



DEPARTMENT OF  
TREASURY AND FINANCE

**MONTHLY  
REPORT OF  
GENERAL  
GOVERNMENT  
FINANCES**

Statement for the Month Ended  
**31 January 2006**

# MONTHLY REPORT OF GENERAL GOVERNMENT FINANCES

## JANUARY 2006

### *Introduction*

This report provides a summary of the Western Australian general government sector's finances for the month of January 2006. 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.

### *Month of January 2006*

The general government sector recorded a \$119 million operating surplus for the month of January 2006, compared to the \$18 million operating surplus recorded in January 2005.

Revenue for the month of January 2006 totalled \$1,358 million, up \$237 million from January 2005. This increase in monthly revenue is primarily due to:

- higher Commonwealth grants, up \$119 million, reflecting increased Commonwealth funding for non-government schools, increased North West Shelf petroleum royalties as a result of higher oil prices and volumes, anti-salinity funding for the agricultural sector, and increased education grants following delays in finalising a quadrennial funding agreement with the Commonwealth (reflected in lower grants revenue in January 2005);
- higher taxation revenue, up \$66 million, largely due to higher conveyance duty (up \$60 million) and payroll tax (up \$21 million), partially offset by the impact of the abolition of debits tax (down \$11 million);
- higher dividends from public corporations (up \$26 million), reflecting an interim dividend declared by Western Power in January 2006 and the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS) in 2005-06<sup>1</sup>;
- higher tax equivalent revenue (up \$19 million), due to timing differences in public corporation profitability; and
- higher royalty income, up \$14 million, resulting mainly from increased iron ore production and prices, partially offset by lower nickel royalties.

Expenses for the month of January 2006 totalled \$1,239 million, up \$136 million from January 2005. This increase largely reflects:

- higher current transfers (up \$69 million), due to timing of non-government schools grants, and increased community service obligation payments to the Water Corporation (primarily for country water, sewerage and drainage operations);
- higher salaries (up \$42 million), reflecting increased pay rates and employee numbers, particularly in the health and education sectors. Increases in the health sector (up \$11 million) include Enterprise Bargaining Agreement (EBA) increases for registered and enrolled nurses, and medical practitioners. Increases in education sector salaries

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<sup>1</sup> Under AIFRS, dividends can only be recognised when they are declared and approved. Under the monthly accounting policy in prior years, dividends were accrued uniformly throughout the year. Most agencies subject to dividend arrangements declare interim dividends during the second half of the financial year, and a final dividend after 30 June. The move to AIFRS recognises this timing in dividend declarations.

(up \$13 million) include EBA increases for teachers and additional education assistants for children with special needs and other miscellaneous programs; and

- higher 'other' gross operating expenses (up \$18 million), due mainly to increases in education costs (particularly maintenance and direct school expenditure).

A net cash inflow from operating activities of \$167 million was recorded in January 2006. Combined with investment in non-financial assets of \$72 million during the month, a cash surplus of \$95 million was recorded in January 2006, compared with a cash deficit of \$19 million in January 2005.

### *Seven Months Ending 31 January 2006*

A cumulative operating surplus of \$1,162 million was recorded for the seven months ended 31 January 2006, up \$293 million on the \$869 million operating surplus recorded for the same period the previous year.

Revenue in the seven months to 31 January 2006 totalled \$9,257 million, \$889 million (or 10.6%) higher than the first seven months of 2004-05. The major contributors to this increase were:

- higher taxation revenue (up \$431 million), due mainly to the effects of sustained property market and broader economic activity on conveyance duty, payroll tax and motor vehicle taxes;
- higher Commonwealth grants (up \$387 million), due to higher GST grants (reflecting Western Australia's share of increased national collections and a revised Commonwealth monthly payment profile for 2005-06), higher North West Shelf petroleum royalties, and higher specific purpose payments for health, non-government schools, and anti-salinity funding; and
- higher royalty income (up \$196 million), primarily reflecting increased iron ore volumes and prices (up \$158 million) and higher diamond royalties (up \$17 million), partly offset by lower nickel royalties (down \$7 million).

These increases were partly offset by lower revenue from public corporations (down \$155 million), mainly due to the impact of implementing AIFRS in 2005-06 (see above), and lower 'other' revenue, largely reflecting the impact of a transfer of Crown land by Edith Cowan University back to the State in 2004-05.

Expenses of \$8,095 million were recorded for the seven months ended 31 January 2006, \$596 million (or 7.9%) higher than the same period the previous year. This increase primarily reflects:

- higher salaries (up \$250 million), due mainly to increased pay rates and employee numbers, particularly in the health, education, and law and order sectors;
- higher current and capital transfers (up \$142 million), due to the on-passing of higher agriculture and non-government school grants from the Commonwealth and increased community service obligation payments to the Water Corporation, partially offset by the impact of a grant payment to Edith Cowan University in August 2004 (associated with the transfer of Crown land at the Churchlands campus); and
- higher other gross operating expenses (up \$141 million), reflecting increased costs in the education sector (particularly school maintenance), increased direct patient support costs in the health sector and the timing of purchases by agencies across the sector.

## GENERAL GOVERNMENT

### Operating Statement

|                                  | 2005-06             |                     |                               |                                       | 2004-05             |                               |                              |
|----------------------------------|---------------------|---------------------|-------------------------------|---------------------------------------|---------------------|-------------------------------|------------------------------|
|                                  | Month of Dec<br>\$m | Month of Jan<br>\$m | Seven Months to 31 Jan<br>\$m | Annual Estimate <sup>(a)</sup><br>\$m | Month of Jan<br>\$m | Seven Months to 31 Jan<br>\$m | Actual <sup>(b)</sup><br>\$m |
| <b>REVENUE</b>                   |                     |                     |                               |                                       |                     |                               |                              |
| Taxation                         | 373                 | 378                 | 3,126                         | 4,669                                 | 312                 | 2,695                         | 4,314                        |
| Current grants and subsidies     | 464                 | 651                 | 4,095                         | 6,792                                 | 539                 | 3,676                         | 6,468                        |
| Capital grants                   | 35                  | 26                  | 169                           | 380                                   | 19                  | 201                           | 347                          |
| Sales of goods and services      | 80                  | 78                  | 596                           | 998                                   | 85                  | 547                           | 982                          |
| Interest income                  | 13                  | 14                  | 87                            | 146                                   | 13                  | 81                            | 142                          |
| Revenue from public corporations |                     |                     |                               |                                       |                     |                               |                              |
| Dividends                        | -                   | 59                  | 149                           | 504                                   | 33                  | 272                           | 468                          |
| Tax equivalent payments          | 14                  | 34                  | 197                           | 265                                   | 15                  | 229                           | 292                          |
| Royalty income                   | 160                 | 89                  | 635                           | 1,243                                 | 75                  | 439                           | 841                          |
| Other                            | 33                  | 30                  | 204                           | 361                                   | 30                  | 227                           | 368                          |
| <i>Total</i>                     | <i>1,172</i>        | <i>1,358</i>        | <i>9,257</i>                  | <i>15,357</i>                         | <i>1,121</i>        | <i>8,368</i>                  | <i>14,222</i>                |
| <b>EXPENSES</b>                  |                     |                     |                               |                                       |                     |                               |                              |
| Gross operating expenses         |                     |                     |                               |                                       |                     |                               |                              |
| Salaries                         | 488                 | 443                 | 3,211                         | 5,514                                 | 401                 | 2,961                         | 5,253                        |
| Depreciation and amortisation    | 42                  | 47                  | 331                           | 597                                   | 45                  | 309                           | 607                          |
| Superannuation                   | 46                  | 43                  | 308                           | 542                                   | 39                  | 285                           | 519                          |
| Services and contracts           | 116                 | 97                  | 733                           | 1,612                                 | 98                  | 704                           | 1,263                        |
| Other gross operating expenses   | 130                 | 112                 | 1,054                         | 1,801                                 | 94                  | 913                           | 1,730                        |
| Nominal superannuation interest  | 28                  | 25                  | 177                           | 304                                   | 21                  | 165                           | 294                          |
| Other interest                   | 11                  | 11                  | 75                            | 143                                   | 13                  | 98                            | 155                          |
| Current transfers                | 225                 | 424                 | 1,977                         | 3,086                                 | 355                 | 1,761                         | 2,728                        |
| Capital transfers                | 29                  | 37                  | 229                           | 456                                   | 37                  | 303                           | 482                          |
| <i>Total</i>                     | <i>1,117</i>        | <i>1,239</i>        | <i>8,095</i>                  | <i>14,056</i>                         | <i>1,103</i>        | <i>7,499</i>                  | <i>13,030</i>                |
| <b>NET OPERATING BALANCE</b>     | <b>55</b>           | <b>119</b>          | <b>1,162</b>                  | <b>1,302</b>                          | <b>18</b>           | <b>869</b>                    | <b>1,192</b>                 |

(a) Estimate published in the 2005-06 *Government Mid-year Financial Projections Statement*, released 21 December 2005.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005.

Columns may not add due to rounding.

**GENERAL GOVERNMENT**  
Cash Flow Statement

|  | 2005-06          |                  |                            |                                    | 2004-05          |                            |                           |
|--|------------------|------------------|----------------------------|------------------------------------|------------------|----------------------------|---------------------------|
|  | Month of Dec \$m | Month of Jan \$m | Seven Months to 31 Jan \$m | Annual Estimate <sup>(a)</sup> \$m | Month of Jan \$m | Seven Months to 31 Jan \$m | Actual <sup>(b)</sup> \$m |
| <b>RECEIPTS FROM OPERATING ACTIVITIES</b>  |                  |                  |                            |                                    |                  |                            |                           |
| Taxes received   | 447              | 391              | 2,792                      | 4,686                              | 346              | 2,581                      | 4,328                     |
| Receipts from sales of goods and services  | 97               | 62               | 643                        | 1,037                              | 77               | 577                        | 1,031                     |
| Grants and subsidies received  | 502              | 672              | 4,254                      | 7,171                              | 589              | 3,907                      | 6,786                     |
| Other receipts   | 343              | 222              | 1,629                      | 2,973                              | 223              | 1,311                      | 2,481                     |
| <i>Total</i>   | <i>1,389</i>     | <i>1,347</i>     | <i>9,317</i>               | <i>15,867</i>                      | <i>1,235</i>     | <i>8,376</i>               | <i>14,626</i>             |
| <b>PAYMENTS FOR OPERATING ACTIVITIES</b>   |                  |                  |                            |                                    |                  |                            |                           |
| Payments for goods and services  | -863             | -743             | -5,581                     | -9,674                             | -705             | -5,239                     | -9,002                    |
| Grants and subsidies paid  | -396             | -374             | -1,974                     | -3,274                             | -408             | -1,948                     | -2,966                    |
| Interest paid  | -8               | -12              | -69                        | -144                               | -19              | -99                        | -162                      |
| Other payments   | -80              | -51              | -484                       | -824                               | -50              | -449                       | -798                      |
| <i>Total</i>   | <i>-1,346</i>    | <i>-1,180</i>    | <i>-8,109</i>              | <i>-13,916</i>                     | <i>-1,183</i>    | <i>-7,735</i>              | <i>-12,928</i>            |
| <b>Net Cash Flow from Operating Activities</b>   | <b>42</b>        | <b>167</b>       | <b>1,208</b>               | <b>1,951</b>                       | <b>52</b>        | <b>642</b>                 | <b>1,698</b>              |
| <b>INVESTMENT IN NON-FINANCIAL ASSETS</b>  |                  |                  |                            |                                    |                  |                            |                           |
| Purchase of non-financial assets   | -92              | -85              | -529                       | -1,422                             | -80              | -561                       | -1,092                    |
| Sales of non-financial assets  | 18               | 13               | 119                        | 207                                | 9                | 130                        | 253                       |
| <i>Total</i>   | <i>-73</i>       | <i>-72</i>       | <i>-410</i>                | <i>-1,215</i>                      | <i>-71</i>       | <i>-431</i>                | <i>-839</i>               |
| <b>INVESTMENT IN FINANCIAL ASSETS</b>  |                  |                  |                            |                                    |                  |                            |                           |
| Policy purposes  | -18              | -3               | -435                       | -527                               | -5               | -89                        | -122                      |
| Liquidity purposes   | -                | 18               | 56                         | 16                                 | -                | -144                       | -62                       |
| <i>Total</i>   | <i>-18</i>       | <i>14</i>        | <i>-379</i>                | <i>-512</i>                        | <i>-5</i>        | <i>-233</i>                | <i>-184</i>               |
| <b>Net Cash Flow from Investing Activities</b>   | <b>-91</b>       | <b>-58</b>       | <b>-788</b>                | <b>-1,727</b>                      | <b>-76</b>       | <b>-664</b>                | <b>-1,022</b>             |
| <b>FINANCING ACTIVITIES</b>  |                  |                  |                            |                                    |                  |                            |                           |
| Advances received (net)  | -1               | -                | -1                         | -                                  | -7               | -7                         | -                         |
| Borrowings (net)   | 150              | -97              | -269                       | -871                               | -5               | -321                       | -395                      |
| Deposits received (net)  | -5               | 4                | 1                          | -                                  | -3               | -4                         | -1                        |
| Other financing  | -2               | -2               | 6                          | -29                                | -1               | -                          | -100                      |
| <i>Total</i>   | <i>142</i>       | <i>-95</i>       | <i>-263</i>                | <i>-900</i>                        | <i>-16</i>       | <i>-332</i>                | <i>-496</i>               |
| Opening cash balance   | 2,919            | 3,012            | 2,869                      | 2,869                              | 2,375            | 2,690                      | 2,690                     |
| <b>NET INCREASE IN CASH HELD</b>   | <b>93</b>        | <b>14</b>        | <b>157</b>                 | <b>-675</b>                        | <b>-40</b>       | <b>-354</b>                | <b>180</b>                |
| Closing cash balance   | 3,012            | 3,026            | 3,026                      | 2,194                              | 2,335            | 2,335                      | 2,869                     |
| <i>Net cash from operating activities and investments in non-financial assets less finance leases and similar arrangements</i> | <i>-31</i>       | <i>95</i>        | <i>799</i>                 | <i>736</i>                         | <i>-19</i>       | <i>210</i>                 | <i>859</i>                |
| Cash Surplus   | -31              | 95               | 799                        | 736                                | -19              | 210                        | 859                       |

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(b) Consistent with final audited data contained in the 2004-05 Consolidated Financial Statements, released 10 November 2005.  
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## GENERAL GOVERNMENT

### Taxation Revenue

|   | 2005-06             |                     |                               |                                       | 2004-05             |                               |                              |
|---|---------------------|---------------------|-------------------------------|---------------------------------------|---------------------|-------------------------------|------------------------------|
|   | Month of Dec<br>\$m | Month of Jan<br>\$m | Seven Months to 31 Jan<br>\$m | Annual Estimate <sup>(a)</sup><br>\$m | Month of Jan<br>\$m | Seven Months to 31 Jan<br>\$m | Actual <sup>(b)</sup><br>\$m |
| <b>TAXATION</b>   |                     |                     |                               |                                       |                     |                               |                              |
| Taxes on employers' payroll and labour force                    |                     |                     |                               |                                       |                     |                               |                              |
| <i>Payroll tax</i>  | 113                 | 125                 | 784                           | 1,326                                 | 104                 | 727                           | 1,211                        |
| Property taxes  |                     |                     |                               |                                       |                     |                               |                              |
| <i>Land tax</i>   | 12                  | -                   | 310                           | 320                                   | 4                   | 310                           | 315                          |
| Conveyances and transfers                                       | 133                 | 146                 | 1,047                         | 1,480                                 | 86                  | 711                           | 1,218                        |
| Mortgages   | 14                  | 14                  | 95                            | 156                                   | 10                  | 77                            | 140                          |
| Other stamp duties  | 2                   | 3                   | 19                            | 36                                    | 4                   | 23                            | 36                           |
| <i>Total stamp duties on financial and capital transactions</i> | 149                 | 162                 | 1,161                         | 1,672                                 | 99                  | 811                           | 1,394                        |
| Debits Tax  | -                   | -                   | 8                             | 8                                     | 11                  | 58                            | 100                          |
| <i>Total financial institutions taxes</i>                       | -                   | -                   | 8                             | 8                                     | 11                  | 58                            | 100                          |
| Metropolitan Region Improvement Tax                             | 1                   | -                   | 53                            | 54                                    | -                   | 47                            | 47                           |
| Emergency Services Levy   | -                   | -                   | 102                           | 129                                   | 4                   | 108                           | 119                          |
| Loan guarantee fees   | 1                   | 1                   | 7                             | 12                                    | 1                   | 6                             | 10                           |
| <i>Total other property taxes</i>                               | 1                   | 1                   | 163                           | 195                                   | 5                   | 161                           | 176                          |
| Taxes on provision of goods and services                        |                     |                     |                               |                                       |                     |                               |                              |
| Lotteries Commission  | 9                   | 8                   | 59                            | 101                                   | 8                   | 56                            | 98                           |
| less rebates  | -2                  | -2                  | -13                           | -22                                   | -2                  | -12                           | -21                          |
| Video lottery terminals   | -                   | -                   | -                             | 1                                     | -                   | -                             | -                            |
| Casino Tax  | 5                   | 5                   | 35                            | 52                                    | 5                   | 29                            | 52                           |
| less rebates  | -3                  | -2                  | -18                           | -28                                   | -3                  | -16                           | -28                          |
| TAB betting tax   | 7                   | -                   | 33                            | 62                                    | 4                   | 33                            | 59                           |
| less rebates  | -2                  | -2                  | -15                           | -27                                   | -3                  | -14                           | -25                          |
| <i>Total taxes on gambling</i>                                  | 15                  | 7                   | 80                            | 138                                   | 9                   | 76                            | 134                          |
| Stamp duty on insurance policies                                | 22                  | 26                  | 181                           | 293                                   | 24                  | 170                           | 280                          |
| Other   | -1                  | 2                   | 22                            | 22                                    | 2                   | 19                            | 19                           |
| <i>Total taxes on insurance</i>                                 | 21                  | 28                  | 203                           | 314                                   | 26                  | 189                           | 299                          |
| Taxes on use of goods and performance of activities             |                     |                     |                               |                                       |                     |                               |                              |
| Stamp duty on vehicle licences                                  | 28                  | 23                  | 190                           | 326                                   | 25                  | 160                           | 303                          |
| Permits – oversize vehicles and loads                           | -                   | -                   | 1                             | 3                                     | -                   | 1                             | 3                            |
| Motor vehicle recording fee                                     | 2                   | 2                   | 17                            | 30                                    | 3                   | 25                            | 37                           |
| Motor vehicle registrations                                     | 30                  | 29                  | 207                           | 338                                   | 25                  | 177                           | 341                          |
| <i>Total motor vehicle taxes</i>                                | 61                  | 55                  | 416                           | 697                                   | 54                  | 363                           | 684                          |
| <b>Total Taxation</b>   | <b>373</b>          | <b>378</b>          | <b>3,126</b>                  | <b>4,669</b>                          | <b>312</b>          | <b>2,695</b>                  | <b>4,314</b>                 |

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