

Public Institutes – Financial Results	Slovenian Economic Mirror	IMAD
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Operations of public institutes and other public service providers in 2002 broken down by budget spending units ¹								
Sub-group code	Budget spending unit	No. of public institutes	No. of employees	Index 02/01	Total net profit or loss, SIT million		Net profit or loss in providing public services, SIT million	Net profit or loss in market activities, SIT million
					2001	2002	2002	2002
	Public institutes – total	1,457	103,080	102.2	5,114	223	-1,777	2,000
3.1.	Education & sport	932	51,817	102.0	1,224	1,842	1,381	461
3.2.	Health	128	30,685	101.2	2,179	3,225	1,153	2,072
3.3.	Social protection	144	9,333	104.9	628	617	512	105
3.4.	Culture	156	6,471	103.2	511	-5,221 ³	-4,633	-588
3.5.	Research	24	2,059	100.3	332	-285	-159	-126
3.6.-3.11	Other ²	73	2,715	106.9	239	45	-31	77

Source of data: APLRS – statement of revenues and expenses (accrual basis); calculations by the IMAD.

Notes: ¹ data cover all public institutes and other public service providers which indicated a budget spending unit code in their financial statements for 2002. These codes are given in the list of direct and indirect budget spending units published as an annex to the Order on Direct and Indirect State and Municipal Budget Spending Units (Ur. l. RS, 97/01 and 81/02). In this list, *public institutes and other public service providers* are listed in group III/1 and broken down into 11 public service sub-groups; ² other activities (3.6.-3.11.) are sub-groups falling under agriculture and forestry, the environment and spatial development, economic activities, small business sector and tourism, and law and order and security; ³ including substantial surplus expenses over revenues in public institutes operating in radio and television activity.

Activities of **public institutes** can be divided into three groups: (i) regular public services; (ii) public services sold on the market; and (iii) activities which are not part of public services, i.e. market activities. Since public institutes earn part of their revenues through market activities, the Public Sector Accounting Act provides that revenues and expenses and profits and losses are to be kept separately – the provision of public services and sales of goods and services in the market – as well as together (see SEM 4/2001:13).

As far as revenues are concerned, a general principle applies that revenues for **providing public services** include all revenues received by public institutes to provide these services, regardless of whether they come from public or private sources. Hence, **revenues from sales of goods and services in the market** only include revenues that public institutes earn by selling goods and services which are not part of public services. These services generally involve: catering services, sales of publicity products, sponsors' promotions, retailing in pharmacies etc. Market activities of public institutes are defined very narrowly, so they are relatively small in scale (see the graph: structure of public institutes' financial sources on p. 19).

The division of **expenses** into public services and market activities usually follows the relationship seen in revenues, even though regulations provide that this should only be used as a last resort. Namely, the problem of recording separate expenses relates to the keeping of expenses by cost centres, cost responsibility centres and accounts, which is still not being applied in many public institutes. It is unclear how many costs public institutes incur through providing publicly-funded services, how many through providing public services for the market and how many through performing their own market activities. This problem also puts into question the profit and loss reported by public institutes, especially when it comes to separating profit and loss for public services and market activities. On one hand, public institutes, operating as non-profit organisations, should break even in the part providing public services while, on the other hand, they are allowed to maximise profits in market activities (surplus revenues over expenses), even though this is at odds with the non-profit character of public institutes. Since public institutes are allowed to make independent decisions about using profits made from market activities, they may be tempted to keep costs incurred by market activities under the costs of public services.

The table shows **net profit and loss**, revealing the performance of all public institutes in the given area. Net profit and loss is the **difference** between the sum of surplus revenues over expenses (of all public institutes that recorded positive results) and the sum of surplus expenses over revenues (of all public institutes that recorded negative results). In **2002**, the sum of **surplus revenues over expenses** totalled SIT 8,315 million for public institutes as a whole. Surplus revenues in providing public services were the highest in health (SIT 2,478 million; SIT 1,115 of which were in hospitals) and they were also relatively large in education and sport (SIT 1,850 million; SIT 751 in higher education institutes). As regards market activities, surplus revenues were also the highest in health (SIT 2,157 million; SIT 1,654 million in pharmacies). The sum of **surplus expenses over revenues** amounted to SIT 8,092 for public institutes as a whole. Most surplus expenses were seen in providing public services, totalling as much as SIT 5,042 in culture, mainly thanks to radio and television activity. Relatively high surplus expenses incurred by providing public services were also seen in health (SIT 1,325 million), of which the highest were in hospitals (SIT 667 million), the same as in surplus revenues, and health centres (SIT 433 million). Surplus expenses incurred by providing public services were significantly lower in education (SIT 468 million), with the highest being reported by primary schools (SIT 159 million).

These financial results show that public institutes operating in health reported the biggest surplus revenues as well as the biggest surplus expenses in **providing public services** in 2001 and 2002. Since public institutes should break even in the area of providing public services, any positive or negative discrepancy indicates problems in the financing system.