



DEPARTMENT OF
TREASURY AND FINANCE

**MONTHLY
REPORT OF
GENERAL
GOVERNMENT
FINANCES**

Statement for the Month Ended
31 August 2005

MONTHLY REPORT OF GENERAL GOVERNMENT FINANCES

AUGUST 2005

Introduction

This report provides a summary of the Western Australian general government sector's finances for the month of August 2005. The general government sector is the focus of the Western Australian budget, with the general government net operating balance as its 'headline' measure. The sector is responsible for the delivery of key community services such as health, education and law and order, and for the collection of central revenue such as Commonwealth grants, taxation and mining royalties.

Care should be taken in interpreting monthly results, which can vary significantly from month to month due to various seasonal and other timing factors. For example, revenue is typically stronger in the first half of a financial year, with the full year's land tax revenue being recognised in the first or second quarters of the year (when land tax assessments are issued), while expenses typically accelerate in the latter months of a financial year as programs with a 30 June completion date come to a conclusion. The timing of grant revenue (from the Commonwealth), and grant payments, can also be quite 'lumpy', making comparisons between monthly reporting periods difficult.

Operating Statement

The general government sector recorded a \$97 million operating deficit for the month of August 2005, compared to a \$20 million deficit in August 2004.

Revenue in August 2005 totalled \$1,088 million, down \$35 million (or 3.1%) from August 2004. This change primarily reflects:

- higher Commonwealth grants (up \$44 million), due mainly to higher annual GST grants and a revised GST monthly payment profile for 2005-06, and higher North West Shelf petroleum royalties (largely reflecting the increase in the price of oil);
- lower dividend revenue from public corporations (down \$35 million), due to changes in the State's revenue recognition policy following the introduction of International Financial Reporting Standards (IFRS) in 2005-06¹;
- higher taxation revenue (up \$13 million), reflecting the impact of increased vehicle sales and registrations on motor vehicle taxes (up \$14 million) and the impact of property market activity on conveyance duty revenue (up \$11 million), partially offset by the abolition of Debits Tax (down \$8 million); and
- lower 'other' revenue (down \$57 million) due to the impact in 2004-05 of the transfer of Crown land by Edith Cowan University back to the State;

Expenses for the month of August 2005 totalled \$1,185 million, up \$42 million (or 3.7%) from August 2004. This increase largely reflects:

- increased salaries (up \$39 million), reflecting pay increases and higher employee numbers (primarily in the health and education sectors);

¹ Under IFRS, dividends can only be recognised when they are declared and approved. Under the previous monthly accounting policy prior to 2005-06, dividends were accrued uniformly throughout the year. Interim dividends are expected to be declared around January/February 2006, while final end-of-year dividends are generally expected to be declared in July under IFRS.

- higher current transfers (up \$27 million), due to a combination of budgeted increases in grants (particularly in the health and agricultural sectors), and differences in the timing of a range of other grant payments; and
- higher 'other' operating expenses (up \$29 million) reflecting changes in the timing of purchases by agencies across the sector.

These expense increases were partly offset by a reduction in capital transfers (down \$57 million) due to a grant payment to Edith Cowan University in August 2004, associated with the Crown land transfer noted above.

Cash Flow Statement

A cash deficit of \$96 million was recorded in August 2005, broadly inline with a \$83 million deficit recorded in August 2004. This reflected a net cash outflow from operating activities of \$26 million and a net cash outflow from capital investment of \$71 million.

Two Months Ending 31 August 2005

A cumulative operating surplus of \$131 million was recorded for the first two months of 2005-06, similar to the operating surplus of \$133 million recorded in the same period the previous year.

Revenue in the two months to 31 August 2005 totalled \$2,455 million, \$120 million (or 5.1%) higher than the first two months of 2004-05. The major contributors to this increase were Commonwealth grants (up \$97 million), taxation (up \$93 million) and 'other' revenue (down \$48 million), reflecting similar factors to those outlined in the monthly results above.

Expenses of \$2,324 million were recorded for the two months ended 31 August 2005, \$122 million (or 5.5%) higher than the same period the previous year. This increase is largely due to higher salaries and current transfers (grants), reflecting the same issues outlined under the monthly results described above.

GENERAL GOVERNMENT

Operating Statement

	2005-06				2004-05		
	Month of July \$m	Month of Aug \$m	Two Months to 31 Aug \$m	Annual Estimate ^(a) \$m	Month of Aug \$m	Two Months to 31 Aug \$m	Actual ^(b) \$m
REVENUE							
Taxation	362	370	732	3,995	357	639	4,314
Current grants and subsidies	719	513	1,231	6,659	455	1,120	6,468
Capital grants	15	34	49	347	48	63	347
Sales of goods and services	93	81	174	943	89	182	982
Interest income	12	15	27	146	13	24	142
Revenue from public corporations							
Dividends	34	-	34	463	35	69	468
Tax equivalent payments	21	21	42	245	19	39	292
Royalty income	80	26	106	1,140	21	91	841
Other	31	29	60	281	86	108	368
<i>Total</i>	<i>1,367</i>	<i>1,088</i>	<i>2,455</i>	<i>14,218</i>	<i>1,123</i>	<i>2,335</i>	<i>14,222</i>
EXPENSES							
Gross operating expenses							
Salaries	429	471	900	5,405	432	840	5,253
Depreciation and amortisation	49	44	94	585	43	87	558
Superannuation	41	45	86	524	41	81	519
Services and contracts	74	107	181	1,416	101	187	1,263
Other	119	195	315	1,830	166	299	1,730
Nominal superannuation interest	25	25	49	296	24	48	294
Other interest	12	16	28	161	26	39	155
Current transfers	359	230	589	3,012	203	488	2,728
Capital transfers	30	51	82	467	108	133	482
<i>Total</i>	<i>1,139</i>	<i>1,185</i>	<i>2,324</i>	<i>13,697</i>	<i>1,143</i>	<i>2,202</i>	<i>12,282</i>
NET OPERATING BALANCE	228	-97	131	521	-20	133	1,240

(a) Annual estimate published in the 2005-06 Budget, released 26 May 2005.

(b) Consistent with the 2004-05 Government Financial Results Report, released 21 September 2005.

Columns may not add due to rounding.

GENERAL GOVERNMENT

Cash Flow Statement

	2005-06				2004-05		
	Month of July \$m	Month of Aug \$m	Two Months to 31 Aug \$m	Annual Estimate ^(a) \$m	Month of Aug \$m	Two Months to 31 Aug \$m	Actual ^(b) \$m
RECEIPTS FROM OPERATING ACTIVITIES							
Taxes received	330	340	669	4,002	320	596	4,328
Receipts from sales of goods and services	93	106	199	961	77	171	1,031
Grants and subsidies received	732	546	1,278	7,007	501	1,183	6,786
Other receipts	280	64	344	2,756	125	314	2,484
<i>Total</i>	1,435	1,055	2,490	14,726	1,023	2,263	14,629
PAYMENTS FOR OPERATING ACTIVITIES							
Payments for goods and services	-781	-834	-1,615	-9,390	-772	-1,610	-8,981
Grants and subsidies paid	-367	-221	-588	-3,250	-246	-559	-2,966
Interest paid	-16	-5	-21	-153	-2	-28	-162
Other payments	-127	-20	-148	-770	-72	-141	-798
<i>Total</i>	-1,292	-1,080	-2,372	-13,563	-1,092	-2,337	12,907
Net Cash Flow from Operating Activities	144	-26	118	1,163	-69	-74	1,722
INVESTMENT IN NON-FINANCIAL ASSETS							
Purchase of non-financial assets	-53	-79	-132	-1,285	-81	-155	-1,113
Sales of non-financial assets	36	8	44	192	67	76	253
<i>Total</i>	-17	-71	-88	-1,094	-15	-79	-859
INVESTMENT IN FINANCIAL ASSETS							
Policy purposes	-40	-337	-376	-471	-	-26	-122
Liquidity purposes	66	-30	37	15	-	1	-62
<i>Total</i>	27	-366	-340	-456	-	-25	-184
Net Cash Flow from Investing Activities	9	-437	-428	-1,550	-15	-104	-1,043
FINANCING ACTIVITIES							
Advances received (net)	-	-	-	-	-	-	-
Borrowings (net)	-10	-209	-220	418	45	195	-395
Deposits received (net)	-3	6	3	-	-	4	-1
Other financing	-1	4	3	-21	-16	-18	-103
<i>Total</i>	-13	-200	-213	398	30	180	-499
Opening cash balance	2,869	3,009	2,869	1,936	2,744	2,690	2,690
NET INCREASE IN CASH HELD	140	-663	-523	10	-53	1	180
Closing cash balance	3,009	2,346	2,346	1,946	2,691	2,691	2,869
<i>Net cash from operating activities and investments in non-financial assets less finance leases and similar arrangements</i>	126	-96	30	69	-83	-153	862
Cash Surplus	126	-96	30	69	-83	-153	862

(a) Annual estimate published in the 2005-06 Budget, released 26 May 2005.

(b) Consistent with the 2004-05 Government Financial Results Report, released 21 September 2005.

Columns may not add due to rounding.

GENERAL GOVERNMENT

Taxation Revenue

	2005-06				2004-05		
	Month of July \$m	Month of Aug \$m	Two Months to 31 Aug \$m	Annual Estimate ^(a) \$m	Month of Aug \$m	Two Months to 31 Aug \$m	Actual ^(b) \$m
TAXATION							
Taxes on employers' payroll and labour force							
<i>Payroll tax</i>	113	103	215	1,242	107	208	1,211
Property taxes							
<i>Land tax</i>	-	-	1	320	1	1	315
Conveyances and transfers	115	109	224	1,002	98	192	1,218
Mortgages	12	12	25	109	11	21	140
Other stamp duties	3	3	6	31	7	10	36
<i>Total stamp duties on financial and capital transactions</i>	131	124	255	1,142	116	223	1,394
Debits Tax	8	-	8	8	8	16	100
<i>Total financial institutions taxes</i>	8	-	8	8	8	16	100
Metropolitan Region Improvement Tax	3	-	3	54	-	-	47
Emergency Services Levy	7	34	41	129	31	37	119
Loan guarantee fees	1	1	2	12	1	2	10
<i>Total other property taxes</i>	11	35	46	194	31	39	176
Taxes on provision of goods and services							
Lotteries Commission	8	8	16	98	8	16	98
less rebates	-2	-2	-4	-22	-1	-4	-21
Video lottery terminals	-	-	-	1	-	-	-
Casino Tax	3	5	9	52	5	9	52
less rebates	-2	-1	-4	-28	-2	-5	-28
TAB betting tax	5	5	9	56	9	9	59
less rebates	-2	-2	-4	-27	-4	-4	-25
<i>Total taxes on gambling</i>	10	13	22	129	15	21	134
Stamp duty on insurance policies	26	31	57	295	29	58	280
Other	2	2	4	22	2	3	19
<i>Total taxes on insurance</i>	28	33	60	317	31	62	299
Taxes on use of goods and performance of activities							
Stamp duty on vehicle licences	24	30	54	299	21	27	303
Permits – oversize vehicles and loads	-	-	-	2	-	-	3
Motor vehicle recording fee	3	2	5	30	3	5	37
Motor vehicle registrations	34	30	64	312	23	36	341
<i>Total motor vehicle taxes</i>	62	62	124	642	48	68	684
Total Taxation	362	370	732	3,995	357	639	4,314

(a) Annual estimate published in the 2005-06 Budget, released 26 May 2005.

(b) Consistent with the 2004-05 Government Financial Results Report, released 21 September 2005.

Columns may not add due to rounding.

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