

16 – PUBLIC FINANCE

This chapter provides an overall picture of the trends regarding the principal data shown in the final balance-sheet of the Sicilian Region by analysing the phases of accrual (accounts receivable and payable) and cash flow (collection and payments). Consolidated cash flow data for the Sicilian Provincial and Communal administrations from 2004 to 2007, is also shown, and thanks to the “Territorial Public Accounts” project, which is being run by the Ministry for Economic Development, this data provides a Regionalised picture of the whole extent of public administration spending. The liquidated revenue of the Sicilian Region in 2008 amounted to 19,064 million Euros and increased by 15.1% when compared to financial year 2007. This trend is principally due to the considerable increase in capital transfers, and new loans raised by the Administration to the sum of 3,280 million Euros.

With regard to spending in 2008, overall spending commitments rose by 15.9% when compared to 2007, (amounting to 21,104 million Euros). Current expenditure rose by 19.2% with significant variations in spending on personnel (+8%) and current transfers to public administration (+26.1%). Capital account spending rose by 4.9% but its value remained at a low level when compared to the total amount of current spending. Spending resulting from reimbursement of capital borrowed by the Region in the preceding years amounted to 228 million Euros (1.1% of overall spending).

Analysis of cash-flow data entered in the Final Accounts for 2008 showed results that more or less tallied with the accrual data, in spite of the varying nature of the flows examined. In fact revenue is shown to be up by 8.1%, and total payments show growth of 11.8%. Scrutiny of spending commitments analysed by intervention sector shows that 56.6% of Regional spending (11,956 million Euros) goes on the Health sector. The sum of 412 million destined for Agriculture, stands out among the productive sectors, as does the sum of 498 million Euros allocated to Transport (2.4% of total spending). Spending allocated to General Services represented 18.2% of Regional expenditure, although it fell by 2.2% when compared to 2007.

Tables 16.6 – 16.7 show the trend of consolidated cash accounts in the public sector in Sicily from 2004 to 2007. The term “consolidated” is here understood as the Public Administration accounts calculated through the elision of transfers carried out in the Extended public sector, i.e. the sum total comprising central administration, local administration, municipalized and Regionalised companies, Social security companies, public bodies and Foundations. Through a homogeneous process of data-collection and elaboration it is thus possible to obtain information regarding the flow of state finance in the individual Regions. Analysis of revenue shows that in 2007 there was an overall 4.7% increase, due mainly to the trends of tax revenue; this underwent a further significant increase (+5.6%), after the previous year’s increase, and is consistent with an increase in revenue from social contributions (+5.3%) and capital transfers (+423 million Euros when compared to the previous year). The total amount of expenditure in the public sector in 2007 came to 71,608 million Euros (an increase of 2.5%). The increase in current expenditure (+3.6%) could be attributed to the increased acquisition of goods and services (+7.2%), transfers to families and social institutions (+3.8%) and

passive interest (+20.9%), whereas there was a reduction in expenditure on personnel (-4%). Capital account spending fell by 4.4% in 2007 and represents a mere 12.3% of public spending in Sicily. The difference between overall outlay and revenue, amounted to 18,264 million Euros, and gives an idea of the importance that additional public resources have in the Sicilian economy.

Glossary

Accounts payable (A/P): a sum of money that has been committed but not yet paid; it amounts to a debt on the part of the public body.

Accounts receivable (A/R): revenue that has been registered but not collected. It constitutes credit for the public body.

Accruals: revenue that an enterprise is legally owed and expenditure committed during a financial year, regardless of whether these sums will be collected or paid.

Balance-sheet items: totality of revenue and spending operations. Revenue is divided into five items: tax revenue; contributions and current transfers; extra tax revenue, transfer and amortization of assets and collection of debts; registering of new borrowing. Spending is divided into three items: current, capital and loan repayment.

Capital expenditure: spending directly or indirectly affecting creation of capital

Capital revenue: revenue directly or indirectly affecting creation of capital

Cash flow: amount of money moving in and out during a financial year, regardless of whether or not it may have been registered or committed in other financial years.

Cash inventory: juridical/accountancy operation with which the Administration “verifies” the reasons for granting credit; this is the first phase in the procedure of receiving revenue.

Consolidated account: Public administration account aggregated through the elision of transfers carried out in the Extended Public Sector.

Current expenditure: expenditure to be allocated to production and redistribution of income for non-direct production purposes.

Current revenue: revenue to be channelled into the financing of production and redistribution of income for purposes that are not directly productive.

Expenditure commitment: sum owed by the enterprise as a result of juridically contracted financial obligations.

Extended public sector: a loose group made up of central administration, local administration, municipalized and Regionalised companies, Social security companies, public bodies.

Financial year: totality of operations regarding management of the balance-sheet (i.e. forecasting of revenue and spending) carried out during the financial year.

Long-term liabilities: total amount of medium and long-term borrowing transactions or real estate transactions, excluding transactions lasting less than one year.

Loan repayment: totality of operations regarding repayment of medium and long-term debts, disregarding interest.

Payment: final phase in the procedure of expenditure; it consists in operations through which the order to pay is issued.

Revenue: sums effectively collected.

Transfers: unilateral transactions through which a subject devolves a sum of money or a series of goods and services without receiving anything in exchange.

Further reading

Publications

Sicilian Region General Report– Regional department for the balance and finance.
Local finance: revenue and expenditure of final balances (2005) ISTAT

Internet

<http://www.istat.it/istituzioni/entilocali/>
Final balances of Provincial administrations – 2006
Final balances of Communal administrations – 2006

www.dps.tesoro.it/cpt/cpt.asp
Territorial public accounts project

<http://www.finanzalocale.interno.it/>

Home Ministry – Department for Home and local affairs – Central management of local finances

www.regione.sicilia.it/bilancio/

Regional budget

Budget – financial years 2001-2008

General report – financial years 1994-2007

Sicilian Region's financial law– years 2000-2008

Document for economic/financial planning (2002-2004; 2003-2006; 2004-2006; 2005-2007; 2006-2008; 2007-2011, 2008-2011, 2009-2013)

http://www.dps.tesoro.it/rapporto_annuale_2006.asp

Report from the Department for development and cohesion policy -2007