

16 – STATE FINANCE

By analysing the phases of accrual (accounts receivable and payable) and cash flow (collection and payments) this chapter aims to provide a panorama of the trends regarding the principal data in the final balance-sheet of the Sicilian Region. Consolidated cash flow data for the Sicilian Provincial and Municipal administrations, from 2005 to 2008, is also shown, and data from the “Territorial Public Accounts” project, which is being run by the Ministry for Economic Development, helps provide a Regionalised overview of the whole extent of public administration spending.

The liquidated revenue of the Sicilian Region in 2009 amounted to 19,776 million Euros and represented an increase of 3.7% when compared to financial year 2008. This trend was principally due to the considerable increase in capital transfers, whilst the Region did not raise any new loans in the course of the year and tax revenue remained more or less stable.

With regard to expenditure in 2009, overall spending commitments fell by 11.9% when compared to 2008, (amounting to 18,620 million Euros). Current expenditure fell by 12.7% with significant variations in spending on current transfers to public administration (-19.8%). Capital account spending dropped by 6.6% and 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 211 million Euros (1.1% of overall spending).

As a result of the varying nature of the flows examined, analysis of cash-flow data entered in the Final Accounts for 2009 showed results that did not coincide precisely with the accrual data. In fact revenue is shown to be down by 8.7%, and total payments show a drop of 6.9%.

Scrutiny of spending commitments (analysed by intervention sector) shows that 49.1% of Regional spending (9,138 million Euros) goes on the Health sector.

The sum of 702 million Euros (3.8% of the total) allotted to Agriculture, stands out among the productive sectors, as does the sum of 461 million Euros allocated to Transport. Spending allocated to General Services represented 20.6% of Regional expenditure, although this fell slightly, by 0.6% when compared to 2008.

Tables 16.6 – 16.7 show the trend of consolidated cash accounts in the public sector in Sicily from 2005 to 2008. The term “consolidated” is here understood as 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 2008 there was an overall 6% increase, due mainly to tax revenue trends, which showed an increase of 2.4%, following the more marked increase of the previous year. The increase in revenue from social contributions (+10.5%) and the sale of assets and services (+2,047 million Euros when compared to the previous year) were particularly significant. The total amount of expenditure in the public sector in 2008 amounted to 72,511 million Euros (an increase of 0.4%). The fall in current expenditure (-1.5%) could be attributed mainly to balance-sheet items and non-attributable sums (-2,090 million Euros), whereas there was an increase in expenditure on personnel (+11.5%). Capital account spending fell by 4.4%, although it had risen by 14.3% in 2008, and represented a mere 13.9% of public spending in Sicily. The difference between overall outlay and revenue, amounted to 15,914 million Euros, and gives an idea of the importance that additional public resources have in the Sicilian economy (although this gap seems to be smaller than for the previous two-year period).

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
AA.VV. – Italy by Regional Public Accounts (Conti Pubblici Territoriali - CPT)
Monetary flow in the Regione Sicilia (Regione Sicilia e Ministero dello Sviluppo Economico – 2009)

Internet

<http://www.istat.it/istituzioni/entilocali/>

Final balances of Provincial administrations – 2008
Final balances of Communal administrations – 2008

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

http://pti.regione.sicilia.it/portal/page/portal/PIR_PORTALE/PIR_LaNuovaStrutturaRegionale/PIR_AssessoratoEconomia/PIR_DipBilancioTesoro

Regional balance-sheet

Budget – financial years 2007-2010

General report – financial years 1994-2009

Sicilian Region's financial law– years 2000-2009

Document for economic/financial planning (2002-2004; 2003-2006; 2004-2006; 2005-2007; 2006-2008; 2007-2011, 2008-2011, 2009-2013; 2010-2013; 2011-2013)