

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 accounts receivable of the Sicilian Region in 2007 amounted to 16,559 million Euros and fell by 6.9% compared to financial year 2006. This trend is principally due to the drastic reduction in capital transfers, whereas there was an increase in revenue from Irpef (personal income tax) (+4%) and VAT (+7.1%) as regards tax revenue. The Region did not raise any new loans in 2007.

With regard to spending in 2007, overall spending commitments fell by 0.8% compared to 2006, (amounting to 18,201 million Euros). Current expenditure rose by 8.4% with significant variations with regard to spending on personnel (+7%), intermediate consumption (+12.8%), and current transfers to public administration (+14%). Capital account spending fell by 31% and its value remains at a low level when compared to the total amount of current spending. Spending resulting from reimbursement of debts contracted by the Region in the preceding years amounted to 337 million Euros (1.8% of overall spending).

Analysis of cash-flow data entered in the Final Accounts for 2007 showed results that coincided with the accrual data, in spite of the varying nature of the flows examined. In fact revenue is shown to be down by 6.7%, with a 0.9% fall in accruals. Scrutiny of spending commitments analysed by intervention sector shows that 48.8% of Regional spending (8,747 million Euros) goes on the Health sector.

The sum of 454 million (2.5% of total spending), destined for agriculture, stands out among the productive sectors, as does the sum of 355 million Euros allocated to transport, although this sector, along with tourism, registered a significant decrease in the year 2007. Spending allocated to General Services continues to rise (+7.4%), and represents 21.7% of Regional expenditure.

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 have information regarding the flows of state finance in the individual Regions.

Analysis of revenue shows that in 2007 there was an overall 3.7% increase, due mainly to the trends of tax revenue; this underwent a further significant increase (+7.2%), after the previous year’s increase, and is consistent with an increase in revenue from social contributions (+5.4%). The total amount of expenditure in the public sector in 2007 came to 70,771 million Euros (an increase of 0.5%). The increase in current expenditure (+1.2%) could be attributed to the growth of transfers to families and

social institutions (+3.1%) and passive interest (+16.9%), whereas there was a slight reduction in expenditure on personnel (+0.6%). Capital account spending fell by 3.7% in 2007 and represents a mere 13.1% of public spending in Sicily. The difference between overall outlay and revenue, net of financial items, amounted to 18,162 million Euros, and gives an idea of the importance that additional public resources might 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 during the financial year.

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 “ascertains” 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/pubamm/>

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