13, which was taken from the Budget Estimates for that year). **Note:** Prior to 2010/11, the first category in the tables only included pre-school education services in government schools. In 2010/11, the new Department of Education and Communities took over from the Department of Human Services responsibility for early childhood licensing services (and this explains the large increase in expenses in this category from 2009/10 to 2010/11). **Note also:** the compound annual growth rates were calculated in the manner outlined in the introduction.

**4.4.3 Expenses for selected other agencies:** The following tables show expenses, and expenses growth, for a selected group of former and current key service delivery agencies (the former agencies are now components of a larger agency, as shown in Table 4.4.3.3). Note that in this case the figures are revised estimates rather than actual figures (the figures for 2012/13 are budget estimates). For agencies that have been restructured, the figures may not be entirely comparable (see notes following the tables).

For most of the selected agencies, expenses increased by between 60 percent and 80 percent over the ten-year period. Higher growth rates were experienced in Disability, Ageing and Home Care (92 percent), and the Ministry/Department of Transport (115 percent). Note that the decrease in Disability, Ageing, and Home Care expenses from 2011-12 to 2012/13 was due to "the change in funding responsibility for basic community care between the Commonwealth and NSW Governments" (Budget Estimates 2012-13, p4-5). For most of the selected agencies, the annual expenses growth during the current Parliament has been lower than in the previous two Parliaments (the exception is transport, which had much higher growth in the current Parliament).

**Table 4.4.3.1 Expenses for selected other agencies (\$m)**

Agency	03/04 (R)	04/05 (R)	05/06 (R)	06/07 (R)	07/08 (R)	08/09 (R)	09/10 (R)	10/11 (R)	11/12 (R)	12/13 (B)
Transport	2,595	2,832	3,343	3,484	3,355	4,306	4,528	4,339	5,070	5,586
Roads	2,010	2,236	2,260	2,359	2,591	2,688	3,615	3,047	3,244	3,222
Police	1,860	1,959	2,103	2,217	2,370	2,510	2,684	2,958	3,236	3,309
Corrective Services	659	729	776	843	900	980	1,024	1,089	1,120	1,056
Juvenile Justice	124	129	139	146	159	194	177	191	206	202
Disability, Ageing and Home Care	1,323	1,424	1,550	1,758	1,890	2,122	2,288	2,451	2,768	2,533
Community Services	839	940	1,012	1,125	1,300	1,449	1,570	1,512	1,612	1,407
Housing	492	446	535	534	527	896	2,159	1,226	725	889

**Table 4.4.3.2 Growth in expenses for selected other agencies (%)**

Agency	03/04 to 04/05 (R)	04/05 to 05/06 (R)	05/06 to 06/07 (R)	06-07 to 07/08 (R)	07/08 to 08/09 (R)	08/09 to 09/10 (R)	09/10 to 10/11 (R)	10/11 to 11/12 (R)	11/12 to 12/13 (B)	10yrs
Transport	9.1	18.0	4.2	-3.7	28.3	5.2	-4.2	16.8	10.2	115.3
Roads	11.2	1.1	4.4	9.8	3.7	34.5	-15.7	6.5	-0.7	60.3
NSW Police	5.3	7.4	5.4	6.9	5.9	6.9	10.2	9.4	2.3	77.9
Corrective Services	10.6	6.4	8.6	6.8	8.9	4.5	6.3	2.8	-5.7	60.2
Juvenile Justice	4.0	7.8	5.0	8.9	22.0	-8.8	7.9	7.9	-1.9	62.9
Disability, Ageing & Home Care	7.6	8.8	13.4	7.5	12.3	7.8	7.1	12.9	-8.5	91.5
Community Services	12.0	7.7	11.2	15.6	11.5	8.4	-3.7	6.6	-12.7	67.7
Housing	-9.3	20.0	-0.2	-1.3	70.0	141.0	-43.2	-40.9	22.6	80.7

**Table 4.4.3.3 Growth in these expenses by Parliament (%)**

	Compound annual growth (%)		
	53rd	54th	55th
Transport	8.8	5.6	13.5
Roads	6.6	6.6	2.8
NSW Police	6.8	7.5	5.8
Corrective Services	7.9	6.6	-1.5
Juvenile Justice	5.5	6.9	2.8
Disability, Ageing & Home Care	9.7	8.7	1.7
Community Services	11.6	7.7	-3.5
Housing	2.4	23.1	-14.8

**Sources for above Tables:** Budget Estimates in NSW Budget Papers from 2003-04 to 2012-13.

**Notes on Tables:** The following Table shows the agencies (in black) and service groups (in blue) that relate to the categories of expenses shown in the above Tables. The only adjustment that has been made to budget paper figures was deducting grants to the RTA from the expenses of the Department of Transport and Infrastructure and its successors (i.e. 2009/10 to 2012/13): these grants were not included in the Ministry of Transport's expenses in previous years. Note that the maritime component of Roads and Maritime Services (in 2012/13) could not be separated out to make the figures entirely comparable with the RTA figures for previous years. Note also that between 2011/12 and 2012/13, specialist homelessness services were reallocated from Community Services to Housing.

**Note also:** the compound annual growth rates were calculated in the manner outlined in the introduction.

**Table 4.4.3.4 Coverage of the Tables 4.6.1 to 4.6.3**

2003/04 to 2008/09	2009/10 to 2010/11	2011/12	2012/13
Ministry of Transport	Transport and Infrastructure	Transport	Transport for NSW
Roads and Traffic Authority	Roads and Traffic Authority	Roads and Traffic Authority	Roads & Maritime Services
NSW Police	NSW Police	NSW Police	NSW Police
Corrective Services Custody management Supervision of offenders in the community Offenders program	Justice & Attorney-Genera Custody management Supervision of offenders in the community Offenders program	Attorney General & Justice Custody management Supervision of offenders in the community Offenders program	Attorney General & Justice Custody management Supervision of offenders in the community Offenders program

2003/04 to 2008/09	2009/10 to 2010/11	2011/12	2012/13
Juvenile Justice Youth Justice conferencing Community based services Custodial services	Human Services Non-custodial services Custodial services	Attorney General & Justice Community-based services Juvenile custodial services	Attorney General & Justice Community-based services Juvenile custodial services
Disability, Ageing & Home Care Ongoing community support Short-term interventions Supported accommodation	Human Services Ongoing community support Short-term interventions Supported accommodation	Family & Community Services Community support... Short-term interventions... Supported accommodation...	Family & Community Services Community support... Short-term interventions... Supported accommodation...
Community Services Community services Prevention/early intervention Statutory child protection Out of home-care	Human Services Community services Prevention/early intervention Statutory child protection Out of home-care	Family & Community Services Community development & support Prevention/early intervention Statutory child protection Out of home-care	Family & Community Services Community development & support Prevention/early intervention Statutory child protection Out of home-care
Ministry of Housing Housing policy & assistance	Human Services Housing policy & assistance	Family & Community Services Housing policy & assistance	Family & Community Services Housing policy & assistance

## 5. CAPITAL EXPENDITURE

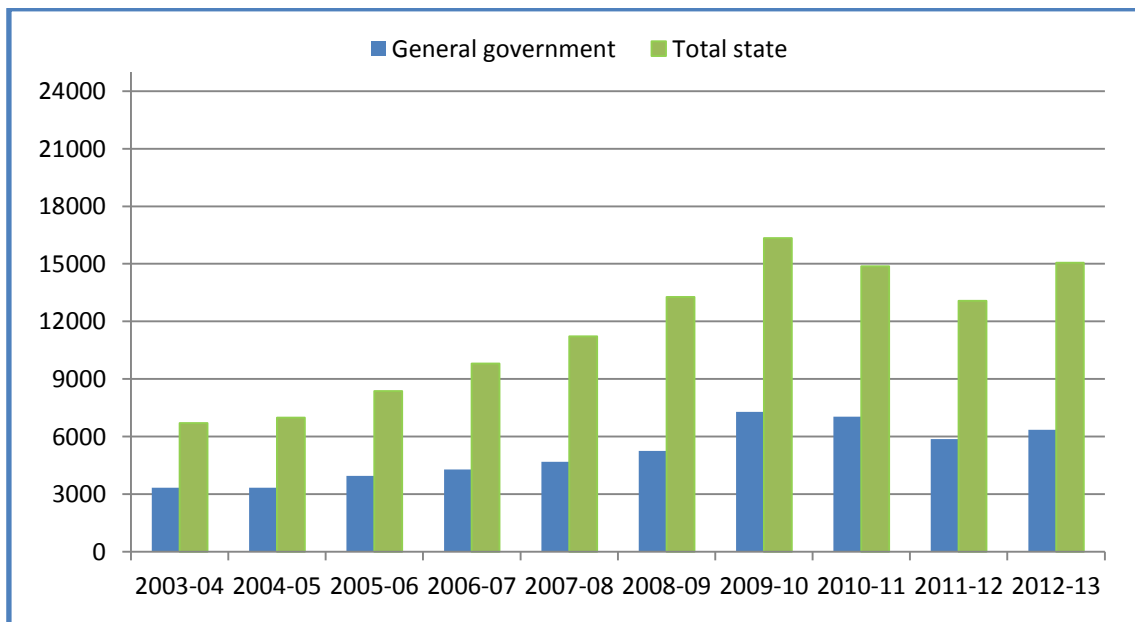
### 5.1 Total capital expenditure

Table 5.1.1 shows total capital expenditure for the general government and total state sectors (which, as noted earlier, also includes the public trading enterprise and public financial enterprise sectors). General government capital expenditure increased by 91 percent over the ten-year period (including the forecast for 2012/13), whereas total state capital expenditure increased by 125 percent. General government capital expenditure is expected to be 1.3 percent of Gross State Product in 2012/13 (compared to 1.1 percent in 2003/04). Total state capital expenditure is expected to be 3.1 percent of GSP in 2012/13 (compared to 2.3 percent in 2003/04). Federal economic stimulus payments contributed to the higher levels of capital expenditure in recent years (see NSW Budget papers 2012-13, *Infrastructure Statement*, p1-3).

**Table 5.1.1 Total capital expenditure (\$m) and growth (%)**

	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13 (B)
General government	3,332	3,343	3,949	4,295	4,689	5,264	7,286	7,047	5,880	6,356
% of GSP	1.1	1.1	1.2	1.2	1.2	1.3	1.8	1.6	1.3	1.3
Annual change (%)	N/A	0.3	18.1	8.8	9.2	12.3	38.4	-3.3	-16.6	8.1
10yr change (%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	90.8
Total state	6,708	6,986	8,378	9,805	11,216	13,276	16,347	14,868	13,076	15,063
% of GSP	2.3	2.2	2.5	2.8	3.0	3.4	4.0	3.4	2.8	3.1
Annual change (%)	N/A	4.1	19.9	17.0	14.4	18.4	23.1	-9.0	-12.1	15.2
10yr change (%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	124.6

**Chart 5.1.1 Total capital expenditure (\$m)**



**Source:** NSW Budget Papers 2012-13, *Budget Statement*, p1-29 (table 1.4) and p1-30 (table 1.5); and *Report on State Finances 2011-12*, p5-7 (for 2010/11 and 2011/12 figures).

Table 5.1.2 shows the annual growth in capital expenditure for the past two Parliaments and the first two years of the current Parliament. In the general government sector, the annual growth in capital expenditure for the past two Parliaments was 6.4 percent and 13.2 percent respectively, compared to negative growth during the first two years of the current Parliament. In the total state sector, the annual growth for the past two Parliaments was 10 percent and 11 percent respectively, compared to 0.7 percent during this Parliament.

**Table 5.1.2 Total capital expenditure growth by Parliament (%)**

	Compound annual growth (%)		
	53rd	54th	55th
General government	6.4	13.2	-0.5
Total State	10.0	11.0	0.7

**Note:** the compound annual growth rates were calculated in the manner outlined in the introduction.

## 5.2 Capital expenditure by policy area

The following tables show capital expenditure by policy area, growth by policy area over the ten-year period, and trends for the past two Parliaments, and the current Parliament. The *NSW Financial Audit* provides an analysis of capital expenditure growth by policy area up to 2010/11 (p3-3, p3-11).

Transport and communications is the policy area that has had the largest capital program over the past ten years, and it increased its share of the capital program from 33 percent in 2003/04 to 41 percent in 2012/13. The second largest policy area for capital expenditure was electricity (which changed to "fuel and energy" in 2012/13). This policy area also significantly increased its share of the capital program over the years (from 21 percent in 2003/04 to 28 percent in 2012/13). Together, these two policy areas - transport and communications, and fuel and energy – now comprise almost 70 percent of the capital program, compared to 53 percent in 2003/04. Housing and community amenities is the third largest sector of the capital program but its share has decreased over the years (9.8 percent in 2012/13 compared to 14.6 percent in 2003/04). Other policy areas that have seen their share of capital expenditure decrease are education, public order and safety, and recreation and culture.

Table 5.2.4 shows the trends in capital expenditure over the past two Parliaments and the current Parliament. During the current Parliament, annual growth in capital expenditure on recreation and culture, and on social security and welfare, has been much higher than in the past two Parliaments. In contrast, housing and community amenities, and education, have had much lower annual growth in capital expenditure during the current Parliament (this is probably explained by the decline in Federal stimulus payments). Over the past two Parliaments, there has been higher annual growth in capital expenditure on health but lower growth in expenditure on public order and safety.



**Table 5.2.3 Growth in total state capital expenditure by policy area (%)**

Policy area	03/04 to 04/05	04/05 to 05/06	05/06 to 06/07	06/07 to 07/08	07/08 to 08/09	08/09 to 09/10	09/10 to 10/11	10/11 to 11/12	11/12 to 12/13 (B)	10yrs
Transport and communications	0.6	23.5	19.3	8.4	15.2	22.6	1.0	8.6	12.1	179.0
Fuel and Energy	8.3	21.1	24.6	15.9	38.2	-10.9	4.8	6.1	17.2	203.7
Housing and community amenities	9.5	28.0	18.4	41.0	18.8	21.8	-29.7	-38.9	3.0	49.8
Health	9.7	24.8	-6.7	11.6	13.5	-3.0	21.1	-7.9	33.2	132.8
Education	2.6	8.7	22.1	-0.7	21.5	288.7	-30.0	-64.6	-20.9	25.3
Public order and safety	-27.5	17.4	11.1	-19.4	15.8	-6.3	5.5	-4.3	6.4	-11.1
Recreation and culture	-6.2	23.2	12.3	85.3	-31.4	-38.3	10.9	0.0	45.3	64.0
Environment and natural resources	-8.5	-13.0	17.0	-34.5	27.8	26.1	55.2	-72.2	N/R	N/R
Social security and welfare	22.9	88.1	-0.9	-1.8	48.1	17.5	-43.1	-3.7	88.3	304.2
Other	33.9	-9.9	9.1	-14.1	-13.5	17.0	-3.9	-10.4	45.3	43.0
<b>Total</b>	<b>4.1</b>	<b>19.9</b>	<b>17.0</b>	<b>14.4</b>	<b>18.4</b>	<b>23.1</b>	<b>-9.0</b>	<b>-11.5</b>	<b>14.0</b>	<b>123.6</b>

**Table 5.2.4 Trends in capital expenditure by Parliament (%)**

Policy area	Average share of total (%)			Compound annual growth (%)		
	53rd	54th	55th	53rd	54th	55th
Transport and communications	32.6	31.7	41.3	8.5	11.5	10.3
Fuel and Energy	21.6	23.2	27.6	16.2	10.6	11.5
Housing and community amenities	15.8	19.3	10.3	12.9	9.5	-20.7
Health	6.5	5.1	6.2	2.2	10.4	10.7
Education	6.1	10.0	4.4	8.8	34.6	-47.0
Public order and safety	5.7	3.1	3.1	9.5	-2.0	0.9
Recreation and culture	3.1	2.7	2.2	4.0	-3.4	20.5
Environment and natural resources	0.7	0.4	N/R	-1.3	13.1	N/R
Social security and welfare	1.0	1.0	1.0	19.5	-0.7	34.7
Other	6.9	3.5	3.8	4.6	-4.4	14.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>10.0</b>	<b>11.0</b>	<b>0.4</b>

**Sources for above Tables:** The figures in Table 5.2.1 were supplied by NSW Treasury. **Note:** the compound annual growth rates were calculated in the manner outlined in the introduction.

### 5.3 Capital expenditure by funding sources

Table 5.3.1 shows general government and total state capital expenditure by funding sources for the four years up to June 2008 and the four years up to June 2012. It can be seen that in the four years up to June 2008, budget surpluses (positive net operating balances) funded the vast majority of general



government and total state capital expenditure (80 percent and 69 percent respectively). In contrast, in the four years to June 2012, budget surpluses funded less than half of general government and total state capital expenditure. In the second period, an increase in net debt and accruals/provisions/other funded a much greater share of the capital program.

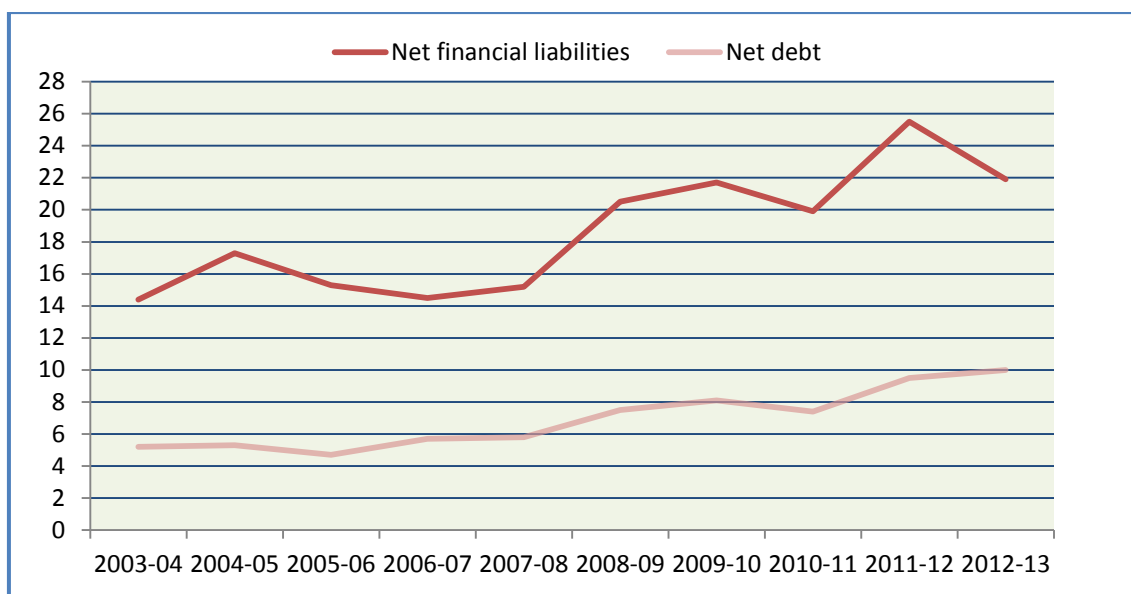
**Table 5.3.1 Capital expenditure by funding sources (\$m, %)**

Funding sources	4yrs to June 2008		4yrs to Jun 2012	
	\$m	%	\$m	%
<b>General government</b>				
Net operating balance (net of depreciation)	13,086	80	12,398	49
Sale of non-financial assets	1,913	12	1,867	7
Increase in net debt	2,402	15	8,229	32
Accruals/ provisions/ other	-984	-6	3,064	12
<b>Total sources of funding</b>	<b>16,417</b>	<b>100</b>	<b>25,558</b>	<b>100</b>
<b>Total state</b>				
Net operating balance (net of depreciation)	25,049	69	28,637	49
Sale of non-financial assets	3,288	9	3,230	6
Increase in net debt	9,023	25	17,661	31
Accruals/ provisions/ other	-864	-2	8,353	14
<b>Total sources of funding</b>	<b>36,496</b>	<b>100</b>	<b>57,881</b>	<b>100</b>

**Sources:** NSW Budget Papers 2012-13, *Budget Statement*, p7-3 (table 7.2) and p7-9 (table 7.5); and Budget Papers 2008/09, *Budget Statement*, p6-4 (table 6.2) and p6-6 (table 6.4). The total State figures have been calculated by combining the general government and public trading enterprise sectors.





**Chart 6.1.2 Net debt and net financial liabilities – total state (% of GSP)**

**Sources:** NSW Budget Papers 2012-13, *Budget Statement*, p1-29 (table 1.4) and p1-30 (table 1.5); and *Report on State Finances 2011-12*, p1-4 (for 2010/11 and 2011/12 figures).

As outlined in Table 6.1.3, the annual growth in net debt and net financial liabilities was much higher over the 54<sup>th</sup> Parliament and in the first years of the current Parliament than it was during the 53<sup>rd</sup> Parliament. The annual growth in net debt has been higher in the current Parliament than the 54<sup>th</sup> Parliament, but annual growth in net financial liabilities was higher in the 54<sup>th</sup> Parliament.

**Table 6.1.3 Growth in net debt and financial liabilities by Parliament (%)**

	Compound annual growth (%)		
	53rd	54th	55th
General government Net debt	0.0	21.5	48.4
General government Net financial liabilities	0.3	17.9	10.9
Total State Net debt	6.6	12.9	21.6
Total State Net financial liabilities	4.6	14.4	9.9

**Note:** the compound annual growth rates were calculated in the manner outlined in the introduction.

## 6.2 Financial liabilities by type

The following tables show the composition and growth of financial liabilities for the general government and total state sectors over the past five years. Note that the first category of financial liabilities in the tables, "gross debt", includes finance leases, other borrowings, deposits, and advances received.

In the general government sector, superannuation provisions have generally been the largest category of financial liabilities but gross debt is expected to be the largest category in 2012/13 (36.2 percent for gross debt compared to 35.5 percent for superannuation). Gross debt increased by 82 percent over the five

years (including the forecast for 2012/13). In contrast, superannuation provisions increased by only 6 percent.

In the total state sector, gross debt has been the largest category of financial liabilities and its share has grown over the five year period (from 46 percent in 2008/09 to an estimated 54 percent in 2012/13). Superannuation is the second largest category and has declined from 28 percent to an estimated 24 percent. Gross debt increased by 50 percent over the five years (including 2012/13), while superannuation increased by only 7 percent. The second largest increase over the five years was for insurance claims (42 percent).

**Table 6.2.1 Financial liabilities - general government (\$m: %)**

	08/09	09/10	10/11	11/12	12/13 (B)
Gross debt	17,569 (25.4%)	19,959 (26.1%)	24,678 (30.2%)	28,874 (28.1%)	31,916 (36.2%)
Superannuation provisions	29,409 (42.5%)	32,722 (42.8%)	32,333 (39.6%)	47,181 (45.9%)	31,266 (35.5%)
Insurance claims	7,017 (10.1%)	7,463 (9.8%)	7,562 (9.3%)	7,979 (7.8%)	8,621 (9.8%)
Other provisions	947 (1.4%)	1,113 (1.5%)	1,159 (1.4%)	1,355 (1.3%)	1,206 (1.4%)
Leave entitlements	7,247 (10.5%)	7,893 (10.3%)	8,258 (10.1%)	9,307 (9.1%)	8,065 (9.2%)
Other employee provisions	163 (0.2%)	178 (0.2%)	526 (0.6%)	413 (0.4%)	221 (0.3%)
Tax liabilities	927 (1.3%)	850 (1.1%)	707 (0.9%)	798 (0.8%)	712 (0.8%)
Payables & other liabilities	5,935 (8.6%)	6,206 (8.1%)	6,484 (7.9%)	6,916 (6.7%)	6,099 (6.9%)
<b>Total</b>	<b>69,214 (100%)</b>	<b>76,384 (100%)</b>	<b>81,707 (100%)</b>	<b>102,822 (100%)</b>	<b>88,108 (100%)</b>

**Table 6.2.2 Growth in financial liabilities - general government (%)**

	08/09 to 09/10	09/10 to 10/11	10/11 to 11/12	11/12 to 12/13 (B)	5yrs
Gross debt	13.6	23.6	17.0	10.5	81.7
Superannuation provisions	11.3	-1.2	45.9	-33.7	6.3
Insurance claims	6.4	5.7	5.5	8.0	22.9
Other provisions	17.5	4.0	16.9	-11.0	27.3
Leave entitlements	8.9	4.6	12.7	-13.3	11.3
Other employee provisions	9.2	12.9	-21.5	-46.5	35.6
Tax liabilities	-8.3	-16.8	12.9	-10.8	-23.2
Payables & other liabilities	4.6	4.5	6.7	-11.8	2.8
<b>Total</b>	<b>10.4</b>	<b>7.0</b>	<b>25.8</b>	<b>-14.3</b>	<b>27.3</b>

**Sources for above Tables:** NSW Budget Papers 2012-13, *Budget Statement*, p7-2 (table 7.1); and *Report on State Finances 2011-12*, p5-9, p5-65, and p5-81 (for 2010/11 and 2011/12 figures).

**Table 6.2.3 Financial liabilities – total state (\$m: %)**

	08/09	09/10	10/11	11/12	12/13 (B)
Gross debt	51,048 (46.3%)	60,289 (48.5%)	64,620 (49.8%)	74,945 (47.2%)	76,465 (53.9%)
Superannuation provisions	30,986 (28.1%)	34,530 (27.8%)	34,054 (26.2%)	50,922 (32.1%)	33,292 (23.5%)
Insurance claims	7,874 (7.1%)	8,729 (7.0%)	9,234 (7.1%)	10,003 (6.3%)	11,205 (7.9%)
Other provisions	1,450 (1.3%)	1,590 (1.3%)	1,775 (1.4%)	1,891 (1.2%)	1,524 (1.1%)
Leave entitlements	8,787 (8.0%)	9,480 (7.6%)	9,912 (7.6%)	11,238 (7.1%)	9,883 (7.0%)
Other employee provisions	429 (0.4%)	415 (0.3%)	755 (0.6%)	728 (0.5%)	469 (0.3%)
Payables & other liabilities	9,626 (8.7%)	9,268 (7.5%)	9,495 (7.3%)	8,898 (5.6%)	8,958 (6.3%)
<b>Total</b>	<b>110,200</b> (100%)	<b>124,297</b> (100%)	<b>129,845</b> (100%)	<b>158,625</b> (100%)	<b>141,797</b> (100%)

**Table 6.2.4 Growth in financial liabilities – total state (%)**

	08/09 to 09/10	09/10 to 10/11	10/11 to 11/12	11/12 to 12/13 (B)	5yrs
Gross debt	18.1	7.2	16.0	2.0	49.8
Superannuation provisions	11.4	-1.4	49.5	-34.6	7.4
Insurance claims	10.9	9.2	8.3	12.0	42.3
Other provisions	9.7	13.6	6.5	-19.4	5.1
Leave entitlements	7.9	4.8	13.4	-12.1	12.5
Tax liabilities	-3.3	0.2	-3.6	-35.6	9.3
Payables & other liabilities	-3.7	2.4	-6.3	0.7	-6.9
<b>Total</b>	<b>12.8</b>	<b>4.5</b>	<b>22.2</b>	<b>-10.6</b>	<b>28.7</b>

**Sources for above Tables:** NSW Budget Papers 2012-13, *Budget Statement*, p7-12 (table 7.6); and *Report on State Finances 2011-12*, p5-9, p5-65, and p5-81 (for 2010/11 and 2011/12 figures).

### 6.3 Interest expenses

The table below shows interest expenses for the general government and total state sectors over the past ten years. In both sectors, interest expenses increased by more than 170 percent. Similarly, there was a significant increase in interest expenses as a proportion of total revenue. In the general government sector, interest expenses increased from 2.1 percent of revenue in 2003/04 to an estimated 3.6 percent of revenue in 2012/13. In the total state sector, interest expenses increased from 3.6 percent of revenue in 2003/04 to an estimated 6.4 percent of revenue in 2012/13.

**Table 6.3.1 Interest expenses – general government and total state (\$m)**

	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13 (B)
General government	789	1,190	1,184	1,257	1,300	1,468	1,653	1,826	2,061	2,147
% of revenue	2.1	3.0	2.8	2.8	2.7	3.0	2.9	3.2	3.5	3.6
Annual change (%)		50.8	-0.5	6.2	3.4	12.9	12.6	10.5	12.9	4.2
Total state	1,675	2,143	2,210	2,008	2,843	3,152	3,513	4,149	4,188	4,640
% of revenue	3.6	4.4	4.2	3.7	4.8	5.2	5.3	6.0	5.9	6.4
Annual change (%)		27.9	3.1	-9.1	41.6	10.9	11.5	18.1	0.9	4.2

**Source:** NSW Budget Papers 2012-13, *Budget Statement*, p1-19 (table 1.4) and p1-30 (table 1.5); and *Report on State Finances 2011-12*, p5-6 (for 2010/11 and 2011/12 figures).

## 6.4 Credit rating metrics

The NSW Government's credit-worthiness has for many years been rated by two rating agencies: Standard and Poors (S&P) and Moody's. NSW has held a AAA rating (the highest rating) throughout its rating history. The credit rating history and process is discussed in the *NSW Financial Audit* (p1-33 to 1-42). As noted in that report, the rating agencies conduct annual reviews, considering a range of factors including the economy, financial management, and debt profile. Each agency puts special emphasis on a key balance sheet metric:

- The S&P metric is net debt and net unfunded superannuation as a ratio of revenue (excluding the public financial enterprise sector). S&P sets trigger band limits for this metric to remain consistent with a Triple-A rating; for NSW, this band is 120 to 130 percent.
- The Moody's metric is total state gross non-commercial debt as a ratio of general government sector revenue. Moody's has not set formal trigger bands but it "has said informally that the NSW ratio should not be allowed to exceed 60-70 percent" (*NSW Financial Audit*, p1-38).

Table 6.4.1 shows the S&P and Moody's metrics for NSW, as outlined in the budget papers. It can be seen that the metrics have deteriorated over the past decade. Based on revised budget estimates, in the case of S&P, the metric was very close to the trigger band in 2011/12 and is expected to be close in 2012/13. Based on the Auditor-General's calculations (as at October 2012), the S&P metric was actually around 135 percent in 2011/12 (above the trigger band), but is expected to drop to around 115 percent in 2012/13 (Auditor-General, *NSW Financial Audit: Volume Three*, p35). Based on revised budget estimates, the Moody's metric was within the informal trigger band in 2011/12, and is expected to exceed the upper bound in 2012/13.

In October 2012, S&P affirmed the AAA rating for NSW but revised its outlook for NSW from stable to negative (see [press release](#)). This reflected its view that "there is a one in three chance of a downgrade in the coming 24 months, based on our view that NSW's budgetary performance could weaken and might not provide NSW with the capacity to undertake its infrastructure program while

managing to contain its debt burden.” In contrast, in March 2012, Moody's stated that the outlook for NSW remained stable (see [press release](#)).

**Table 6.4.1 Credit rating metrics (%)**

	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12 (R)	12/13 (B)
S&P	61.1	80.5	64.7	63.6	69.7	100.2	103.9	98.5	118.2	114.4
Moody's	46.8	50.6	39.6	40.9	44.5	57.2	59.2	59.3	63.0	71.4

**Source:** NSW Budget Papers 2012-13, *Budget Statement*, p1-29 (table 1.4)