



D E P A R T M E N T O F
T R E A S U R Y A N D F I N A N C E

**MONTHLY
REPORT OF
GENERAL
GOVERNMENT
FINANCES**

Statement for the Month Ended
31 January 2005

MONTHLY REPORT OF GENERAL GOVERNMENT FINANCES

JANUARY 2005

Introduction

This report provides a summary of the Western Australian general government sector's finances for the month of January 2005. The general government 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. It is the focus of the 'headline' budget measure (the general government net operating balance). Care should be taken in interpreting monthly results, which can vary significantly from month to month due to various seasonal and other timing factors. It should also be noted that the year to date results contained in this report do not fully reflect the impact of developments contained in the *Pre-Election Financial Projections Statement* (PFPS), in particular, the tax relief package announced in October 2004 (which did not fully come into effect until 1 January 2005) and spending decisions for the remainder of 2004-05 made in the lead-up to the mid-year review and the PFPS.

Operating Statement

The general government sector recorded an \$18 million operating surplus for the month of January 2005, compared to the \$127 million operating deficit recorded in January 2004.

Revenue for the month of January 2005 totalled \$1,121 million, up \$114 million from January 2004. This increase in monthly revenue is primarily due to: higher Commonwealth grants, up \$39 million (reflecting increased national GST collections and an increase in Western Australia's share of those collections, and higher non-government school grants); higher revenue from the sale of goods and services, up \$30 million (reflecting small increases across a range of general government agencies); higher taxation revenue, up \$14 million (mainly due to increased stamp duty collections on motor vehicle licences and payroll tax); and higher 'other' revenue, also up \$14 million (due primarily to timing differences associated with capital user charge revenue received from the Public Transport Authority).

Expenses for the month of January 2005 totalled \$1,103 million, down \$31 million from January 2004. This decrease largely reflects: lower 'other' gross operating expenses (down \$40 million), primarily reflecting timing differences associated with day-to-day goods and services expenditure across a range of general government agencies; and lower current and capital transfers (down \$16 million), mainly due to the timing of education sector grant payments. Partially offsetting these decreases were higher services and contracts expenses (up \$19 million primarily as a result of increased roadworks expenditure for new road infrastructure) and salaries expenses (up \$13 million, mainly in the health and education sectors).

Cash Flow Statement

A \$52 million net cash inflow resulted from operating activities in the month of January 2005. Combined with net capital expenditure (i.e. investment in non-financial assets) of \$71 million, this resulted in a cash deficit of \$19 million in January 2005, compared with a cash deficit of \$71 million in January 2004.

Seven Months Ending 31 January 2005

A cumulative operating surplus of \$869 million was recorded for the seven months ended 31 January 2005, up \$322 million on the \$547 million operating surplus recorded for the same period the previous year.

Revenue in the seven months to 31 January 2005 totalled \$8,368 million, \$845 million (or 11.2%) higher than the first seven months of 2003-04. The major contributors to this increase are Commonwealth grants (up \$513 million), taxation (up \$119 million), 'other' revenue (up \$97 million) and royalty income (up \$65 million).

Expenses of \$7,499 million were recorded for the seven months ended 31 January 2005, \$523 million (or 7.5%) higher than the same period the previous year. This increase primarily reflects higher current and capital transfers (up \$285 million, due to the timing of appropriations to the Public Transport Authority, a grant payment to Edith Cowan University for the purchase of Crown land, and the on-passing of higher non-government school grants from the Commonwealth), and higher salaries (up \$207 million, reflecting backdated pay increases for general public servants and education assistants, and increased pay rates and employee numbers, particularly in the health, education and justice sectors).

GENERAL GOVERNMENT Operating Statement

| | 2004-05 | | | | 2003-04 | | |
|---------------------------------------|------------------|------------------|----------------------------|------------------------------------|------------------|----------------------------|---------------|
| | Month of Dec \$m | Month of Jan \$m | Seven Months to 31 Jan \$m | Annual Estimate ^(a) \$m | Month of Jan \$m | Seven Months to 31 Jan \$m | Actual \$m |
| REVENUE | | | | | | | |
| Taxation | 325 | 312 | 2,695 | 3,982 | 298 | 2,576 | 4,122 |
| Current grants and subsidies | 444 | 539 | 3,676 | 6,328 | 508 | 3,216 | 5,583 |
| Capital grants | 26 | 19 | 201 | 381 | 11 | 148 | 295 |
| Sales of goods and services | 58 | 85 | 547 | 918 | 55 | 539 | 942 |
| Interest income | 12 | 13 | 81 | 146 | 11 | 73 | 128 |
| Revenue from public corporations | | | | | | | |
| Dividends | 68 | 33 | 272 | 436 | 24 | 238 | 448 |
| Tax equivalent payments | 116 | 15 | 229 | 259 | 21 | 228 | 310 |
| Royalty income | 94 | 75 | 439 | 780 | 62 | 374 | 654 |
| Other | 20 | 30 | 227 | 336 | 16 | 130 | 272 |
| Total | 1,162 | 1,121 | 8,368 | 13,565 | 1,007 | 7,523 | 12,753 |
| EXPENSES | | | | | | | |
| Gross operating expenses | | | | | | | |
| Salaries | 466 | 401 | 2,961 | 5,075 | 388 | 2,754 | 4,787 |
| Depreciation and amortisation | 44 | 45 | 309 | 561 | 47 | 339 | 546 |
| Superannuation | 44 | 39 | 285 | 496 | 38 | 270 | 458 |
| Services and contracts ^(b) | 128 | 98 | 704 | 1,459 | 79 | 645 | 1,216 |
| Other gross operating expenses | 131 | 94 | 913 | 1,733 | 134 | 930 | 1,637 |
| Nominal superannuation interest | 24 | 21 | 165 | 295 | 24 | 162 | 283 |
| Other interest | 11 | 13 | 98 | 180 | 17 | 98 | 165 |
| Current transfers | 207 | 355 | 1,761 | 2,769 | 389 | 1,571 | 2,440 |
| Capital transfers | 22 | 37 | 303 | 499 | 19 | 208 | 421 |
| Total | 1,076 | 1,103 | 7,499 | 13,068 | 1,134 | 6,976 | 11,954 |
| NET OPERATING BALANCE | 86 | 18 | 869 | 498 | -127 | 547 | 799 |

(a) Estimate published in the 2004-05 *Pre-Election Financial Projections Statement*, released 2 February 2005.

(b) Gross operating expenses – other has been disaggregated into 'Services and contracts' and 'Other gross operating expenses' from July 2004. Comparatives have been restated to reflect this new reporting classification.

Columns may not add due to rounding.

GENERAL GOVERNMENT

Cash Flow Statement

| | 2004-05 | | | | 2003-04 | | |
|--|------------------|------------------|----------------------------|------------------------------------|------------------|----------------------------|----------------|
| | Month of Dec \$m | Month of Jan \$m | Seven Months to 31 Jan \$m | Annual Estimate ^(a) \$m | Month of Jan \$m | Seven Months to 31 Jan \$m | Actual \$m |
| RECEIPTS FROM OPERATING ACTIVITIES | | | | | | | |
| Taxes received | 368 | 346 | 2,581 | 3,988 | 346 | 2,450 | 4,047 |
| Receipts from sales of goods and services | 96 | 77 | 577 | 950 | 63 | 530 | 968 |
| Grants and subsidies received | 463 | 589 | 3,907 | 6,697 | 520 | 3,359 | 5,829 |
| Other receipts | 256 | 223 | 1,311 | 2,378 | 175 | 1,143 | 2,224 |
| <i>Total</i> | <i>1,182</i> | <i>1,235</i> | <i>8,376</i> | <i>14,014</i> | <i>1,104</i> | <i>7,482</i> | <i>13,068</i> |
| PAYMENTS FOR OPERATING ACTIVITIES | | | | | | | |
| Payments for goods and services | -787 | -705 | -5,239 | -9,042 | -684 | -4,888 | -8,238 |
| Grants and subsidies paid | -319 | -408 | -1,948 | -3,057 | -355 | -1,638 | -2,589 |
| Interest paid | -8 | -19 | -99 | -174 | -26 | -99 | -171 |
| Other payments | -57 | -50 | -449 | -772 | -46 | -379 | -691 |
| <i>Total</i> | <i>-1,170</i> | <i>-1,183</i> | <i>-7,735</i> | <i>-13,046</i> | <i>-1,112</i> | <i>-7,004</i> | <i>-11,688</i> |
| Net Cash Flow from Operating Activities | 12 | 52 | 642 | 968 | -7 | 478 | 1,380 |
| INVESTMENT IN NON-FINANCIAL ASSETS | | | | | | | |
| Purchase of non-financial assets | -96 | -80 | -561 | -1,260 | -81 | -543 | -992 |
| Sales of non-financial assets | 4 | 9 | 130 | 289 | 17 | 63 | 166 |
| <i>Total</i> | <i>-92</i> | <i>-71</i> | <i>-431</i> | <i>-970</i> | <i>-64</i> | <i>-479</i> | <i>-826</i> |
| INVESTMENT IN FINANCIAL ASSETS | | | | | | | |
| Policy purposes | -14 | -5 | -89 | -115 | -46 | -65 | -122 |
| Liquidity purposes | -20 | - | -144 | 15 | 2 | -87 | -80 |
| <i>Total</i> | <i>-33</i> | <i>-5</i> | <i>-233</i> | <i>-99</i> | <i>-44</i> | <i>-152</i> | <i>-202</i> |
| Net Cash Flow from Investing Activities | -125 | -76 | -664 | -1,070 | -108 | -631 | -1,028 |
| FINANCING ACTIVITIES | | | | | | | |
| Advances received (net) | - | -7 | -7 | - | - | -5 | -8 |
| Borrowings (net) | 9 | -5 | -321 | -569 | 48 | 3 | -158 |
| Deposits received (net) | 6 | -3 | -4 | - | -10 | 3 | -2 |
| Other financing | -7 | -1 | - | -101 | 4 | -5 | -32 |
| <i>Total</i> | <i>7</i> | <i>-16</i> | <i>-332</i> | <i>-669</i> | <i>43</i> | <i>-4</i> | <i>-199</i> |
| Opening cash balance | 2,481 | 2,375 | 2,690 | 2,690 | 970 | 1,056 | 2,538 |
| NET INCREASE IN CASH HELD | -106 | -40 | -354 | -771 | -72 | -158 | 152 |
| Closing cash balance | 2,375 | 2,335 | 2,335 | 1,918 | 898 | 898 | 2,690 |
| <i>Net cash from operating activities and investments in non-financial assets less finance leases and similar arrangements</i> | <i>-80</i> | <i>-19</i> | <i>210</i> | <i>-2</i> | <i>-71</i> | <i>-1</i> | <i>554</i> |
| Cash Surplus | -80 | -19 | 210 | -2 | -71 | -1 | 554 |

(a) Estimate published in the 2004-05 Pre-Election Financial Projections Statement, released 2 February 2005. Columns may not add due to rounding.

GENERAL GOVERNMENT

Taxation Revenue

| | 2004-05 | | | | 2003-04 | | |
|---|---------------------|---------------------|-------------------------------|---------------------------------------|---------------------|-------------------------------|---------------|
| | Month of Dec \$m | Month of Jan \$m | Seven Months to 31 Jan \$m | Annual Estimate ^(a) \$m | Month of Jan \$m | Seven Months to 31 Jan \$m | Actual \$m |
| TAXATION | | | | | | | |
| Taxes on employers' payroll and labour force | | | | | | | |
| <i>Payroll tax</i> | 106 | 104 | 727 | 1,183 | 99 | 668 | 1,139 |
| Property taxes | | | | | | | |
| <i>Land tax</i> | 2 | 4 | 310 | 310 | 3 | 274 | 280 |
| Conveyances and transfers | 92 | 86 | 711 | 1,047 | 88 | 726 | 1,207 |
| Mortgages | 10 | 10 | 77 | 121 | 10 | 68 | 115 |
| Other stamp duties | 2 | 4 | 23 | 31 | 5 | 38 | 53 |
| <i>Total stamp duties on financial and capital transactions</i> | 104 | 99 | 811 | 1,200 | 102 | 832 | 1,375 |
| Debits Tax | 7 | 11 | 58 | 96 | 9 | 57 | 97 |
| <i>Total financial institutions taxes</i> | 7 | 11 | 58 | 96 | 9 | 57 | 97 |
| Metropolitan Region Improvement Tax | - | - | 47 | 48 | - | 43 | 44 |
| Emergency Services Levy | 9 | 4 | 108 | 118 | 1 | 65 | 75 |
| Loan guarantee fees | 1 | 1 | 6 | 11 | 1 | 6 | 10 |
| <i>Total other property taxes</i> | 9 | 5 | 161 | 177 | 2 | 114 | 129 |
| Taxes on provision of goods and services | | | | | | | |
| Lotteries Commission | 8 | 8 | 56 | 96 | 8 | 57 | 95 |
| less rebates | -2 | -2 | -12 | -20 | -2 | -12 | -20 |
| Video lottery terminals | - | - | - | 1 | - | - | - |
| Casino Tax | 5 | 5 | 29 | 45 | 4 | 28 | 47 |
| less rebates | -2 | -3 | -16 | -25 | -2 | -14 | -24 |
| TAB betting tax | 6 | 4 | 33 | 53 | 4 | 30 | 56 |
| less rebates | -2 | -3 | -14 | -24 | -2 | -13 | -22 |
| <i>Total taxes on gambling</i> | 14 | 9 | 76 | 126 | 10 | 75 | 132 |
| Contribution to fire brigades | - | - | - | - | - | 31 | 31 |
| Stamp duty on insurance policies | 21 | 24 | 170 | 256 | 25 | 162 | 279 |
| Other | -1 | 2 | 19 | 21 | 1 | 6 | 19 |
| <i>Total taxes on insurance</i> | 20 | 26 | 189 | 276 | 25 | 199 | 328 |
| Taxes on use of goods and performance of activities | | | | | | | |
| Stamp duty on vehicle licences | 29 | 25 | 160 | 259 | 18 | 148 | 273 |
| Permits – oversize vehicles and loads | - | - | 1 | 2 | - | 1 | 3 |
| Motor vehicle recording fee | 4 | 3 | 25 | 37 | 4 | 26 | 45 |
| Motor vehicle registrations | 31 | 25 | 177 | 317 | 26 | 182 | 320 |
| <i>Total motor vehicle taxes</i> | 63 | 54 | 363 | 614 | 48 | 357 | 641 |
| Total Taxation | 325 | 312 | 2,695 | 3,982 | 298 | 2,576 | 4,122 |

(a) Estimate published in the 2004-05 *Pre-Election Financial Projections Statement*, released 2 February 2005. Columns may not add due to rounding.

Further information or enquiries related to this report may be obtained from the following officers:

| | | |
|--------------------|---|----------------|
| Valerie Jayasinghe | A/Director, Fiscal Strategy | (08) 9222 9327 |
| Isabel Altieri | A/Assistant Director (State Financial Reporting) | (08) 9222 9381 |
| Mara Peters | Accounting Analyst (State Financial Reporting) | (08) 9222 9359 |