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Trends in NSW State finances: 2002-03 to 2014-15

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by Lenny Roth

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Trends in NSW State finances: 2002-03 to 2014-15

by

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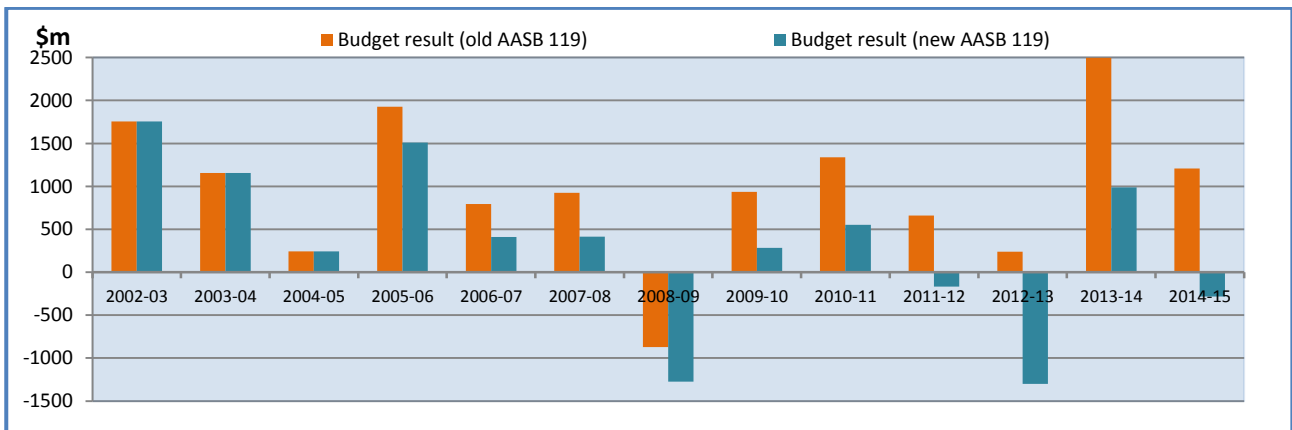
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SUMMARY

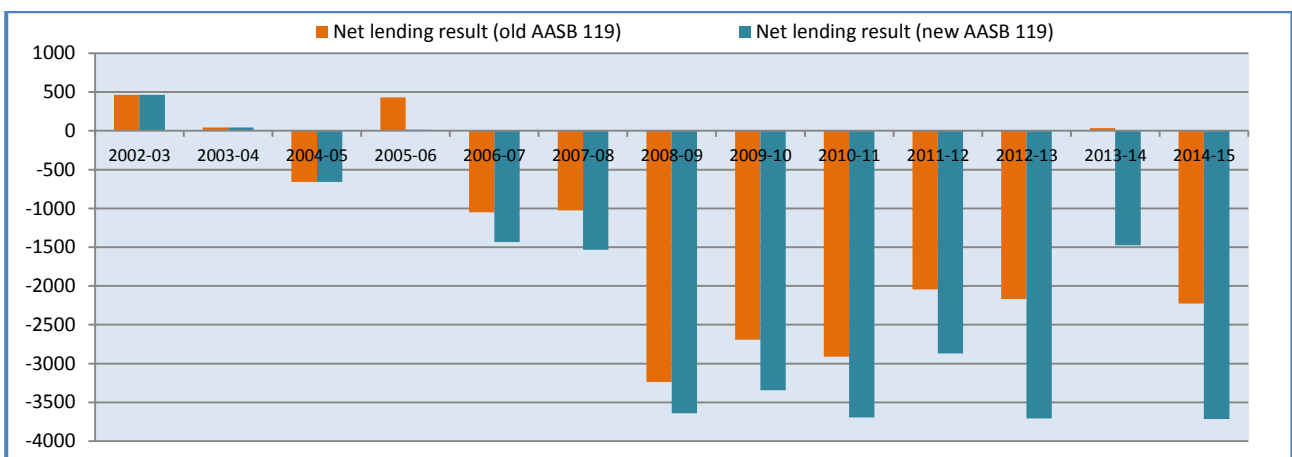
This paper reports on trends in NSW State finances between 2002-03 and 2014-15 (the latest two years are based on estimates only). For most of the key indicators, the paper also shows trends by Parliament for the current (55th) Parliament and the previous two (54th and 53rd) Parliaments. This paper sets out the key trends but only briefly discusses the reasons for the trends. A more detailed 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 major impact on the trends outlined in this paper. This is especially the case from 2009-10 to 2011-12 with the Federal Government's economic stimulus payments, which were a response to the global financial crisis.

This paper draws on a number of key sources including the *NSW Financial Audit 2011*, *NSW Budget Papers*, and figures supplied by NSW Treasury. Note that the 2013-14 and 2014-15 budgets have been prepared on the basis of an amended accounting standard (AASB 119 Employee Benefits) which affects the measurement of superannuation. As a result, in both of these years superannuation expense estimates were \$1.5 billion greater than they would have been under the old version of the standard. In this paper, some indicators are presented with two sets of figures – the figures under the old AASB 119 (with the 2013-14 and 2014-15 estimates adjusted to the old standard) and the figures under the new AASB 119 (with the figures in previous years adjusted retrospectively).

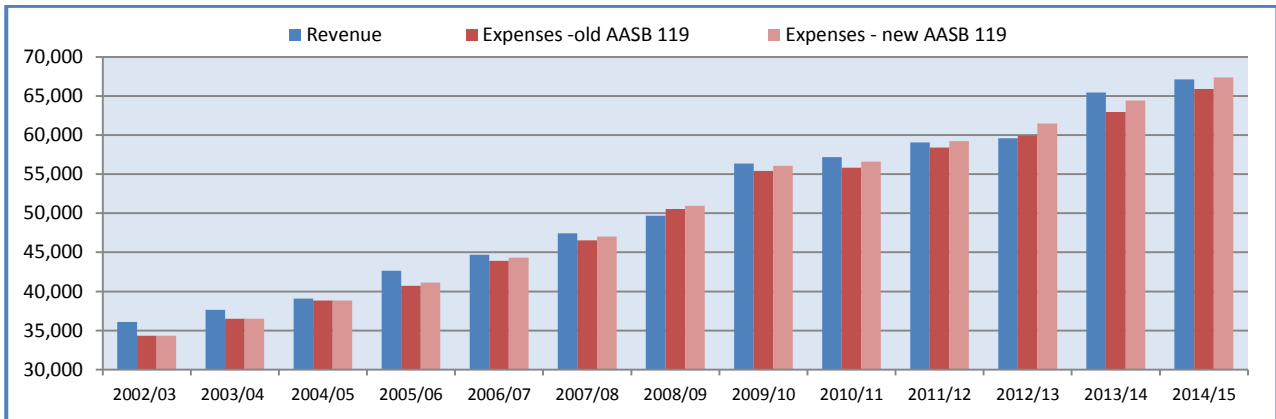
Budget result (\$m) [Section 2.1]



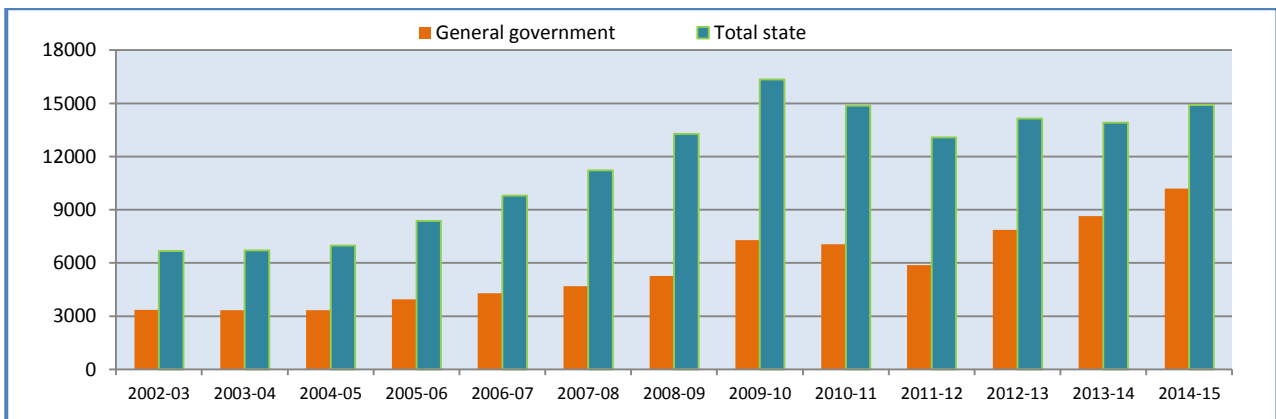
Net lending result (\$m) [Section 2.3]



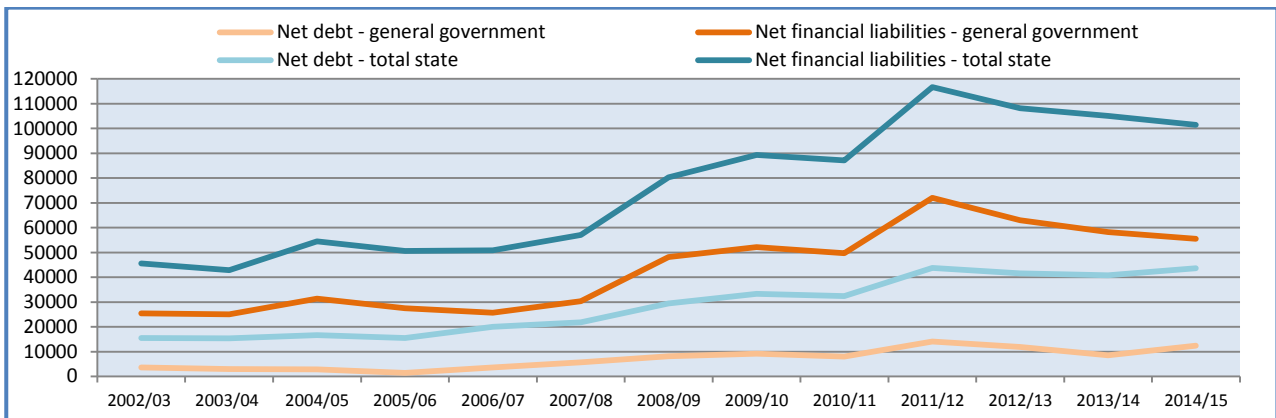
Revenue and expenses (\$m) [Sections 3.1 and 4.1]



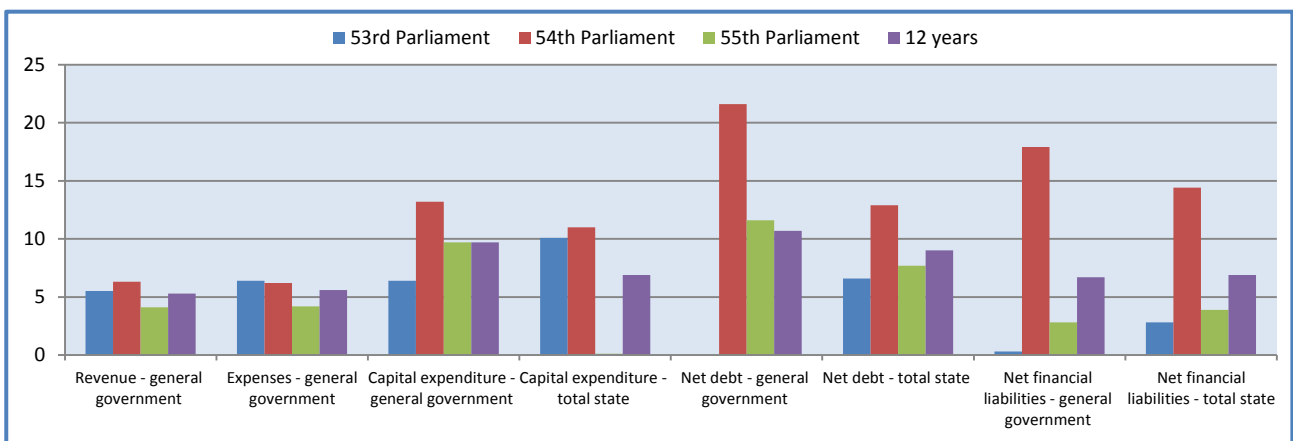
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Net debt and net financial liabilities (\$m) [Section 6.1]



Various indicators: average annual growth by Parliament and over 12 years (%)



1. INTRODUCTION

1.1 Outline

This paper reports on trends in NSW State finances between 2002-03 and 2014-15 (inclusive). For most of the key indicators, the paper also shows trends by Parliament for the current (55th) Parliament and the previous two (54th and 53rd) Parliaments. 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).

1.2 Key sources

This paper draws on the following sources:

- The [NSW Budget Papers](#) (primarily the 2014-15 budget papers)
- The [NSW Financial Audit 2011](#)
- The [Report on State Finances 2012-13](#)
- Figures provided by NSW Treasury on expenditure by policy area

1.3 Note about figures

1.3.1 Nominal not constant/real figures: It is important to note that all figures in this paper are nominal figures, which have not been adjusted to take account of inflation.

1.3.2 Actual figures and estimates: The figures presented for the years 2002-03 to 2012-13 are actual figures for the relevant year. The figures for 2013-14 are revised budget estimates as indicated by the notation "(RE)". The figures for 2014-15 are budget estimates, as indicated by the notation "(BE)". In some tables, the notation (N/R) is used to indicate that the figure was not reported in that year.

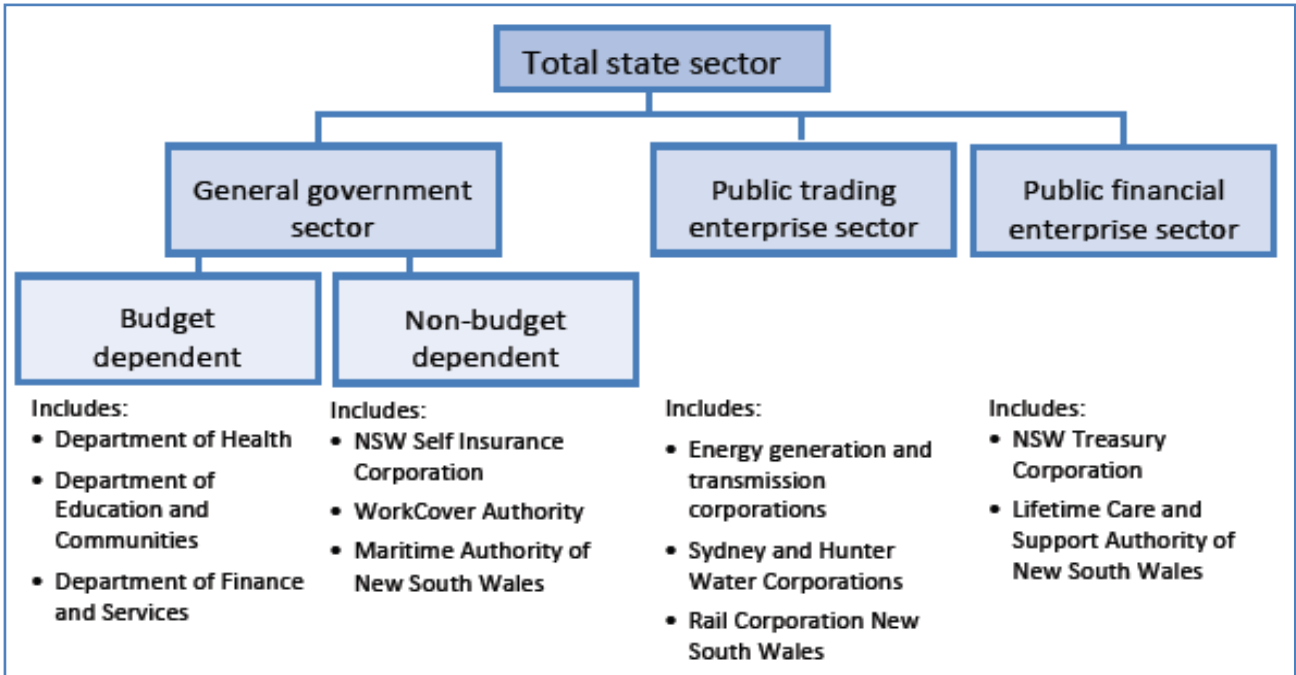
The 2013-14 and 2014-15 budgets have been prepared on the basis of an amended accounting standard (AASB 119 *Employee Benefits*) which affects the measurement of superannuation expenses (see NSW Budget Papers 2014-15, *Budget Statement*, p1-6). As a result, in both of these years superannuation expense estimates were \$1.5 billion greater than they would have been under the old version of the standard. In this paper, some indicators are presented with two sets of figures:

- the figures under the old AASB 119, with the 2013-14 and 2014-15 estimates adjusted to the old standard (these adjustments were made on the basis of NSW Budget Papers 2014-15, *Budget Statement* p1-6, Box1.2)
- the figures under the new AASB 119, with the figures in previous years adjusted retrospectively (these retrospectively adjusted figures are shown in the 2013-14 and 2014-15 Budget Papers)

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. The *budget result* and *net lending result* relate to the general government sector; the figures in Sections 2 to 4 of this paper (budget result, net lending result, revenue and expenses) are therefore presented for the general government

sector only. The indicators outlined in Sections 5 and 6 (capital expenditure and assets and liabilities) are presented for the general government sector and the total state sector.

Chart 1.3: Structure of the NSW public sector



Source: NSW Financial Audit 2011, p1-2

1.3.3 Growth rates: There are two types of growth rates reported here:

Annual growth rates: Annual growth rates show the rate of change in a value from one year to the next year (e.g. 2003-04 to 2004-05). They are calculated as follows:

$$GR = \frac{\text{Ending value} - \text{Beginning value}}{\text{Beginning value}}$$

Average annual growth rates: Trends over the whole time period (2002-03 to 2014-15) and by Parliament are shown by reporting the average annual growth rate for the relevant period. These rates were calculated as follows:

$$AGR = \left(\frac{\text{Ending value}}{\text{Beginning value}} \right)^{\left(\frac{1}{\text{number of years}} \right)} - 1$$

The years used to calculate the average annual growth rates are shown in the table below.

Period	Beginning	Ending	Number of years
53 rd Parliament	2002-03	2006-07	4
54 th Parliament	2006-07	2010-11	4
55 th Parliament	2010-11	2014-15	4
Whole time period	2002-03	2014-15	12

Note that all growth rates are nominal rates, which have not been adjusted for inflation.

2. BUDGET RESULT AND NET LENDING RESULT

2.1 Budget result

The budget result (or net operating balance) "represents the difference between expenses and revenues from transactions for the general government sector" (Budget Papers 2014-15, *Budget Statement*, pG1). The budget result does not take account of capital expenditure. The chart and table below show two sets of results – one on the basis of the old AASB 119; and the other on the basis of the new AASB 119 (see section 1.3 above). Based on the AASB 119 in force at the time, there was only one deficit result over time period: in 2008-09. Another deficit is forecast for 2014-15 (\$283 million).

It is important to note that Federal Government funding can have a major impact on budget results. This is particularly the case from 2008-09 to 2011-12 when it provided Economic Stimulus payments: e.g. without these payments, the 2009-10 budget surplus of \$935 million would have been a deficit of \$897 million. The budget results have also been impacted by the Federal Government bringing forward the timing of road grants to NSW (e.g. \$690 million brought forward from 2012-13 to 2011-12).

Chart 2.1.1 Budget result (\$m)

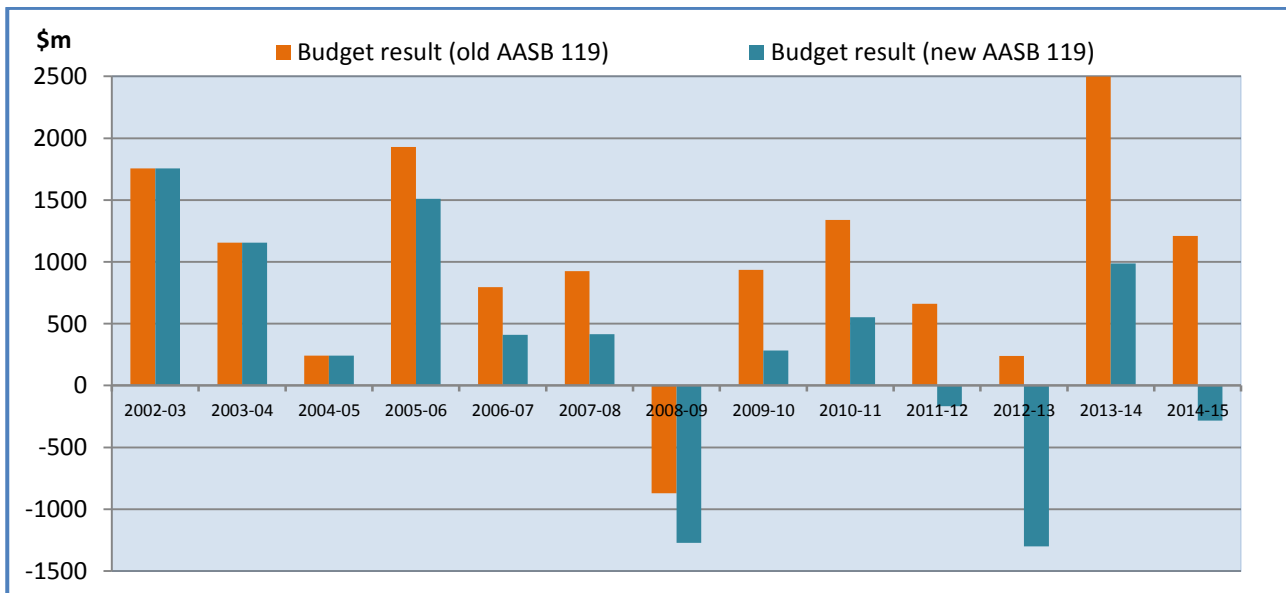


Table 2.1.1 Budget result (\$m)

	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)	14-15 (BE)
Revenue	36,070	37,657	39,085	42,634	44,705	47,449	49,684	56,344	57,168	59,003	60,131	65,437	67,113
Expenses – old AASB119	34,315	36,502	38,844	40,706	43,910	46,524	50,554	55,409	55,829	58,394	59,923	62,938	65,904
Expenses – new AASB119	34,315	36,502	38,844	41,143	44,311	47,036	50,957	56,061	56,615	59,220	61,462	64,449	67,396
Result – old AASB 119	1,755	1,155	241	1,928	795	925	-870	935	1,339	660	239	2,499	1,209
Result – new AASB 119	1,755	1,155	241	1,509	409	414	-1,273	283	553	-167	-1,300	988	-283

Sources: Budget result (old AASB 119) figures: the figures for 2002-03 are from NSW Budget Papers 2012-13, *Budget Statement*, p1-30 (table 1.5); the figures for 2003-04 to 2011-12 are from NSW Budget Papers 2013-14, *Budget Statement*, p1-30 (table 1.7); the figures for 2012-13 are from *Report on State Finances 2012-13*, p1-6; and the figures for 2013-14 to 2014-15 are from NSW Budget Papers 2014-15, *Budget Statement* p1-19 (table 1.3), with adjustments based on p1-6 (Box 1.2). Budget result (new AASB 119) figures: the figures for 2002-03 are from NSW Budget Papers 2012-13, *Budget Statement*, p1-30 (table 1.5); the other figures are from NSW Budget Papers 2014-15, *Budget Statement*, p1-19 (table 1.3).

2.2 Budget result variations

The actual budget results have been better than the forecast budget results in all years except for 2004-05 and 2008-09. The worse than expected result in 2008-09 (\$1.1 billion lower than expected) was largely a result of the global financial crisis. The positive variations have ranged from \$129 million to \$1.925 billion, and in five years, they were in excess of \$1 billion. In most cases, these positive variations were the result of higher than expected revenues. However, the better than expected results in 2010-11 and 2011-12 were due to expenses being under budget; and the better than expected result in 2012-13 was due to a combination of higher revenues and lower expenses.

Chart 2.2.1 Actual and forecast results (\$m)

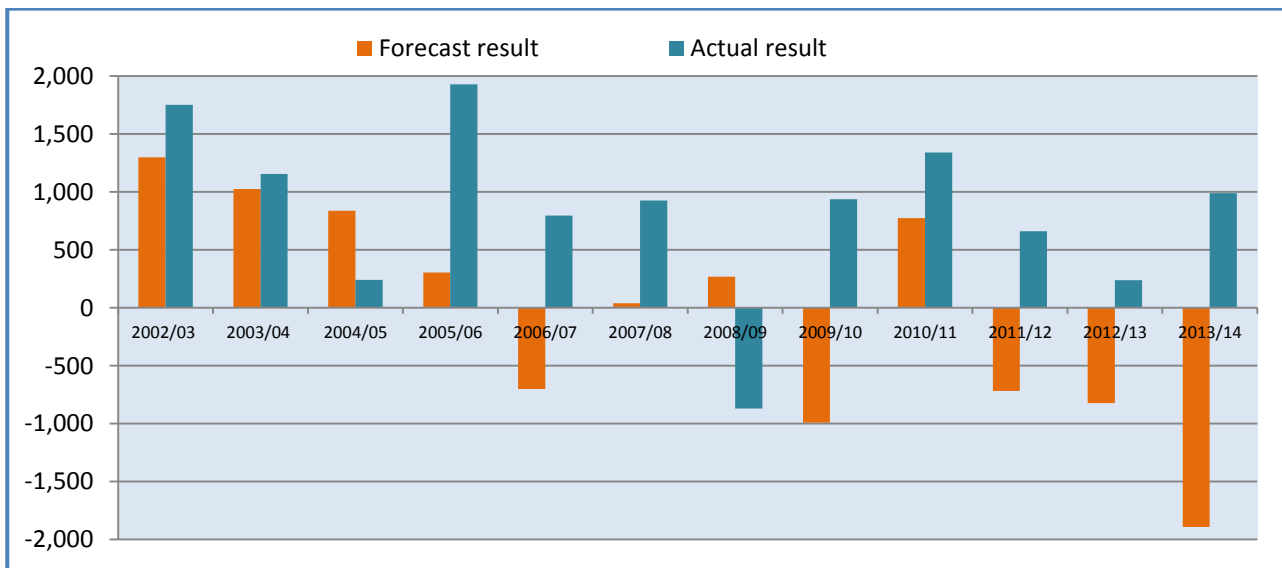


Chart 2.2.2 Variations in revenues and expenses: actual figures less budget estimates (\$m)

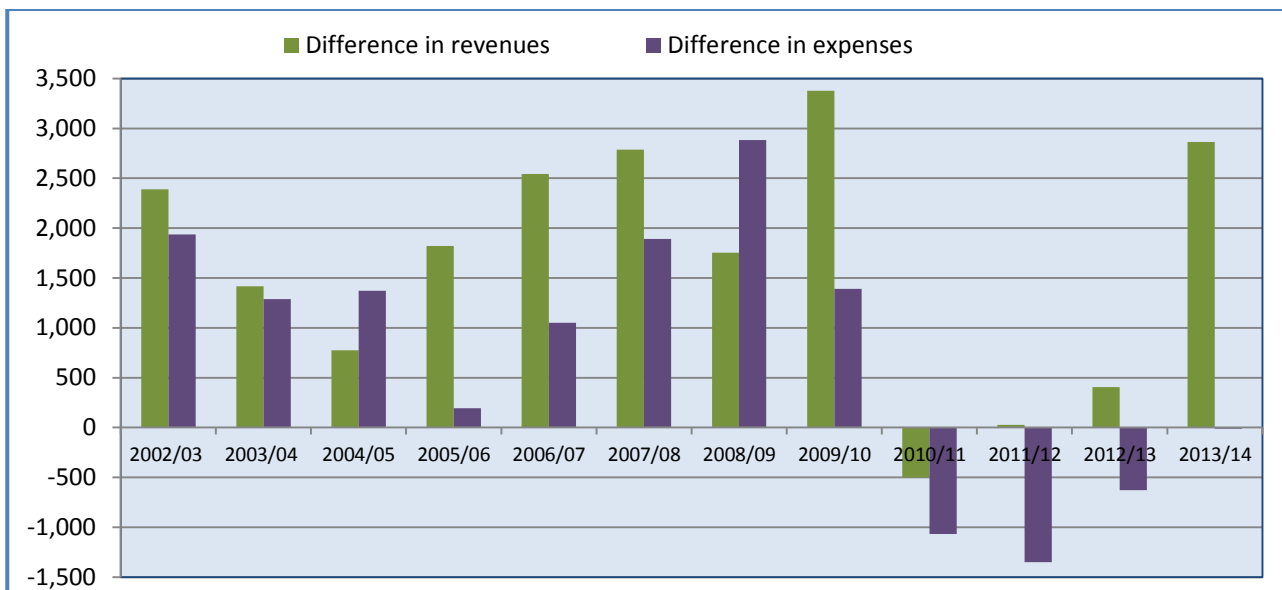


Table 2.2.1 Difference between actual and forecast results (\$m)

	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)
Forecast result	1,299	1,026	836	303	-700	40	268	-990	773	-718	-824	-1,890
Actual result	1,752	1,155	241	1,928	795	925	-870	935	1,339	660	239	988
Difference	+453	+129	-595	+1,625	+1,495	+885	-1,138	+1,925	+566	+1,378	+1,063	+2,878

Table 2.2.2 Variations in revenues and expenses: actual figures less budget estimates (\$m, %)

	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)
Revenue difference (\$)	+2,390	+1,415	+775	+1,821	+2,544	+2,786	+1,753	+3,376	-501	+28	+404	+2,864
Revenue difference (%)	7.1	3.9	2.0	4.5	6.0	6.2	3.7	6.4	-0.9	0.0	0.7	4.6
Expenses difference (\$)	+1,937	+1,289	+1,372	+195	+1,049	+1,891	+2,882	+1,392	-1,067	-1,350	-629	-13
Expenses difference (%)	6.0	3.7	3.7	0.5	2.4	4.2	6.0	2.6	-1.9	-2.3	-1.0	0.0

Note: The figures from 2002-03 to 2012-13 are on the basis of the old AASB 119 and the figures for 2013-14 are on the basis of the new AASB 119. **Sources:** The forecast results are from *NSW Financial Audit 2011*, p2-64 (table 2.4.1) and budget papers for 2011-12 to 2014-15. The actual result for 2002-03 is from NSW Budget Papers 2012-13, *Budget Statement*, p1-30 (table 1.5). The actual results for 2003-04 to 2011-12 are from NSW Budget Papers 2013-14, *Budget Statement*, p1-30 (table 1.7). The actual result for 2012-13 is from *Report on State Finances 2012-13*, p1-6. The revised result for 2013-14 is from NSW Budget Papers 2014-15, *Budget Statement*, p1-19 (table 1.3).

2.3 Net lending result

The *NSW Financial Audit 2011* noted that there had been too much focus on the budget result in recent years and not enough focus on the net lending result (p22). It stated that the net lending result:

...reports on the net impact of the general government sector's recurrent and capital activities, and their impact on the balance sheet (net financial liabilities). The net lending result is the sum of the net operating result before depreciation, and net capital expenditure (i.e. expenditure after asset sales).

A net lending deficit (i.e. net borrowings) means that funds generated from operations (the budget result before depreciation) plus asset sales are insufficient to fully fund the capital expenditure program, and the difference must be funded by borrowings. (p2-2)

There were net lending deficits in the seven years from 2006-07 to 2012-13, and most of these deficits exceeded \$2 billion. Deficits are also forecast for 2013-14 and 2014-15.

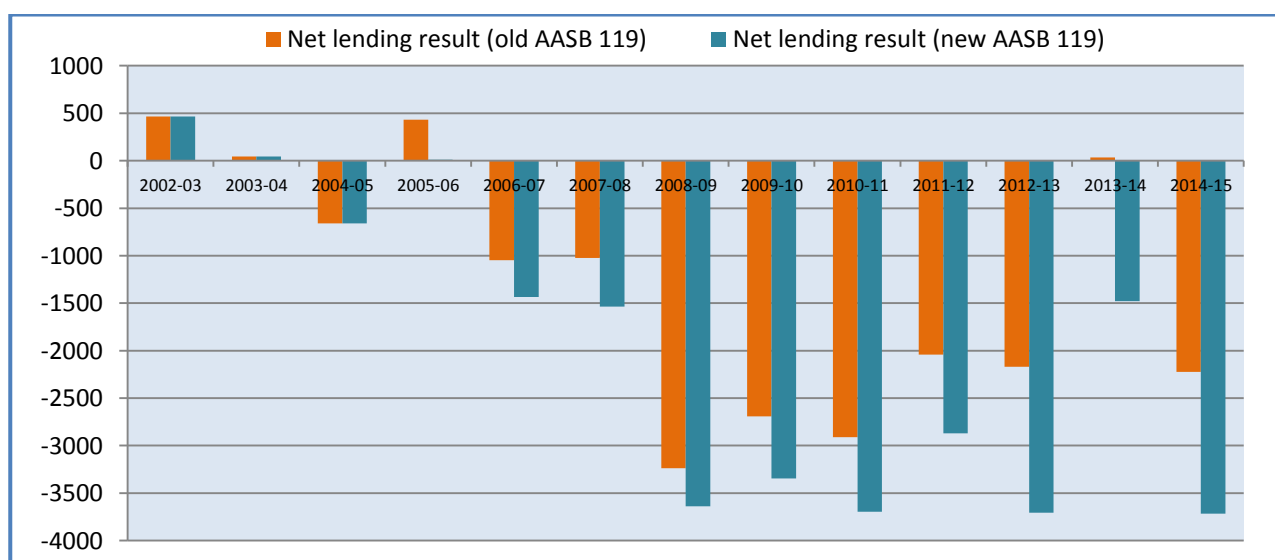
Chart 2.3.1 Net lending results (\$m)

Table 2.3.1 Net lending results (\$m)

	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)	14-15 (BE)
Net lending result – old AASB 119	464	44	-660	431	-1,049	-1,024	-3,237	-2,692	-2,911	-2,043	-2,168	34	-2,225
Net lending result – new AASB 119	464	44	-660	12	-1,435	-1,535	-3,640	-3,344	-3,697	-2,871	-3,707	-1,477	-3,717

Sources: Net lending result (old AASB 119) figures: the figures for 2002-03 are from NSW Budget Papers 2012-13, *Budget Statement*, p1-30 (table 1.5); the figures for 2003-04 to 2011-12 are from NSW Budget Papers 2013-14, *Budget Statement*, p1-30 (table 1.7); the figures for 2012-13 are from *Report on State Finances 2012-13*, p1-6; and the figures for 2013-14 to 2014-15 are from NSW Budget Papers 2014-15, *Budget Statement* p1-19 (table 1.3), with adjustments based on p1-6 (Box1.2). Net lending result (new AASB 119) figures: the figures for 2002-03 are from NSW Budget Papers 2012-13, *Budget Statement*, p1-30 (table 1.5); the other figures are from NSW Budget Papers 2014-15, *Budget Statement*, p1-19 (table 1.3).

3. REVENUE

3.1 Total revenue

This section looks at revenue in the general government sector. Over all years (including the 2014-15 estimate), average annual revenue growth is 5.3 per cent. During the current (55th) Parliament (including the 2014-15 estimate), average annual revenue growth is 4.1 per cent, compared to 6.3 per cent in the 54th Parliament and 5.5 per cent in the 53rd Parliament. The split between own-source revenue and Federal Government grants has remained relatively stable over the time period: 55-60 per cent (own-source): 40-45 per cent (Federal grants). The exception in 2009-10 (53:47) is largely explained by the Federal Government's economic stimulus payments (see further below).

Chart 3.1.1 Total revenue by source (\$m)

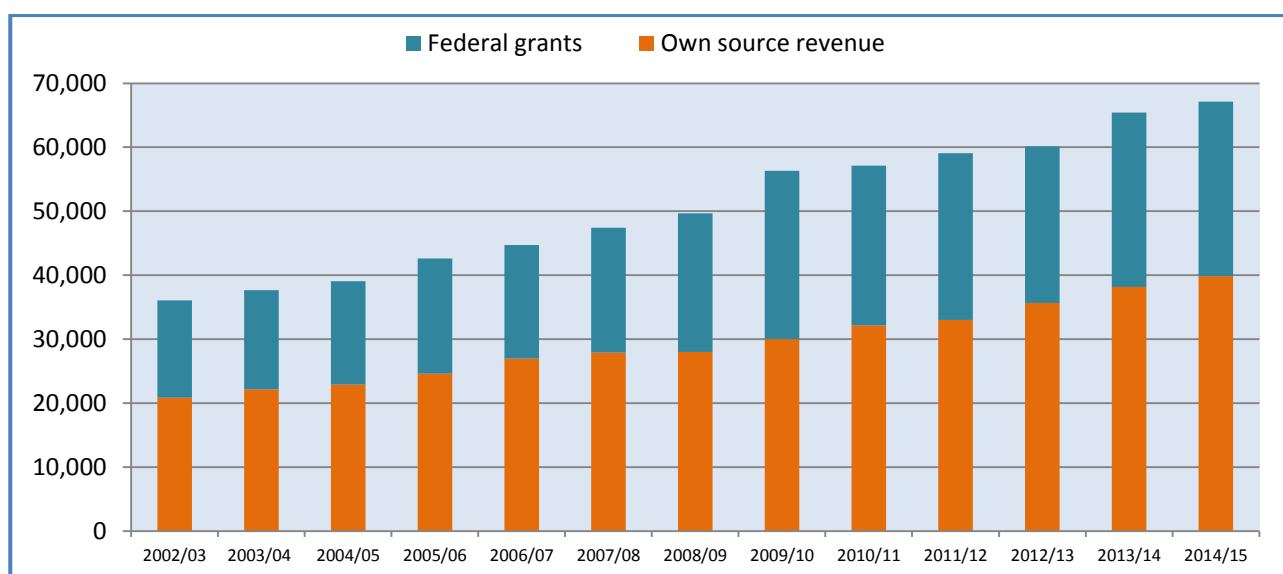


Table 3.1.1 Total revenue by source (\$m)

	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)	14-15 (BE)
Own source	20,841	22,160	22,891	24,594	26,947	27,905	27,978	30,023	32,169	33,012	35,666	38,156	39,841
Federal grants	15,226	15,493	16,191	18,040	17,751	19,528	21,692	26,319	24,975	26,042	24,465	27,281	27,272
Total revenue	36,067	37,653	39,084	42,634	44,697	47,434	49,669	56,342	57,144	59,054	60,131	65,437	67,113

Table 3.1.2 Total revenue by source (%)

	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)	14-15 (BE)
Own source	57.8	58.9	58.6	57.7	60.3	58.8	56.3	53.3	56.3	55.9	59.3	58.3	59.4
Federal grants	42.2	41.1	41.4	42.3	39.7	41.2	43.7	46.7	43.7	44.1	40.7	41.7	40.6
Total revenue	100	100	100	100	100	100	100	100	100	100	100	100	100

Table 3.1.3 Growth in total revenue by source (%)

	02-03 to 03-04	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	12-13 to 13-14 (RE)	13-14 to 14-15 (BE)
Own-source	6.3	3.3	7.4	9.6	3.6	0.3	7.3	7.1	2.6	8.0	7.0	4.4
Federal grants	1.8	4.5	11.4	-1.6	10.0	11.1	21.3	-5.1	4.3	-6.1	11.5	0.0
Total revenue	4.4	3.8	9.1	4.9	6.1	4.7	13.4	1.4	3.3	1.8	8.8	2.6

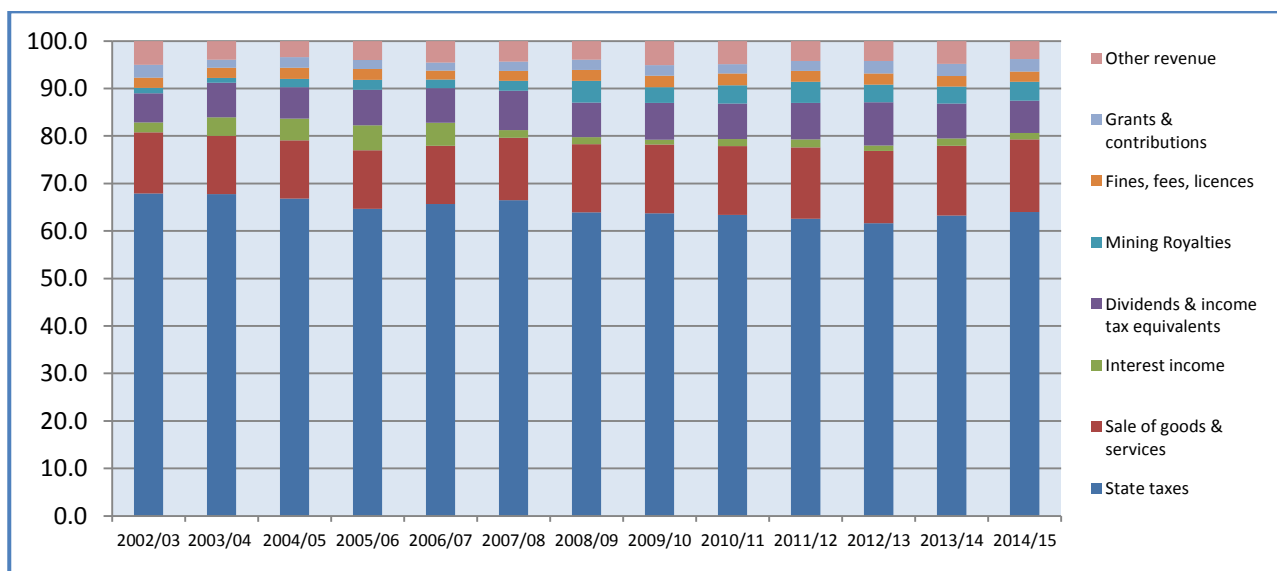
Table 3.1.4 Trends in total revenue by source: by Parliament and over 12 years (%)

	Average share of total (%)				Average annual growth (%)			
	53rd	54th	55th	12yr	53rd	54th	55th	12yr
Own source	58.8	56.2	58.2	57.8	6.6	4.5	5.5	5.5
Federal grants	41.2	43.8	41.8	42.2	3.9	8.9	2.2	5.0
Total revenue	100	100	100	100	5.5	6.3	4.1	5.3

Sources: The figures for 2002-03 to 2009-10 are from *NSW Financial Audit 2011*, p2-11 (table 2.2.1). The figures for 2010-11 are from NSW Budget Papers 2012-13, *Budget Statement*, p5-7 (table 5.3). The figures for 2011-12 are from NSW Budget Papers 2013-14, *Budget Statement*, p6-10 (table 6.4). The figures for 2012-13 to 2014-15 are from NSW Budget Papers 2014-15, *Budget Statement*, p6-10 (table 6.3).

3.2 Own-source revenue

State taxes are by far the largest source of the government's own-source revenue. However, their contribution declined from 68 per cent in 2002-03 to an estimated 64 per cent in 2014-15. The second largest category of own-source revenue is the sale of goods and services (e.g. revenue from rent of State-owned property, and tolls from government-operated roads), which increased its share from 13 per cent in 2002-03 to an estimated 15 per cent in 2014-15. Mining royalties grew at the fastest rate over the period but still only represents a small part of own-source revenue (an estimated 4 per cent in 2014-15).

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

	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)	14-15 (BE)
State taxes	14,146	15,018	15,300	15,902	17,697	18,554	17,885	19,124	20,395	20,660	21,980	24,129	25,489
Sale of goods & services	2,685	2,714	2,804	3,037	3,306	3,663	4,024	4,357	4,658	4,961	5,434	5,605	6,094
Interest income	440	862	1,050	1,298	1,314	454	416	313	468	550	406	593	543
Dividends & income tax equivalents	1,276	1,614	1,508	1,837	1,951	2,320	2,029	2,322	2,412	2,548	3,243	2,800	2,706
Mining Royalties	235	233	396	504	489	574	1,279	985	1,240	1,464	1,318	1,360	1,592
Fines, fees, licences	448	475	549	570	510	578	644	736	791	744	853	857	866
Grants & contributions	564	371	506	456	450	557	602	669	642	700	941	975	1,029
Other revenue	1,047	873	778	990	1,230	1,205	1,099	1,517	1,563	1,382	1,490	1,837	1,523
Total	20,841	22,160	22,891	24,594	26,947	27,905	27,978	30,023	32,169	33,009	35,665	38,156	39,842

Table 3.2.2 Own-source revenue by type (%)

	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)	14-15 (BE)
State taxes	67.9	67.8	66.8	64.7	65.7	66.5	63.9	63.7	63.4	62.6	61.6	63.2	64.0
Sale of goods & services	12.9	12.2	12.2	12.3	12.3	13.1	14.4	14.5	14.5	15.0	15.2	14.7	15.3
Interest income	2.1	3.9	4.6	5.3	4.9	1.6	1.5	1.0	1.5	1.7	1.1	1.6	1.4
Dividends & income tax equivalents	6.1	7.3	6.6	7.5	7.2	8.3	7.3	7.7	7.5	7.7	9.1	7.3	6.8
Mining Royalties	1.1	1.1	1.7	2.0	1.8	2.1	4.6	3.3	3.9	4.4	3.7	3.6	4.0
Fines, fees, licences	2.1	2.1	2.4	2.3	1.9	2.1	2.3	2.5	2.5	2.3	2.4	2.2	2.2
Grants & contributions	2.7	1.7	2.2	1.9	1.7	2.0	2.2	2.2	2.0	2.1	2.6	2.6	2.6
Other revenue	5.0	3.9	3.4	4.0	4.6	4.3	3.9	5.1	4.9	4.2	4.2	4.8	3.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

	02-03 to 03-04	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	12-13 to 13-14 (RE)	13-14 to 14-15 (BE)
State taxes	6.2	1.9	3.9	11.3	4.8	-3.6	6.9	6.6	1.3	6.4	9.8	5.6
Sale of goods & services	1.1	3.3	8.3	8.9	10.8	9.9	8.3	6.9	6.5	9.5	3.1	8.7
Interest income	95.9	21.8	23.6	1.2	-65.4	-8.4	-24.8	49.5	17.5	-26.2	46.1	-8.4
Dividends & income tax equivalents	26.5	-6.6	21.8	6.2	18.9	-12.5	14.4	3.9	5.6	27.3	-13.7	-3.4
Mining royalties	-0.9	70.0	27.3	-3.0	17.4	122.8	-23.0	25.9	18.1	-10.0	3.2	17.1
Fines, fees, licences	6.0	15.6	3.8	-10.5	13.3	11.4	14.3	7.5	-5.9	14.7	0.5	1.1
Grants & contributions	-34.2	36.4	-9.9	-1.3	23.8	8.1	11.1	-4.0	9.0	34.4	3.6	5.5
Other revenue	-16.6	-10.9	27.2	24.2	-2.0	-8.8	38.0	3.0	-11.6	7.8	23.3	-17.1
Total	6.3	3.3	7.4	9.6	3.6	0.3	7.3	7.1	2.6	8.0	7.0	4.4

Table 3.2.4 Trends in own-source revenue by type: by Parliament and over 12 years (%)

	Average share of total (%)				Average annual growth (%)			
	53 rd	54 th	55 th	12yr	53 rd	54 th	55 th	12yr
State taxes	66.2	64.4	62.9	64.5	5.8	3.6	5.7	5.0
Sale of goods & services	12.3	14.1	15.1	13.8	5.3	8.9	6.9	7.1
Interest income	4.7	1.4	1.4	2.5	31.5	-22.7	3.8	1.8
Dividends & income tax equivalents	7.1	7.7	7.7	7.5	11.2	5.4	2.9	6.5
Royalties	1.7	3.4	3.9	3.0	20.1	26.2	6.4	17.3
Fines, fees, licences	2.2	2.3	2.3	2.3	3.3	11.6	2.3	5.6
Grants & contributions	1.9	2.1	2.5	2.1	-5.5	9.3	12.5	5.1
Other revenue	4.0	4.5	4.3	4.3	4.1	6.2	-0.6	3.2
Total	100.0	100.0	100.0	100.0	6.6	4.5%	5.5	5.5

Note: The category "grants and contributions" includes contributions by electricity and water providers to the Climate Change Fund, contributions to schools by P&C associations, and payments from the Australian Government to the Home Care Service of NSW. **Sources:** Figures for 2002-03 to 2008-09 are from *NSW Financial Audit 2011*, p2-11 (table 2.2.1). Figures for 2010-11 are from *Report on State Finances 2011-12*, p5-6. Figures for 2011-12 are from NSW Budget Papers 2013-14, *Budget Statement*, p6-10 (table 6.4) and p6-23 (table 6.12). Figures for 2012-13 to 2014-15 are from NSW Budget Papers 2014-15, *Budget Statement*, p6-10 (table 6.3) and p6-29 (table 6.12).

The following chart and tables contain figures for **State tax revenue** by type. In 2002-03, stamp duties were the largest source of State tax revenue (37 per cent), followed by payroll tax (29 per cent). In most years since then, payroll tax contributed a slightly higher

Table 3.2.7 Growth in State tax revenue by type (%)

	02-03 to 03-04	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	12-13 to 13-14 (RE)	13-14 to 14-15 (BE)
Payroll tax	5.7	11.0	7.2	9.2	9.6	2.4	-3.4	4.0	5.3	3.3	2.7	8.5
Stamp duties	5.4	-12.6	0.4	23.3	-7.0	-25.8	26.1	3.1	0.0	16.9	23.4	3.5
Land tax	19.3	21.5	4.3	18.6	-4.9	16.3	2.0	-0.3	2.7	-0.7	2.3	4.7
Vehicle taxes	7.2	5.7	5.4	-34.8	71.4	3.3	6.9	10.7	5.5	6.8	4.9	4.9
Gambling	3.8	9.1	6.3	8.8	-5.0	3.5	5.0	3.0	3.3	3.2	2.0	9.5
Other	0.7	1.8	0.1	15.9	18.8	10.4	7.8	29.9	-10.5	0.8	12.0	3.0
Total	6.2	1.9	3.9	11.3	4.8	-3.6	6.9	6.6	1.3	6.4	9.8	5.6

Table 3.2.8 Trends in State tax revenue by type: by Parliament and over 12 years (%)

	Average share of total (%)				Average annual growth (%)			
	53 rd	54 th	55 th	12yr	53 rd	54 th	55 th	12yr
Payroll tax	31.3	33.1	31.0	31.8	8.2	3.0	5.0	5.4
Stamp duties	33.0	26.5	29.4	29.6	3.3	-2.7	10.5	3.6
Land tax	10.5	11.6	10.4	10.8	15.7	3.0	2.2	6.8
Vehicle taxes	7.4	8.6	9.2	8.4	-6.1	20.3	5.5	6.1
Gambling	9.2	8.8	8.4	8.8	7.0	1.6	4.5	4.3
Other	8.5	11.5	11.7	10.6	4.4	16.4	1.0	7.1
Total	100.0	100.0	100.0	100.0	5.8	3.6	5.7	5.0

Sources: Figures for 2002-03 to 2009-10 are from *NSW Financial Audit 2011*, p2-11 (table 2.2.1). Figures for 2010-11 are from *Report on State Finances 2011-12*, p5-35 (note that the report does not separate out vehicle taxes and other tax revenue: the figure for vehicle taxes is from NSW Budget Papers 2012-13, p5-10). The figures for 2011-12 are from NSW Budget Papers 2013-14, *Budget Statement*, p6-12 (table 6.5). The figures for 2012-13 to 2014-15 are from NSW Budget Papers 2014-15, *Budget Statement*, p6-13 (table 6.5).

3.3 Federal Government grants

There are two broad categories of Federal Government grants: (1) General purpose grants, which are now comprised almost entirely of GST payments (99.8 per cent in 2013-14), but previously also included National Competition Policy payments; and (2) Specific purpose grants, which require funds to be spent in particular areas. General purpose grants have generally comprised around 60-65 per cent of total grants. However, in the period from 2008-09 to 2011-12, general purpose grants comprised a lower proportion of total grants (50-55 per cent), largely due to the Federal Government's economic stimulus package, which formed part of specific purpose grants.

Chart 3.3.1 Federal Government grants by type (\$m)

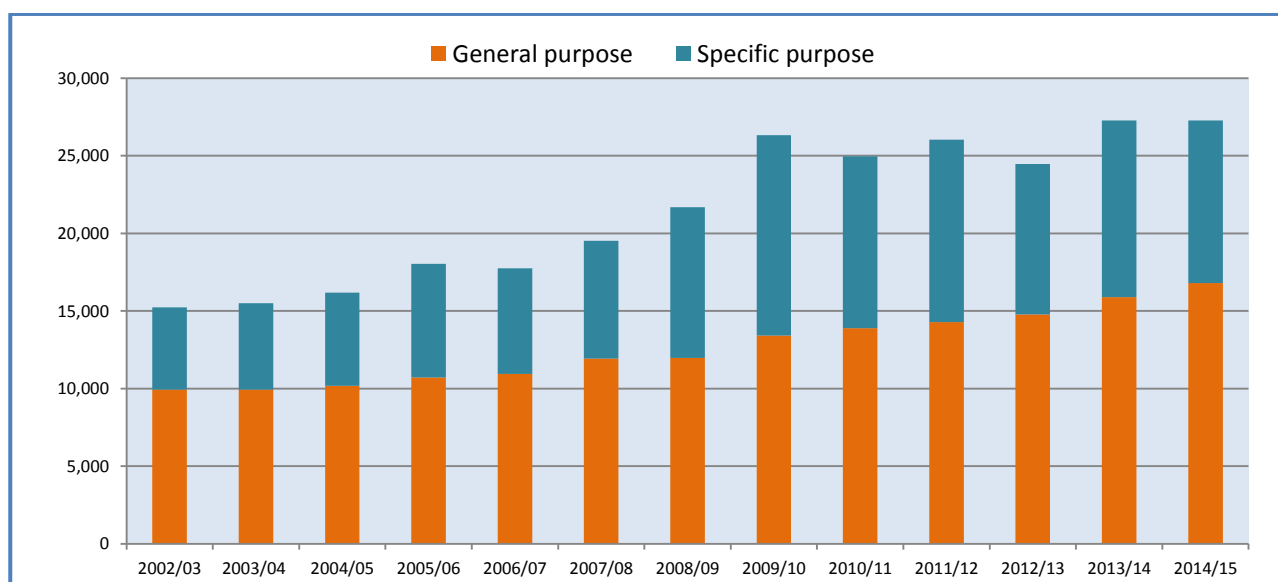


Table 3.3.1 Federal Government grants by type (\$m)

	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)	14-15 (BE)
General purpose	9,931	9,939	10,181	10,720	10,938	11,942	11,974	13,419	13,900	14,289	14,777	15,895	16,810
Specific purpose	5,295	5,554	6,010	7,320	6,813	7,586	9,718	12,900	11,075	11,754	9,689	11,387	10,462
Total	15,226	15,493	16,192	18,040	17,750	19,529	21,691	26,320	24,975	26,042	24,465	27,281	27,272

Table 3.3.2 Federal Government grants by type (%)

	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)	14-15 (BE)
General purpose	65.2	64.2	62.9	59.4	61.6	61.2	55.2	51.0	55.7	54.9	60.4	58.3	61.6
Specific purpose	34.8	35.8	37.1	40.6	38.4	38.8	44.8	49.0	44.3	45.1	39.6	41.7	38.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

	02-03 to 03-04	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	12-13 to 13-14 (RE)	13-14 to 14-15 (BE)
General purpose	0.1	2.4	5.3	2.0	9.2	0.3	12.1	3.6	2.8	3.4	7.6	5.8
Specific purpose	4.9	8.2	21.8	-6.9	11.3	28.1	32.7	-14.1	6.1	-17.6	17.5	-8.1
Total	1.8	4.5	11.4	-1.6	10.0	11.1	21.3	-5.1	4.3	-6.1	11.5	0.0

Table 3.3.4 Trends in Federal Government grants by type: by Parliament and over 12 years (%)

	Average share of total (%)				Average annual growth (%)			
	53rd	54th	55th	12yr	53rd	54th	55th	12yr
General purpose	62.0	55.7	58.8	58.9	2.4	6.2	4.9	4.5
Specific purpose	38.0	44.3	41.2	41.1	6.5	12.9	-1.4	5.8
Total	100.0	100.0	100.0	100.0	3.9	8.9	2.2	5.0

Sources: Figures for 2002-03 to 2009-10 are from *NSW Financial Audit 2011*, p2-11 (table 2.2.1). Figures for 2010-11 are from the *Report on State Finances 2011-12*, p5-6. The figures for 2011-12 are from NSW Budget Papers 2013-14, *Budget Statement*, p7-2 (table 7.1). The figures for 2012-13 to 2014-15 are from NSW Budget Papers 2014-15, *Budget Statement*, p7-2 (table 7.1).

Since 2008-09, there have been two broad categories of **specific purpose grants**: (1) National Specific Purpose Payments (NSPPs), which support National Agreements in six policy areas; and (2) National Partnership Payments (NPPs), 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). In 2014-15, NSPPs are forecast to comprise 75 per cent of all specific purpose payments (the highest share over the time period). There was a more even split in previous years due to economic stimulus payments, which were part of NPPs.

Table 3.3.5 Specific purpose payments by type (\$m)

	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)	14-15 (BE)
NSPPs	5,295	5,554	6,010	7,320	6,813	7,586	6,573	6,555	6,860	6,806	7,153	7,401	7,829
NPPs	N/A	N/A	N/A	N/A	N/A	N/A	3,145	6,345	4,215	4,948	2,536	3,986	2,632
Total	5,295	5,554	6,010	7,320	6,813	7,586	9,718	12,900	11,075	11,754	9,689	11,387	10,462

Table 3.3.6 Specific purpose payments by type (%)

	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)	14-15 (BE)
NSPPs	100	100	100	100	100	100	67.6	50.8	61.9	57.9	73.8	65.0	74.8
NPPs	N/A	N/A	N/A	N/A	N/A	N/A	32.4	49.2	38.1	42.1	26.2	35.0	25.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Figures for 2002-03 to 2009-10 are from NSW Financial Audit 2011, p2-41 (table 2.2.10). Figures for 2010-11 are from NSW Budget Papers 2012-13, *Budget Statement*, p6-3 (table 6.1). Figures for 2011-12 are from NSW Budget Papers 2013-14, *Budget Statement*, p7-2 (table 7.1). Figures for 2012-13 to 2014-15 are from NSW Budget Papers 2014-15, *Budget Statement*, p7-2 (table 7.1)

The following chart and tables show National Specific Purpose payments (NSPPs) by policy area. Health has been the largest category of NSPPs and increased its share from 52 per cent in 2002-03 to an estimated 61 per cent in 2014-15. Education has received the next largest share, and this share rose from 14 per cent in 2002-03 to an estimated 20 per cent in 2014-15. Note that the areas of health, education and housing have also received National Partnership Payments (see further below).

Chart 3.3.2 NSPPs by policy area (%)

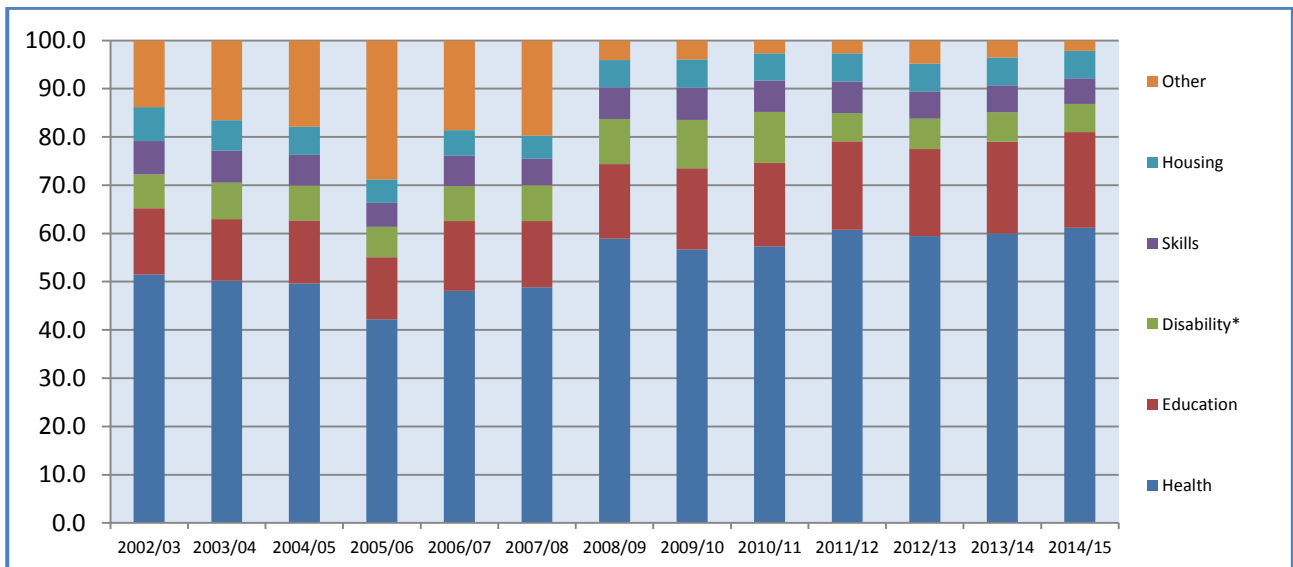


Table 3.3.7 NSPPs by policy area (\$m)

	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)	14-15 (BE)
Health	2,727	2,791	2,985	3,090	3,279	3,702	3,871	3,714	3,935	4,138	4,251	4,439	4,789
Education	726	705	783	942	983	1,043	1,020	1,106	1,186	1,245	1,292	1,408	1,552
Disability*	374	421	434	461	494	566	613	654	724	397	452	454	457
Skills	363	370	384	363	427	415	430	439	443	448	403	409	416
Housing	373	347	350	354	364	361	370	384	388	396	414	427	446
Other	732	920	1,074	2,110	1,265	1,498	268	259	183	182	341	263	169
Total	5,295	5,554	6,010	7,320	6,812	7,585	6,573	6,555	6,860	6,806	7,153	7,400	7,829

Table 3.3.8 NSPPs by policy area (%)

	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)	14-15 (BE)
Health	51.5	50.3	49.7	42.2	48.1	48.8	58.9	56.7	57.4	60.8	59.4	60.0	61.2
Education	13.7	12.7	13.0	12.9	14.4	13.8	15.5	16.9	17.3	18.3	18.1	19.0	19.8
Disability*	7.1	7.6	7.2	6.3	7.3	7.5	9.3	10.0	10.6	5.8	6.3	6.1	5.8
Skills	6.9	6.7	6.4	5.0	6.3	5.5	6.5	6.7	6.5	6.6	5.6	5.5	5.3
Housing	7.0	6.2	5.8	4.8	5.3	4.8	5.6	5.9	5.7	5.8	5.8	5.8	5.7
Other	13.8	16.6	17.9	28.8	18.6	19.7	4.1	4.0	2.7	2.7	4.8	3.6	2.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 3.3.9 Growth in NSPPs by policy area (%)

	02-03 to 03-04	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	12-13 to 13-14 (RE)	13-14 to 14-15 (BE)
Health	7.0	3.5	6.1	12.9	4.6	7.0	-4.1	6.0	5.2	2.7	4.4	7.9
Education	11.1	20.3	4.4	6.1	-2.2	11.1	8.4	7.2	5.0	3.8	9.0	10.2
Disability*	3.1	6.2	7.2	14.6	8.3	3.1	6.7	10.7	-45.2	13.9	0.4	0.7
Skills	3.8	-5.5	17.6	-2.8	3.6	3.8	2.1	0.9	1.1	-10.0	1.5	1.7
Housing	0.9	1.1	2.8	-0.8	2.5	0.9	3.8	1.0	2.1	4.5	3.1	4.4
Other	16.7	96.5	-40.0	18.4	-82.1	16.7	-3.4	-29.3	-0.5	87.4	-22.9	-35.7
Total	8.2	21.8	-6.9	11.3	-13.3	8.2	-0.3	4.7	-0.8	5.1	3.5	5.8

Table 3.3.10 Trends in NSPPs by policy area: by Parliament and over 12 years (%)

	Average share of total (%)				Average annual growth (%)			
	53 rd	54 th	55 th	12yr	53 rd	54 th	55 th	12yr
Health	47.6	55.4	60.3	54.4	4.7%	4.7%	5.0%	4.8%
Education	13.3	15.9	18.8	16.0	7.9%	4.8%	7.0%	6.5%
Disability*	7.1	9.3	6.0	7.5	7.2%	10.0%	-10.9%	1.7%
Skills	6.1	6.3	5.8	6.0	4.1%	0.9%	-1.6%	1.1%
Housing	5.6	5.5	5.8	5.6	-0.6%	1.6%	3.5%	1.5%
Other	20.5	7.6	3.3	10.5	14.7%	-38.3%	-2.0%	-11.5%
Total	100.0	100.0	100.0	100.0	6.5%	0.2%	3.4%	3.3%

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 (in the "other" category). **Sources:** Figures for 2002-03 to 2009-10 are from *NSW Financial Audit 2011*, p2-41 (table 2.2.10). Figures for 2010-11 are from NSW Budget Papers 2012-13, *Budget Statement*, p6-15 (table 6.7). Figures for 2011-12 are from NSW Budget Papers 2013-14, *Budget Statement*, p7-15 (table 7.7). Figures for 2012-13 to 2014-15 are from NSW Budget Papers 2014-15, *Budget Statement*, p7-8 (table 7.3).

Table 3.3.13 Growth in NPPs by policy area (%)

	08-09 to 09-10	09-10 to 10-11	10-11 to 11-12	11-12 to 12-13	12-13 to 13-14 (RE)	13-14 to 14-15 (BE)	Ave
Transport	38.5	-38.7	67.6	-44.4	176.4	-29.8	7.4
Health	-41.7	80.8	21.9	-21.2	13.1	-55.6	-10.7
Education	48.6	-2.3	66.3	-25.2	-29.9	-18.3	0.6
Stimulus/nation building	414.7	-39.1	-35.2	-68.8	-64.1	41.7	-17.2
Housing	192.0	-77.4	22.4	-19.7	45.6	9.6	0.6
Environment	32.7	-23.1	66.0	4.8	12.6	41.8	19.0
Other	-9.5	-42.9	141.7	-68.4	181.1	-67.8	-15.8
Total	101.7	-33.6	17.4	-48.8	57.2	-34.0	-2.9

Sources: The figures for 2002-03 to 2009-10 are from *NSW Financial Audit 2011*, p2-41 (table 2.2.10). Figures for 2010-11 are from NSW Budget Papers 2012-13, *Budget Statement*, p6-16 (table 6.8). Figures for 2011-12 are from NSW Budget Papers 2013-14, *Budget Statement*, p7-17 (table 7.8). Figures for 2012-13 to 2014-15 are from NSW Budget Papers 2014-15, *Budget Statement*, p7-10 (table 7.4).

4. EXPENSES

4.1 Total expenses

This section looks at the general government sector's recurrent expenses, which are expenses incurred in the provision of goods and services. Recurrent expenses are distinct from capital expenditure, which is incurred in the acquisition of assets (see Section 5). The chart and table below show two sets of results – one on the basis of the old AASB 119; and the other on the basis of the new AASB 119 (see section 1.3 above). Based on the old AASB, overall years (including the 2014-15 estimate), average annual expenses growth is 5.6 per cent. Based on the old AASB, during the current (55th) Parliament (including the 2014-15 estimate), average annual expense growth is 4.2 per cent, compared to 6.2 per cent in the 54th Parliament, and 6.4 per cent in the 53rd Parliament.

Chart 4.1.1 Total expenses (\$m)

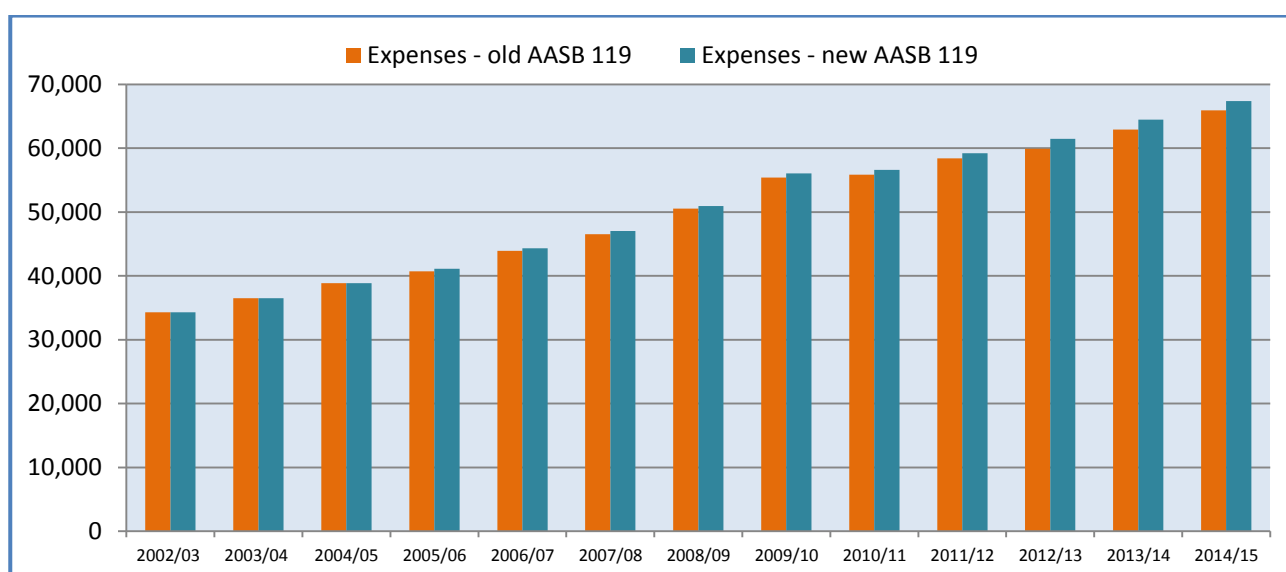


Table 4.1.1 Total expenses (\$m)

	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)	14-15 (BE)
Expenses – old AASB119	34,315	36,502	38,844	40,706	43,910	46,524	50,554	55,409	55,829	58,394	59,923	62,938	65,904
Expenses – new AASB119	34,315	36,502	38,844	41,143	44,311	47,036	50,957	56,061	56,615	59,220	61,462	64,449	67,396

Table 4.1.2 Total expenses growth by year (%)

	02-03 to 03-04	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	12-13 to 13-14 (RE)	13-14 to 14-15 (BE)
Expenses – old AASB 119	6.4	6.4	4.8	7.9	6.0	8.7	9.6	0.8	4.6	2.6	5.0	4.7
Expenses – new AASB119	6.4	6.4	5.9	7.7	6.1	8.3	10.0	1.0	4.6	3.8	4.9	4.6

Table 4.1.3 Total expenses growth by Parliament and over 12 years (%)

	Average annual growth (%)			
	53rd	54th	55th	12yr
Expenses – old AASB 119	6.4	6.2	4.2	5.6
Expenses – new AASB 119	6.6	6.3	4.5	5.8

Sources: Expenses (old AASB 119) figures: the figures for 2002-03 are from NSW Budget Papers 2012-13, *Budget Statement*, p1-30 (table 1.5); the figures for 2003-04 to 2011-12 are from NSW Budget Papers 2013-14, *Budget Statement*, p1-30 (table 1.7); the figures for 2012-13 are from *Report on State Finances 2012-13*, p1-6; and the figures for 2013-14 to 2014-15 are from NSW Budget Papers 2014-15, *Budget Statement* p1-19 (table 1.3), with adjustments based on p1-6 (Box1.2). Expenses (new AASB 119) figures: the figures for 2002-03 are from NSW Budget Papers 2012-13, *Budget Statement*, p1-30 (table 1.5); the other figures are from NSW Budget Papers 2014-15, *Budget Statement*, p1-19 (table 1.3).

4.2 Expenses by type

These figures are presented on the basis of the old AASB 119 (with the 2013-14 and 2014-15 figures adjusted accordingly). The composition of expenses remained relatively stable over the time period. Employee-related expenses are by far the largest type of expenses: in each year they have accounted for around half of total expenses (47 per cent estimated for 2014-15). The second largest category is “other” operating expenses (22 per cent estimated for 2014-15), which includes expenses such as “repairs and maintenance, medications and other supplies in hospitals, books in schools, fuel for police motor vehicles, consultancies, contractors, electricity and communications” (NSW Budget Papers 2014-2015, *Budget Statement*, p5-14). The third largest category is “current grants and subsidies” (16 per cent estimated for 2014-15), which are “for non-government schools, community organisations and local governments, as well as operating subsidies for transport” (NSW Budget Papers 2014-2015, *Budget Statement*, p5-15. Finance (interest) expenses grew by the fastest rate over the time period and increased its share of expenses from 2.3 per cent in 2002-03 to 3.5 per cent in 2014-15 (estimate only).

Chart 4.2.1 Expenses by type (%)

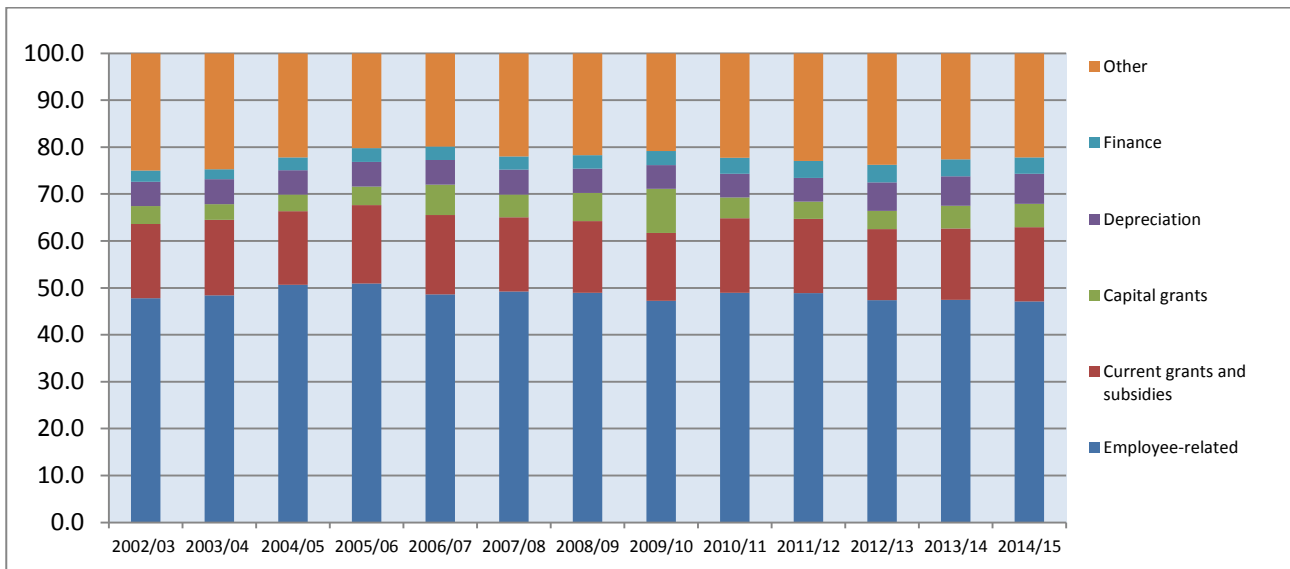


Table 4.2.1 Expenses by type (\$m)

	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)	14-15 (BE)
Employee-related	16,387	17,687	19,505	20,732	21,344	22,896	24,740	26,167	27,323	28,540	28,383	29,867	31,044
Current grants and subsidies	5,423	5,879	6,035	6,797	7,426	7,347	7,703	8,036	8,878	9,240	9,071	9,563	10,426
Capital grants	1,311	1,222	1,368	1,621	2,839	2,269	3,044	5,211	2,493	2,143	2,336	3,041	3,274
Depreciation	1,778	1,927	1,994	2,127	2,308	2,467	2,614	2,777	2,817	2,978	3,667	3,974	4,242
Finance	803	788	1,061	1,184	1,257	1,300	1,469	1,675	1,878	2,082	2,220	2,256	2,298
Other	8,575	9,014	8,530	8,240	8,726	10,220	10,959	11,543	12,440	13,409	14,245	14,237	14,620
Total	34,277	36,517	38,493	40,701	43,900	46,499	50,530	55,409	55,829	58,394	59,922	62,938	65,904

Table 4.2.2 Expenses by type (%)

	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)	14-15 (BE)
Employee-related	47.8	48.4	50.7	50.9	48.6	49.2	49.0	47.2	48.9	48.9	47.4	47.5	47.1
Current grants and subsidies	15.8	16.1	15.7	16.7	16.9	15.8	15.2	14.5	15.9	15.8	15.1	15.2	15.8
Capital grants	3.8	3.3	3.6	4.0	6.5	4.9	6.0	9.4	4.5	3.7	3.9	4.8	5.0
Depreciation	5.2	5.3	5.2	5.2	5.3	5.3	5.2	5.0	5.0	5.1	6.1	6.3	6.4
Finance	2.3	2.2	2.8	2.9	2.9	2.8	2.9	3.0	3.4	3.6	3.7	3.6	3.5
Other	25.0	24.7	22.2	20.2	19.9	22.0	21.7	20.8	22.3	23.0	23.8	22.6	22.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 4.2.3 Growth in expenses by type (%)

	02-03 to 03-04	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	12-13 to 13-14 (RE)	13-14 to 14-15 (BE)
Employee-related	7.9	10.3	6.3	3.0	7.3	8.1	5.8	4.4	4.5	-0.6	5.2	3.9
Current grants and subsidies	8.4	2.7	12.6	9.3	-1.1	4.8	4.3	10.5	4.1	-1.8	5.4	9.0
Capital grants	-6.8	11.9	18.5	75.1	-20.1	34.2	71.2	-52.2	-14.0	9.0	30.2	7.7
Depreciation	8.4	3.5	6.7	8.5	6.9	6.0	6.2	1.4	5.7	23.1	8.4	6.7
Finance	-1.9	34.6	11.6	6.2	3.4	13.0	14.0	12.1	10.9	6.6	1.6	1.9
Other	5.1	-5.4	-3.4	5.9	17.1	7.2	5.3	7.8	7.8	6.2	-0.1	2.7
Total	6.5	5.4	5.7	7.9	5.9	8.7	9.7	0.8	4.6	2.6	5.0	4.7

Table 4.2.4 Trends in expenses by type: by Parliament and over 12 years (%)

	Average share of total (%)				Average annual growth (%)			
	53 rd	54 th	55 th	12yr	53 rd	54 th	55 th	12yr
Employee-related	49.7	48.6	47.7	48.7	6.8	6.4	3.2	5.5
Current grants and subsidies	16.3	15.4	15.5	15.7	8.2	4.6	4.1	5.6
Capital grants	4.3	6.2	4.3	5.0	21.3	-3.2	7.1	7.9
Depreciation	5.2	5.1	6.0	5.5	6.7	5.1	10.8	7.5
Finance	2.7	3.0	3.6	3.1	11.9	10.6	5.2	9.2
Other	21.7	21.7	22.9	22.1	0.4	9.3	4.1	4.5
Total	100.0	100.0	100.0	100.0	6.4	6.2	4.2	5.6

Note 1: The figures are presented on the basis of the old AASB 119. **Sources:** The figure for 2002-03 is from NSW Budget Papers 2004-05, *Budget Statement*, p1-15 (Table 1.2). The figures for 2003-04 are from NSW Budget Papers 2005-06, *Budget Statement*, p1-29; the figures for 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 are from NSW Budget Papers 2012-13, *Budget Statement*, p4-11 (table 4.2); the figures for 2009-10 to 2011-12 are from NSW Budget Papers 2013-14, *Budget Statement*, p5-10 (table 5.4); and the figures for 2012-13 to 2014-15 are from NSW Budget Papers 2014-15, *Budget Statement*, p5-6 (table 5.2), which were adjusted based on the figures on p1-6 (Box 1.2).

4.3 Expenses by policy area

The figures from 2002-03 to 2011-12 are based on the old AASB 119, whereas the figures for subsequent years are based on the new AASB 119 (and are therefore not directly comparable). Health and education have dominated expenses, together accounting for around 50 per cent of total expenses. The proportion of the budget allocated to health in 2014-15 (27.6 per cent) is similar to the proportion allocated in 2002-03 (26.9 per cent). In contrast, the proportion allocated to education in 2014-15 (21.0 per cent) is significantly lower than the proportion allocated in 2002-03 (25.9 per cent). The next largest policy area is now transport and communications (13.5 per cent in 2014-15); and it has been allocated a much larger share of the budget in recent years (9.2 per cent in 2010-11). Housing and

Table 4.3.3 Growth in expenses by policy area (%)

Policy area	02-03 to 03-04	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	12-13 to 13-14 (RE)	13-14 to 14-15 (BE)
Health	9.2	7.9	5.7	6.2	9.7	6.3	4.6	6.8	4.2	6.2	5.1	4.9
Education	2.6	7.6	2.8	3.2	5.6	4.5	8.8	1.8	5.1	3.4	3.3	3.6
Transport & communications	12.8	5.2	7.9	4.2	0.7	4.7	0.5	4.9	7.1	43.4	19.4	3.3
Public order & safety	7.3	9.0	2.4	5.3	7.4	5.9	9.0	8.1	2.9	2.5	0.8	3.9
Social security & welfare	9.3	1.4	2.8	10.3	11.6	10.8	14.3	5.5	5.8	-4.4	5.3	7.8
Housing & community amenities	8.1	-8.1	7.7	27.3	10.0	23.3	-0.5	18.8	13.5	18.0	17.2	12.0
Recreation & culture	-0.7	-2.6	12.8	5.5	14.4	5.5	3.5	-6.5	-7.1	29.8	-12.2	-12.3
Other	5.8	5.4	2.6	0.1	9.8	17.3	-0.1	12.9	9.9	11.7	-2.9	5.4
Total	6.9	6.2	4.4	5.1	7.8	7.9	5.7	6.3	5.5	9.2	4.9	4.6

Table 4.3.4 Trends in expenses by policy area: by Parliament and over 12 years (%)

	Average share of total (%)				Average annual growth (%)			
	53rd	54th	55th	12yr	53rd	54th	55th	12yr
Health	28.0	28.7	27.8	28.1	7.2	6.9	5.1	6.4
Education	24.8	23.4	21.8	23.3	4.0	5.1	3.9	4.3
Transport & communications	10.5	9.4	12.4	10.7	7.5	2.7	17.3	9.0
Public order & safety	11.1	11.1	10.4	10.8	6.0	7.6	2.5	5.4
Social security & welfare	7.8	8.8	8.5	8.3	5.9	10.5	3.5	6.6
Housing & community amenities	2.2	2.7	3.5	2.9	8.0	12.5	15.1	11.8
Recreation & culture	2.4	2.4	2.1	2.2	3.6	4.0	-1.9	1.9
Other	13.2	13.5	13.6	13.6	3.5	9.8	5.9	6.3
Total	100.0	100.0	100.0	100.0	5.6	6.9	6.0	6.2

Note: The figures from 2012-13 to 2014-15 are based on the new accounting standard AASB 119 and are therefore not comparable with the figures for previous years (see adjacent note on sources). **Sources:** In Table 4.3.1, the figures for 2002-03 to 2011-12 were supplied by NSW Treasury in July 2013. The figures for 2012-13 to 2014-15 were taken from NSW Budget Papers 2014-15, *Budget Statement*, p10-15 (table 10.8).

5. CAPITAL EXPENDITURE

5.1 Total capital expenditure

The following chart and tables show total capital expenditure for the general government sector and the total state sector (which includes the general government sector, and the public trading enterprise and public financial enterprise sectors). In both sectors, there was an upward trend in capital expenditure from 2005-06 to 2009-10, including a spike in 2009-10, which was largely due to the Federal Government's economic stimulus payments (see NSW Budget papers 2013-14, *Infrastructure Statement*, p1-3). After 2009-10, capital expenditure in both sectors fell before rising again in 2012-13. Average annual growth in general government capital expenditure during the current (55th) Parliament (including the 2014-15 estimate) is expected to be 9.7 per cent compared to 13.2 per cent in the 54th Parliament and 6.4 per cent in the 53rd Parliament. Average annual growth in total state sector capital expenditure in the current Parliament (0.1 per cent) is expected to be much lower than in the previous two Parliaments (11.0 and 10.1 per cent).

Chart 5.1.1 Total capital expenditure (\$m)

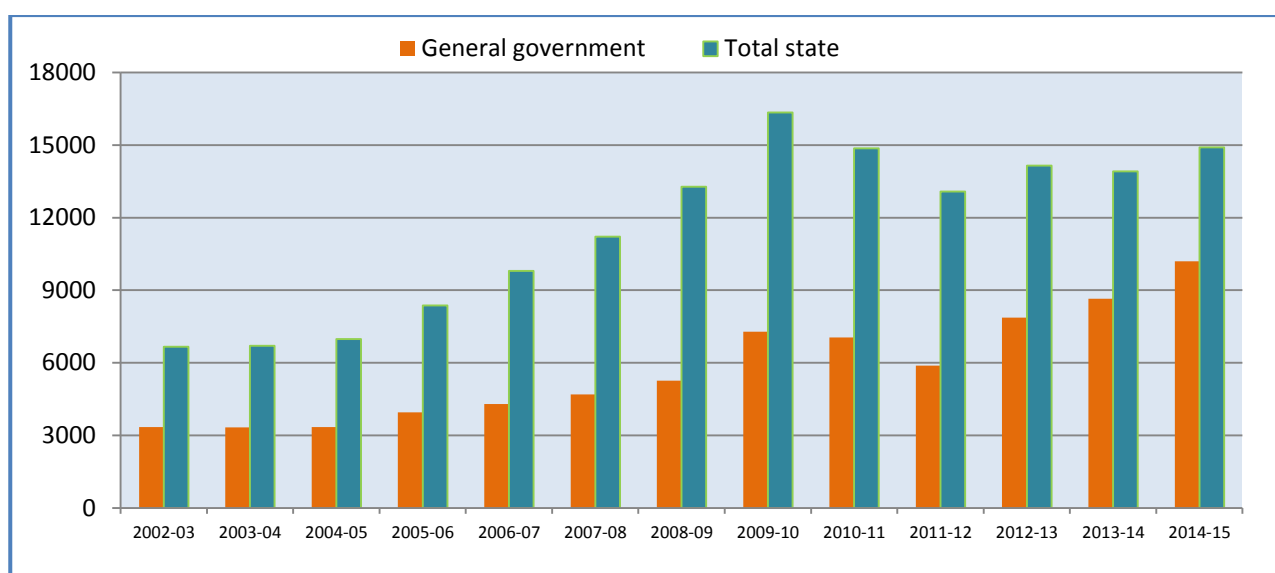


Table 5.1.1 Total capital expenditure (\$m) and growth (%)

	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)	14-15 (BE)
General government	3,349	3,332	3,343	3,949	4,295	4,689	5,264	7,286	7,046	5,881	7,873	8,652	10,203
% of GSP	1.2	1.1	1.1	1.2	1.2	1.3	1.3	1.8	1.6	1.3	1.7	1.8	2.0
Annual change (%)	N/A	-0.5	0.3	18.1	8.8	9.2	12.3	38.4	-3.3	-16.5	33.9	9.9	17.9
Total state	6,669	6,708	6,986	8,378	9,805	11,216	13,276	16,347	14,869	13,076	14,149	13,917	14,902
% of GSP	2.4	2.3	2.2	2.5	2.8	3.0	3.4	4.0	3.4	2.9	3.0	2.8	2.9
Annual change (%)	N/A	0.6	4.1	19.9	17.0	14.4	18.4	23.1	-9.0	-12.1	8.2	-1.6	7.1

Table 5.1.2 Total capital expenditure growth by Parliament and over 12 years (%)

	Average annual growth (%)			
	53rd	54th	55th	12yr
General government	6.4	13.2	9.7	9.7
Total state	10.1	11.0	0.1	6.9

Sources: The figures for 2002-03 are from NSW Budget Papers 2012-13, *Budget Statement*, p1-29 (table 1.4) and p1-30 (table 1.4). The other figures are from NSW Budget Papers 2014-15, *Budget Statement*, p1-18 (table 1.2) and p1-19 (table 1.3).

5.2 Capital expenditure by policy area

Transport and communications has had the largest share of the total state capital program over the time period, and it increased its share from 35.2 per cent in 2002-03 to an estimated 47.4 per cent in 2013-14. The second largest policy area for capital expenditure has been electricity (which changed to “fuel and energy” in 2012-13), which accounted for an estimated 21.7 per cent of the 2013-14 capital program (up slightly from 18.5 per cent in 2002-03). Together these two policy areas now make up almost 70 per cent of the total capital program, compared to 53 per cent in 2002-03. Housing and community amenities has consistently received the third largest share of the capital program over the time period: it received a 15 per cent share of the capital budget in 2002-03; this increased to 20.5 per cent in 2007-08, but then fell to an estimated 12.5 per cent in 2013-14.

Chart 5.2.1 Total state capital expenditure by policy area (%)

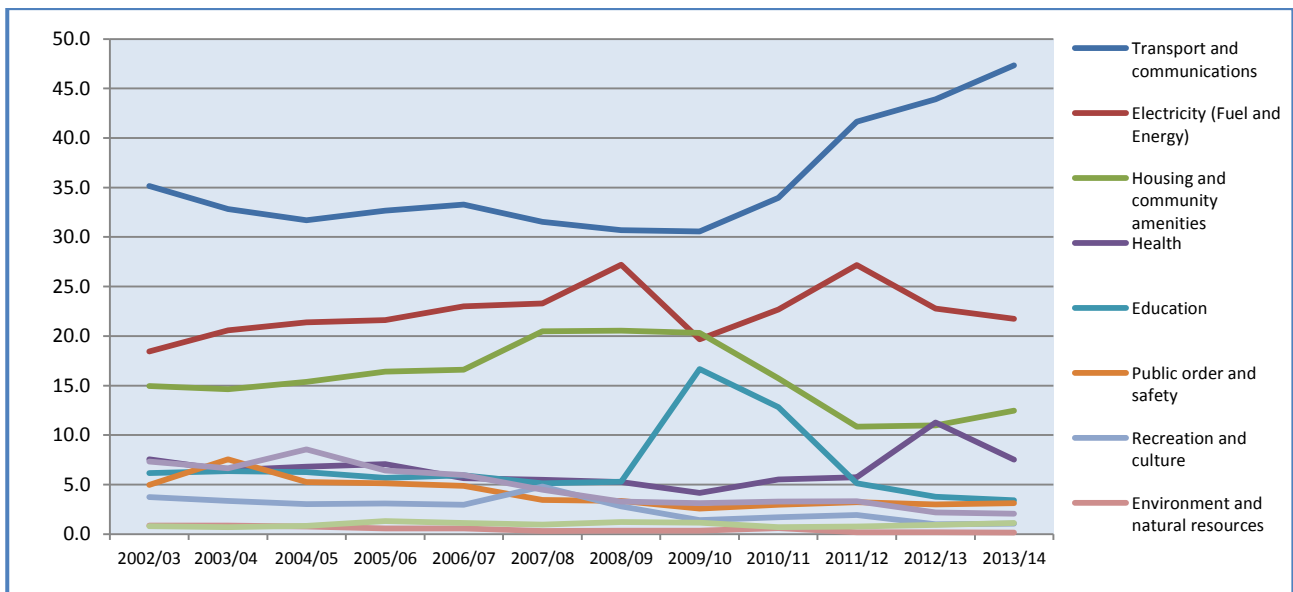


Table 5.2.1 Total state capital expenditure by policy area (\$m)

Policy area	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13 (RE)	13-14 (BE)	14-15 (BE)
Transport and communications	2,356	2,202	2,215	2,736	3,264	3,537	4,076	4,997	5,047	5,481	6,360	7,353	N/R
Electricity (Fuel and Energy)	1,236	1,380	1,495	1,810	2,255	2,613	3,611	3,218	3,371	3,577	3,298	3,376	N/R
Housing & community amenities	1,002	982	1,075	1,376	1,629	2,297	2,728	3,324	2,338	1,428	1,592	1,934	N/R
Health	506	433	475	593	553	617	700	679	822	757	1,633	1,168	N/R
Education	414	427	438	476	581	577	701	2,725	1,908	676	545	530	N/R
Public order and safety	333	506	367	431	479	386	447	419	442	423	432	485	N/R
Recreation and culture	250	225	211	260	292	541	371	229	254	254	146	165	N/R
Environment and natural resources	58	59	54	47	55	36	46	58	90	25	27	23	N/R
Social security and welfare	54	48	59	111	110	108	160	188	107	103	135	173	N/R
Other	490	446	597	538	587	504	436	510	490	439	319	321	N/R
Total	6,699	6,708	6,986	8,378	9,805	11,216	13,276	16,347	14,869	13,163	14,487	15,528	N/R

Table 5.2.2 Total state capital expenditure by policy area (%)

Policy area	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13 (RE)	13-14 (BE)	14-15 (BE)
Transport and communications	35.2	32.8	31.7	32.7	33.3	31.5	30.7	30.6	33.9	41.6	43.9	47.4	N/A
Electricity (Fuel and Energy)	18.5	20.6	21.4	21.6	23.0	23.3	27.2	19.7	22.7	27.2	22.8	21.7	N/A
Housing & community amenities	15.0	14.6	15.4	16.4	16.6	20.5	20.5	20.3	15.7	10.8	11.0	12.5	N/A
Health	7.6	6.5	6.8	7.1	5.6	5.5	5.3	4.2	5.5	5.8	11.3	7.5	N/A
Education	6.2	6.4	6.3	5.7	5.9	5.1	5.3	16.7	12.8	5.1	3.8	3.4	N/A
Public order and safety	5.0	7.5	5.3	5.1	4.9	3.4	3.4	2.6	3.0	3.2	3.0	3.1	N/A
Recreation and culture	3.7	3.4	3.0	3.1	3.0	4.8	2.8	1.4	1.7	1.9	1.0	1.1	N/A
Environment and natural resources	0.9	0.9	0.8	0.6	0.6	0.3	0.3	0.4	0.6	0.2	0.2	0.1	N/A
Social security and welfare	0.8	0.7	0.8	1.3	1.1	1.0	1.2	1.2	0.7	0.8	0.9	1.1	N/A
Other	7.3	6.6	8.5	6.4	6.0	4.5	3.3	3.1	3.3	3.3	2.2	2.1	N/A
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	N/A

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

Policy area	02-03 to 03-04	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 (RE)	12-13 to 13/14 (BE)	13-14 to 14-15 (BE)
Transport and communications	-6.5	0.6	23.5	19.3	8.4	15.2	22.6	1.0	8.6	16.0	15.6	N/A
Fuel and Energy	11.7	8.3	21.1	24.6	15.9	38.2	-10.9	4.8	6.1	-7.8	2.4	N/A
Housing & community amenities	-2.0	9.5	28.0	18.4	41.0	18.8	21.8	-29.7	-38.9	11.5	21.5	N/A
Health	-14.4	9.7	24.8	-6.7	11.6	13.5	-3.0	21.1	-7.9	115.7	-28.5	N/A
Education	3.1	2.6	8.7	22.1	-0.7	21.5	288.7	-30.0	-64.6	-19.4	-2.8	N/A
Public order and safety	52.0	-27.5	17.4	11.1	-19.4	15.8	-6.3	5.5	-4.3	2.1	12.3	N/A
Recreation and culture	-10.0	-6.2	23.2	12.3	85.3	-31.4	-38.3	10.9	0.0	-42.5	13.0	N/A
Environment and natural resources	1.7	-8.5	-13.0	17.0	-34.5	27.8	26.1	55.2	-72.2	8.0	-14.8	N/A
Social security and welfare	-11.1	22.9	88.1	-0.9	-1.8	48.1	17.5	-43.1	-3.7	31.1	28.1	N/A
Other	-9.0	33.9	-9.9	9.1	-14.1	-13.5	17.0	-3.9	-10.4	-27.3	0.6	N/A
Total	0.1	4.1	19.9	17.0	14.4	18.4	23.1	-9.0	-11.5	10.1	7.2	N/A

Table 5.2.4 Trends in capital expenditure by Parliament and over 11 years (%)

Policy area	Average share of total (%)				Average annual growth (%)			
	53rd	54th	55th	11yr	53rd	54th	55th	11yr
Transport and communications	32.6	31.7	44.3	35.5	8.5	11.5	13.4	10.9
Fuel and Energy	21.6	23.2	23.9	22.8	16.2	10.6	0.0	9.6
Housing and community amenities	15.8	19.3	11.4	15.9	12.9	9.5	-6.1	6.2
Health	6.5	5.1	8.2	6.5	2.2	10.4	12.4	7.9
Education	6.1	10.0	4.1	7.0	8.8	34.6	-34.8	2.3
Public order and safety	5.7	3.1	3.1	4.0	9.5	-2.0	3.1	3.5
Recreation and culture	3.1	2.7	1.3	2.5	4.0	-3.4	-13.4	-3.7
Environment and natural resources	0.7	0.4	0.2	0.4	-1.3	13.1	-36.5	-8.1
Social security and welfare	1.0	1.0	0.9	1.0	19.5	-0.7	17.4	11.2
Other	6.9	3.5	2.5	4.5	4.6	-4.4	-13.2	-3.8
Total	100.0	100.0	100.0	100.0	10.0%	11.0	1.5%	7.9

Sources: The figures in Table 5.2.1 were supplied by NSW Treasury in July 2013. We were not able to obtain updated figures from Treasury for the years 2012-13, 2013-14 and 2014-15 (i.e. actual figures for 2012-13, revised estimates for 2013-14, and budget estimates for 2014-15). As these figures are not reported in the budget papers, we could not include updated figures for these three years.

6. ASSETS AND LIABILITIES

6.1 Assets, liabilities and net worth

The following chart and tables show assets, liabilities and net worth (i.e. assets less liabilities) for the total state sector (which includes the general government sector and the public trading enterprise and public financial enterprise sectors). Over the 12 years (including the estimates for 2013-14 and 2014-15), average annual growth for total assets is 5.4 per cent, for total liabilities is 7.5 per cent, and for net worth is 4.1 per cent. During the current (55th) Parliament, average annual growth in net worth (4.4 per cent) is lower than in the 54th Parliament (5.0 per cent) but higher than the 53rd Parliament (3.1 per cent).

Chart 6.1.1 Assets, liabilities and net worth – total state sector

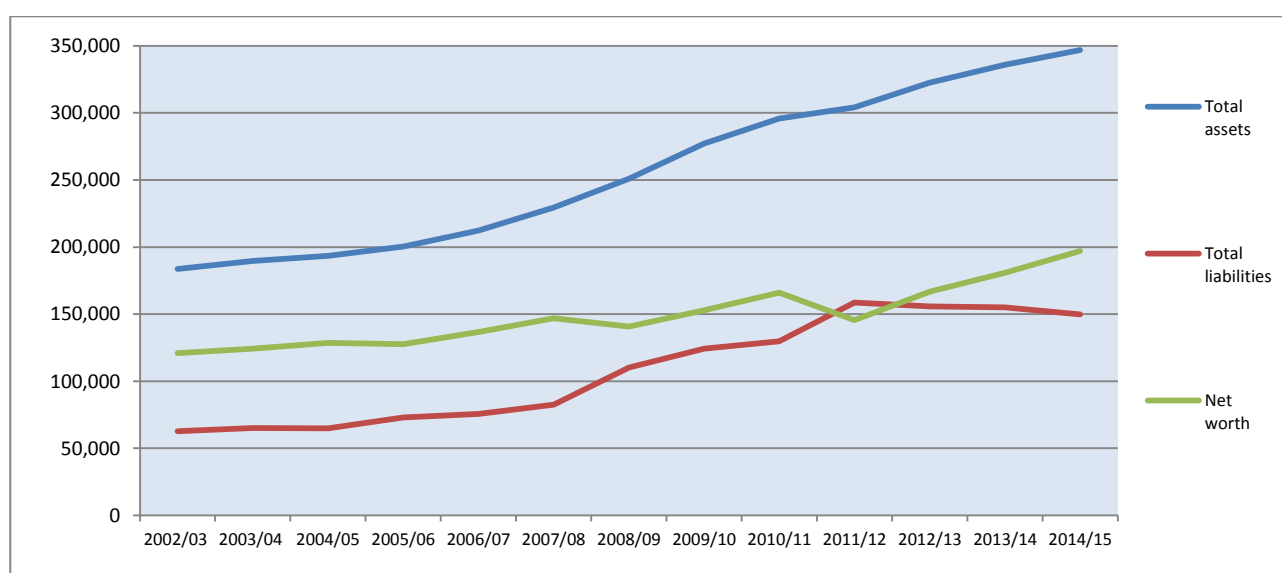


Table 6.1.1 Assets, liabilities & net worth – total state sector (\$m)

	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)	14-15 (BE)
Total assets	183,737	189,519	193,523	200,461	212,210	229,454	250,814	277,190	295,758	304,135	322,500	335,898	346,715
Total liabilities	62,695	65,235	64,957	72,951	75,583	82,551	110,200	124,297	129,846	158,625	155,823	155,117	149,684
Net worth	121,042	124,283	128,565	127,509	136,627	146,903	140,614	152,892	165,912	145,511	166,677	180,781	197,030

Table 6.1.2 Growth in assets, liabilities & net worth – total state sector (%)

	02-03 to 03-04	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	12-13 to 13-14 (RE)	13-14 to 14-15 (BE)
Total assets	3.1	2.1	3.6	5.9	8.1	9.3	10.5	6.7	2.8	6.0	4.2	3.2
Total liabilities	4.1	-0.4	12.3	3.6	9.2	33.5	12.8	4.5	22.2	-1.8	-0.5	-3.5
Net worth	2.7	3.4	-0.8	7.2	7.5	-4.3	8.7	8.5	-12.3	14.5	8.5	9.0

Table 6.1.3 Growth in assets, liabilities & net worth by Parliament and over 12 years – total state sector (%)

	Average annual growth (%)			
	53rd	54th	55th	12yr
Total assets	3.7	8.7	4.1	5.4%
Total liabilities	4.8	14.5	3.6	7.5%
Net worth	3.1	5.0	4.4	4.1%

Sources: The figures for 2002-03 to 2003-04 are from NSW Budget Papers 2005-06, *Budget Statement*, p4-5 (table 4.1); the figures for 2004-05 are from NSW Budget Papers 2008-09, *Budget Statement*, p6-14 (table 6.8); the figures for 2005-06 and 2006-07 are from NSW Budget Papers 2009-10, *Budget Statement*, p7-15 (table 7.10); the figures for 2007-08 are from NSW Budget Papers 2011-12, *Budget Statement*, p7-8 (table 7.5); the figures for 2008-09 are from NSW Budget Papers 2012-13, *Budget Statement*, p7-12 (table 7.6); the figures for 2009-10 to 2011-12 are from NSW Budget Papers 2013-14, *Budget Statement*, p8-10 (table 8.6); and the figures for 2012-13 to 2014-15 are from NSW Budget Papers 2014-15, *Budget Statement*, p8-20 (table 8.9).

6.2 Net debt and net financial liabilities

The budget papers report on net debt and net financial liabilities as indicators of the strength of the State's financial position:

- Net debt is financial liabilities (deposits held, advances received, loans and other borrowings) less financial assets (e.g. cash and deposits, advances paid and investments, loans and placements).
- Net financial liabilities, a broader measure, is total liabilities (financial liabilities plus unfunded superannuation and other employee provisions, insurance obligations and other liabilities) less financial assets (see NSW Budget Papers 2014-15, *Budget Statement*, pG-3).

The following chart and tables show net debt and net financial liabilities for the general government sector, and for the total state sector (which includes the general government sector and the public trading enterprise and public financial enterprise sectors).

Over the time period, in the general government sector average annual growth in net debt is 10.7 per cent and average annual growth in net financial liabilities is 6.7 per cent. During the current (55th) Parliament (including the 2014-15 estimate), average annual growth in both measures is lower than in the 54th Parliament but higher than in the 53rd Parliament. In 2014-15, net debt is forecast to be 2.4 per cent of Gross State Product (GSP), compared to 1.3 per cent of GSP in 2002-03; and net financial liabilities are forecast to be 10.7 per cent of GSP compared to 9.1 per cent of GSP in 2002-03.

Over the time period, the total state sector average annual growth in net debt is 9.0 per cent and average annual growth in net financial liabilities is 6.9 per cent. During the current (55th) Parliament (including the 2014-15 estimate), average annual growth in both measures will be lower than in the 54th Parliament but higher than in the 53rd Parliament. In 2014-15 net debt is forecast to be 8.4 per cent of GSP, compared to 5.5 per cent of GSP in 2002-03; and net financial liabilities are forecast to be 19.6 per cent of GSP compared to 15.2 per cent of GSP in 2002-03.

Chart 6.2.1 Net debt and net financial liabilities (\$m)

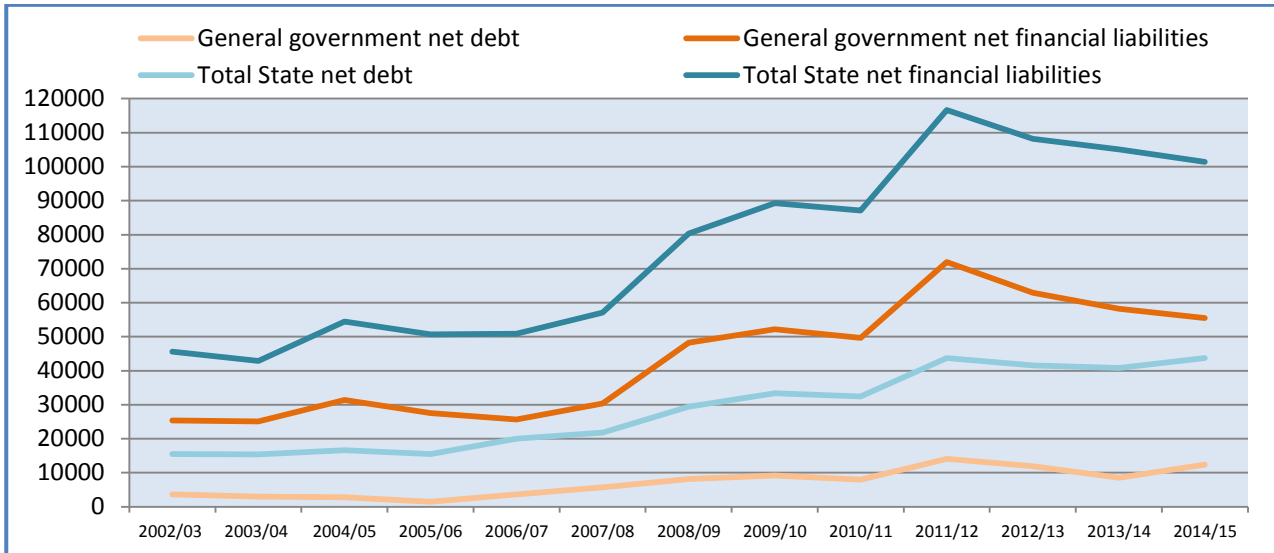


Table 6.2.1 Net debt and net financial liabilities (\$m, %)

	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)	14-15 (BE)
General government net debt	3,638	2,970	2,826	1,483	3,645	5,663	8,170	9,161	7,960	14,126	11,907	8,572	12,364
% of GSP	1.3	1.0	0.9	0.4	1.0	1.5	2.1	2.2	1.8	3.1	2.5	1.7	2.4
General government net financial liabilities	25,418	25,072	31,363	27,526	25,685	30,361	48,213	52,170	49,698	71,997	62,963	58,222	55,467
% of GSP	9.1	8.3	9.9	8.3	7.3	8.0	12.2	12.6	11.3	15.6	13.2	11.8	10.7
Total state net debt	15,497	15,357	16,660	15,518	19,982	21,774	29,437	33,345	32,426	43,740	41,574	40,766	43,699
% of GSP	5.5	5.1	5.3	4.7	5.7	5.8	7.4	8.1	7.3	9.5	8.7	8.3	8.4
Total state net financial liabilities	45,562	42,891	54,499	50,661	50,920	57,099	80,316	89,298	87,150	116,651	108,216	105,040	101,442
% of GSP	15.2	14.3	17.2	15.2	14.4	15.1	20.3	21.6	19.8	25.2	22.7	21.3	19.6

Table 6.2.2 Growth in net debt and net financial liabilities (\$m, %)

	02-03 to 03-04	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	12-13 to 13-14 (RE)	13-14 to 14-15 (BE)
General government Net debt	-18.4	-4.8	-47.5	145.8	55.4	44.3	12.1	-13.1	77.5	-15.7	-28.0	44.2
General government net financial liabilities	-23.1	-10.0	-55.6	150.0	50.0	40.0	4.8	-18.2	72.2	-19.4	-32.0	41.2
Total state Net debt	-1.4	25.1	-12.2	-6.7	18.2	58.8	8.2	-4.7	44.9	-12.5	-7.5	-4.7
Total state net financial liabilities	-8.8	19.3	-16.2	-12.0	9.6	52.5	3.3	-10.3	38.1	-15.4	-10.6	-9.3

Table 6.2.3 Growth in net debt and net financial liabilities by Parliament and over 12 years (%)

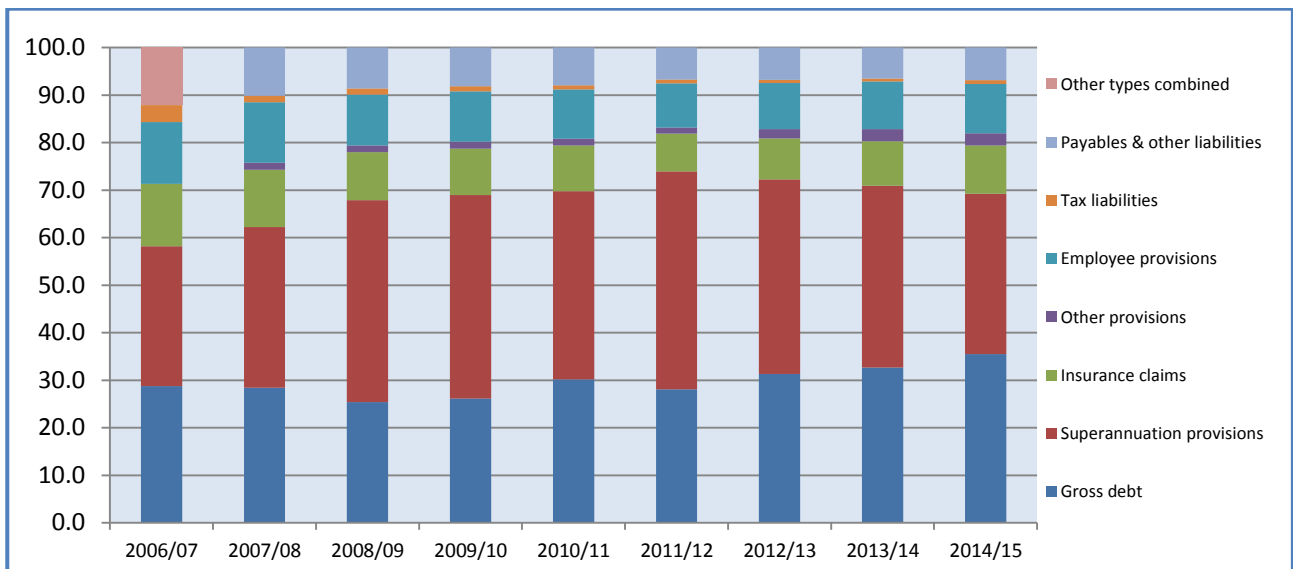
	Average annual growth (%)			
	53rd	54th	55th	12yr
General government net debt	0.0	21.6	11.6	10.7
General government net financial liabilities	0.3	17.9	2.8	6.7
Total state net debt	6.6	12.9	7.7	9.0
Total state net financial liabilities	2.8	14.4	3.9	6.9

Sources: The figures for 2002-03 are from NSW Budget Papers 2012-13, *Budget Statement*, p1-29 (table 1.4) and p1-30 (table 1.4). The other figures are from NSW Budget Papers 2014-15, *Budget Statement*, p1-18 (table 1.2) and p1-19 (table 1.3).

6.3 Liabilities by type

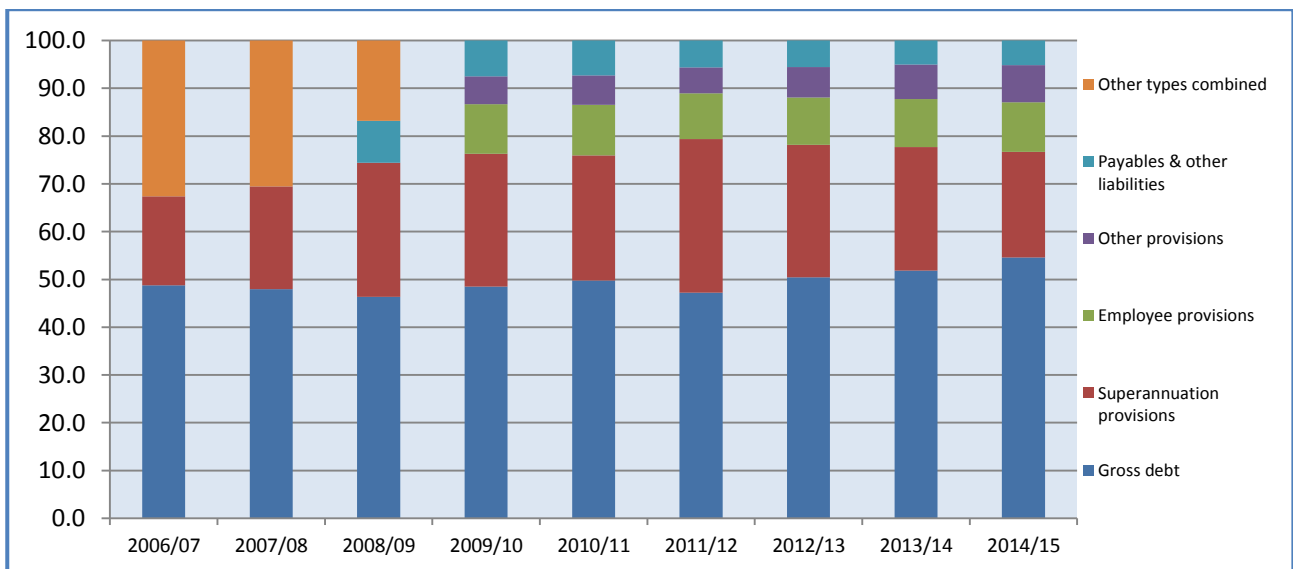
The following charts and tables show the composition of liabilities since 2006-07 (comparable figures were not available for all of the earlier years corresponding with the 53rd Parliament). In the general government sector, superannuation provisions (i.e. unfunded superannuation) was the largest category of liabilities in the years from 2006-07 to 2013-14 (29 to 45 per cent of total liabilities) but is forecast to be the second largest category in 2014-15 (34 per cent). Note that superannuation provisions can fluctuate according to the discount rate used to value them. Gross debt, which includes borrowings and finance leases, was the second largest category in all previous years (25 to 36 per cent) but is forecast to be the largest category in 2014-15 (36 per cent). In the total state sector, gross debt has been by far the largest category of liabilities in all years (around 50 per cent) followed by unfunded superannuation (18 to 32 per cent).

Chart 6.3.1 General government liabilities by type (%)



Note: Not all of the same categories were reported for 2006-07 as for subsequent years.

Chart 6.3.2 Total state sector liabilities by type (%)



Note: Not all of the same categories were reported for 2006-07 to 2008-09 as for subsequent years.

Table 6.3.1 General government liabilities (\$m)

	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)	14-15 (BE)
Gross debt	14,044	14,836	17,569	19,959	24,678	28,874	30,857	31,985	32,872
Superannuation provisions	14,363	17,624	29,409	32,722	32,333	47,181	40,327	37,425	31,169
Insurance claims	6,387	6,281	7,017	7,463	7,890	8,139	8,486	9,160	9,437
Other provisions	N/R	764	947	1,113	1,157	1,331	1,921	2,533	2,368
Employee provisions	6,339	6,646	7,410	8,071	8,463	9,585	9,599	9,825	9,581
Tax liabilities	1,758	674	927	850	707	798	655	605	729
Payables & other liabilities	N/R	5,304	5,935	6,206	6,484	6,915	6,678	6,371	6,369
Total	48,795	52,129	69,214	76,384	81,712	102,822	98,523	97,904	92,525

Table 6.3.2 General government liabilities (%)

	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)	14-15 (BE)
Gross debt	28.8	28.5	25.4	26.1	30.2	28.1	31.3	32.7	35.5
Superannuation provisions	29.4	33.8	42.5	42.8	39.6	45.9	40.9	38.2	33.7
Insurance claims	13.1	12.0	10.1	9.8	9.7	7.9	8.6	9.4	10.2
Other provisions	N/A	1.5	1.4	1.5	1.4	1.3	1.9	2.6	2.6
Employee provisions	13.0	12.7	10.7	10.6	10.4	9.3	9.7	10.0	10.4
Tax liabilities	3.6	1.3	1.3	1.1	0.9	0.8	0.7	0.6	0.8
Payables & other liabilities	N/A	10.2	8.6	8.1	7.9	6.7	6.8	6.5	6.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Not all of the same categories were reported for 2006-07 as for subsequent years. **Sources:** The 2006-07 figures are from NSW Budget Papers 2010-11, *Budget Statement*, p7-4 (table 7.2). The 2007-08 figures are from NSW Budget Papers 2011-12, *Budget Statement*, p7-2 (table 7.1). The 2008-09 figures are from NSW Budget Papers 2012-13, *Budget Statement*, p7-2 (table 7.1). The 2009-10 to 2011-12 figures are from NSW Budget Papers 2013-14, *Budget Statement*, p8-2 (table 8.1). The 2012-13 to 2014-15 figures are from NSW Budget Papers 2014-15, *Budget Statement*, p8-2 (table 8.1)

Table 6.3.3 Total state liabilities (\$m)

	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)	14-15 (BE)
Gross debt	36,878	39,612	51,048	60,287	64,620	74,946	78,617	80,450	81,739
Superannuation provisions	14,068	17,758	30,986	34,529	34,054	50,922	43,186	40,076	33,099
Employee provisions	N/R	N/R	N/R	12,966	13,742	15,289	15,491	15,646	15,545
Other provisions	N/R	N/R	N/R	7,248	7,940	8,572	9,860	11,215	11,614
Payables & other liabilities	N/R	N/R	9,626	9,268	9,490	8,898	8,670	7,732	7,687
Total	75,583	82,551	110,200	124,297	129,846	158,625	155,823	155,119	149,684

Table 6.3.4 Total state liabilities (%)

	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)	14-15 (BE)
Gross debt	48.8	48.0	46.3	48.5	49.8	47.2	50.5	51.9	54.6
Superannuation provisions	18.6	21.5	28.1	27.8	26.2	32.1	27.7	25.8	22.1
Employee provisions	N/A	N/A	N/A	10.4	10.6	9.6	9.9	10.1	10.4
Other provisions	N/A	N/A	N/A	5.8	6.1	5.4	6.3	7.2	7.8
Payables & other liabilities	N/A	N/A	8.7	7.5	7.3	5.6	5.6	5.0	5.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note 1: Not all of the same categories were reported for 2006-07 to 2008-09 as for subsequent years. **Note 2:** Employee provisions is a combination of "leave entitlements" and "other employee provisions". **Sources:** The 2006-07 figures are from NSW Budget Papers 2010-11, *Budget Statement*, p7-2 (table 7.1). The 2007-08 figures are from NSW Budget Papers 2011-12, *Budget Statement*, p7-8 (table 7.5). The 2008-09 figures are from NSW Budget Papers 2012-13, *Budget Statement*, p7-12 (table 7.6). The 2009-10 to 2011-12 figures are from NSW Budget Papers 2013-14, *Budget Statement*, p8-10 (table 8.6). The 2012-13 to 2014-15 figures are from NSW Budget Papers 2014-15, *Budget Statement*, p8-20 (table 8.9)

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 consistently held a AAA rating (the highest rating). The credit rating history and process is discussed in the *NSW Financial Audit* (p1-33 to 1-42). That report noted that the rating agencies conduct annual reviews, considering a range of factors including the economy, financial management, and debt profile. It also noted that both agencies placed special emphasis on a key balance sheet metric, and it referred to the following:

- S&P metrics: net debt and net unfunded superannuation in the non-financial public sector as a ratio of revenue in the non-financial public sector. S&P set trigger band limits for this metric to remain consistent with a Triple-A rating; for NSW this band was noted as 120 to 130 per cent.
- Moody's metric: total state gross non-commercial debt / general government sector revenue. Moody's had 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).

Until 2013-14, the annual budget papers reported on both of these metrics. In that year, presumably because of a change in S&P ratings methodology, the budget papers replaced the S&P metric referred to above with two different metrics: gross debt in the non-financial public sector/operating receipts in the non-financial public sector; and gross interest paid in the non-financial public sector/operating receipts in the non-financial public sector. The chart below shows the three metrics now reported in the budget papers. The Moody's metric (in blue) deteriorated over the time period and is slightly above the informal trigger band. Both of the other two metrics (in orange and green) also worsened over the time period (the first by more than the second).

On 5 June 2014, Moody's confirmed the AAA rating for NSW with a stable outlook (see this [press release](#) from the NSW Treasurer). On 24 March 2014, S&P confirmed a Triple-A credit rating for NSW but reported a negative outlook. A [press release](#) on 17 June 2014 stated that the negative outlook was unaffected by the 2014-15 budget. It noted:

The negative outlook reflects our view that there is a one-in-three chance of a downgrade in the coming 24 months. We consider that downside risks to the state's operating position could place additional pressure on its debt burden, despite the government's improving financial management. The outlook could be revised to stable if the state mitigates these risks and achieves its forecasts.

Chart 6.4.1 Credit rating metrics (%)

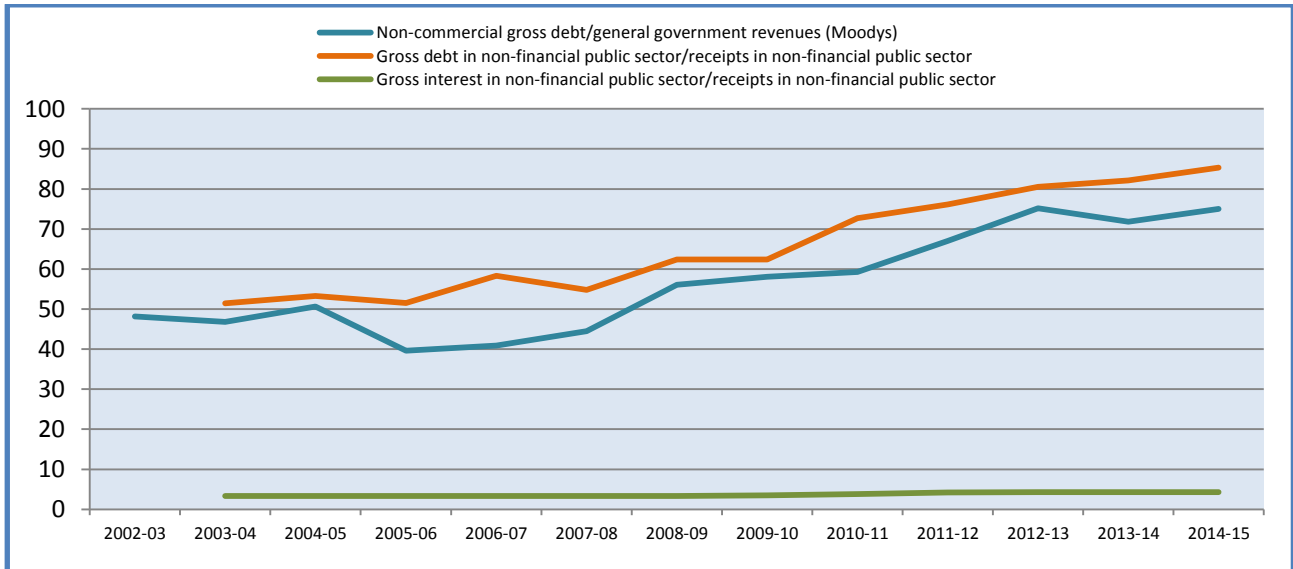


Table 6.4.1 Credit rating metrics (%)

	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)	14-15 (BE)
Non-commercial gross debt / general government revenues	48.2	46.8	50.6	39.6	40.9	44.5	56.1	58.1	59.3	67.0	75.2	71.8	75.0
Gross debt/ receipts in non-financial public sector	N/R	51.4	53.3	51.5	58.3	54.8	62.4	62.4	72.7	76.1	80.5	82.1	85.3
Gross interest/receipts in non-financial public sector	N/R	3.3	3.3	3.3	3.3	3.3	3.3	3.5	3.8	4.2	4.3	4.3	4.3

Table 6.4.2 Trends in credit rating metrics by Parliament (%)

	Average metric (%)		
	53rd	54th	55th
Non-commercial gross debt / general government revenues	44.5	54.5	72.3
Gross debt/ receipts in non-financial public sector	53.6	63.1	81.0
Gross interest/receipts in non-financial public sector	3.3	3.5	4.3

Sources: The figures for 2002-03 are from NSW Budget Papers 2012-13, *Budget Statement*, p1-29 (table 1.4). The figures for other years are from NSW Budget Papers 2014-15, *Budget Statement*, p1-18 (table 1.2).