



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 May 2005

MONTHLY REPORT OF GENERAL GOVERNMENT FINANCES

MAY 2005

Introduction

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

Operating Statement

The general government sector recorded a \$54 million operating deficit for the month of May 2005, similar to the \$52 million deficit in May 2004.

Total revenue for May 2005 was \$1,054 million, up \$108 million from May 2004. This increase largely reflects higher:

- Commonwealth grants (up \$93 million), due mainly to the State's share of higher national GST collections, higher grants for health and North West Shelf petroleum royalties (reflecting increased oil prices and production levels), and the Commonwealth's contribution to the North Quay Rail Loop development at Fremantle Port; and
- taxation revenue (up \$15 million), reflecting the impact of increased vehicle sales and registrations on motor vehicle taxes (up \$10 million), and sustained property market activity resulting in higher stamp duty on mortgages (up \$5 million).

Expenses for the month of May 2005 totalled \$1,109 million, up \$111 million from May 2004. This increase is primarily due to higher:

- salaries (up \$51 million), reflecting higher pay rates and increased employee numbers in key service delivery agencies such as Health, Education and Training, Police and Justice;
- 'other' gross operating expenses (up \$49 million), mainly due to increased direct patient support costs in the health sector, and timing issues in day-to-day goods and services purchases across the sector; and
- current transfers (up \$16 million), largely due to the timing of grant payments by the health sector.

Cash Flow Statement

A \$56 million net cash inflow resulted from operating activities in the month of May 2005, a turnaround from the \$38 million net outflow in May 2004. This primarily reflects the timing of cash for goods and services across the sector. Combined with net investment in non-financial assets of \$58 million, this resulted in a small cash deficit of \$2 million in May 2005, compared with a cash deficit of \$111 million in May 2004.

Eleven Months Ending 31 May 2005

For the eleven months ended 31 May 2005, the general government sector recorded a cumulative operating surplus of \$1,179 million, up \$242 million from the same period in 2003-04 (\$937 million).

Revenue in the eleven months to 31 May 2005 totalled \$12,795 million, \$1,194 million (or 10.3%) higher than the first eleven months of 2003-04. This increase is primarily attributable to:

- higher Commonwealth grants (up \$826 million), largely GST revenue grants and North West Shelf petroleum royalties;
- higher taxation revenue (up \$200 million), reflecting the impact of: continuing strength in property market activity on land tax and mortgage duty collections; employment and wages growth on payroll tax revenue; and strong growth in new vehicle sales on motor vehicle taxes;
- higher royalty income (up \$73 million), due to increased iron ore, nickel and petroleum royalties as a result of higher prices and production levels, partially offset by lower gold royalties; and
- higher 'other' revenue (up \$61 million) reflecting a transfer of Crown land vested with Edith Cowan University to the State.

At \$11,616 million, expenses for the eleven months ended 31 May 2005 were \$952 million (or 8.9%) higher than the same period the previous year, reflecting:

- higher current and capital transfers (up \$429 million) mainly due to: increased funding to the Public Transport Authority (up \$113 million); the on-passing of higher housing and non-government school grants from the Commonwealth (up \$94 million); a \$58 million grant to Edith Cowan University for the purchase of Crown land noted above; higher grants in the health and disability services sectors (up \$45 million); higher First Home Owner Grants (up \$26 million) as a result of increased property purchase activity by that group of buyers; and increased local government road funding (up \$10 million);
- higher staffing costs (up \$391 million, primarily in the health and education sectors);
- higher services and contracts expenses (up \$85 million) due to increased Housing and Works and roadworks spending activity; and
- higher 'other' gross operating expenses (up \$71 million), with factors similar to those outlined in the monthly analysis driving the period-to-date results.

GENERAL GOVERNMENT

Operating Statement

	2004-05				2003-04		
	Month of April \$m	Month of May \$m	Eleven Months to 31 May \$m	Estimated Actual ^(a) \$m	Month of May \$m	Eleven Months to 31 May \$m	Actual \$m
REVENUE							
Taxation	326	333	3,966	4,130	318	3,766	4,122
Current grants and subsidies	653	493	5,849	6,328	393	5,091	5,583
Capital grants	19	29	311	380	36	243	295
Sales of goods and services	66	99	873	927	97	850	942
Interest income	11	11	128	146	12	118	128
Revenue from public corporations							
Dividends	35	29	424	438	22	380	448
Tax equivalent payments	19	10	258	259	22	300	310
Royalty income	77	26	653	847	23	580	654
Other	22	24	333	335	24	272	272
<i>Total</i>	<i>1,227</i>	<i>1,054</i>	<i>12,795</i>	<i>13,789</i>	<i>946</i>	<i>11,601</i>	<i>12,753</i>
EXPENSES							
Gross operating expenses							
Salaries	431	451	4,709	5,165	400	4,318	4,787
Depreciation and amortisation	44	43	480	578	47	527	546
Superannuation	42	43	452	506	39	421	458
Services and contracts ^(b)	101	94	1,101	1,454	94	1,016	1,216
Other gross operating expenses	111	192	1,537	1,699	143	1,466	1,637
Nominal superannuation interest	24	24	261	295	24	256	283
Other interest	12	7	138	193	13	152	165
Current transfers	133	214	2,489	2,788	198	2,180	2,440
Capital transfers	33	41	448	480	42	328	421
<i>Total</i>	<i>932</i>	<i>1,109</i>	<i>11,616</i>	<i>13,158</i>	<i>998</i>	<i>10,664</i>	<i>11,954</i>
NET OPERATING BALANCE	295	-54	1,179	631	-52	937	799

(a) Estimated actual published in the 2005-06 Budget, released 26 May 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 April \$m	Month of May \$m	Eleven Months to 31 May \$m	Estimated Actual ^(a) \$m	Month of May \$m	Eleven Months to 31 May \$m	Actual \$m
RECEIPTS FROM OPERATING ACTIVITIES							
Taxes received	324	325	3,883	4,142	299	3,646	4,047
Receipts from sales of goods and services	79	208	1,036	946	71	853	968
Grants and subsidies received	673	514	6,156	6,695	429	5,332	5,829
Other receipts	173	122	1,890	2,368	89	1,671	2,224
<i>Total</i>	<i>1,248</i>	<i>1,168</i>	<i>12,966</i>	<i>14,151</i>	<i>888</i>	<i>11,502</i>	<i>13,068</i>
PAYMENTS FOR OPERATING ACTIVITIES							
Payments for goods and services	-932	-855	-8,229	-9,092	-677	-7,535	-8,238
Grants and subsidies paid	-147	-198	-2,616	-3,047	-185	-2,247	-2,589
Interest paid	-15	-1	-126	-187	-5	-140	-171
Other payments	-51	-59	-697	-772	-60	-604	-691
<i>Total</i>	<i>-1,146</i>	<i>-1,112</i>	<i>11,667</i>	<i>-13,098</i>	<i>-927</i>	<i>-10,526</i>	<i>-11,688</i>
Net Cash Flow from Operating Activities	102	56	1,298	1,053	-38	976	1,380
INVESTMENT IN NON-FINANCIAL ASSETS							
Purchase of non-financial assets	-63	-87	-912	-1,177	-85	-826	-992
Sales of non-financial assets	13	29	209	277	13	123	166
<i>Total</i>	<i>-50</i>	<i>-58</i>	<i>-703</i>	<i>-900</i>	<i>-73</i>	<i>-703</i>	<i>-826</i>
INVESTMENT IN FINANCIAL ASSETS							
Policy purposes	-	-1	-94	-125	1	-70	-122
Liquidity purposes	-	-	-173	15	2	-81	-80
<i>Total</i>	<i>-</i>	<i>-1</i>	<i>-267</i>	<i>-110</i>	<i>3</i>	<i>-150</i>	<i>-202</i>
Net Cash Flow from Investing Activities	-50	-59	-970	-1,010	-69	-853	-1,028
FINANCING ACTIVITIES							
Advances received (net)	-	-	-	-	-	-8	-8
Borrowings (net)	-37	-5	-392	-680	20	-27	-158
Deposits received (net)	19	-19	-3	-	-1	-8	-2
Other financing	-5	1	-4	-117	5	-9	-32
<i>Total</i>	<i>-22</i>	<i>-24</i>	<i>-399</i>	<i>-797</i>	<i>24</i>	<i>-51</i>	<i>-199</i>
Opening cash balance	2,616	2,646	2,690	2,690	1,210	1,056	2,538
NET INCREASE IN CASH HELD	30	-27	-71	-753	-83	71	152
Closing cash balance	2,646	2,619	2,619	1,936	1,127	1,127	2,690
<i>Net cash from operating activities and investments in non-financial assets less finance leases and similar arrangements</i>	<i>51</i>	<i>-2</i>	<i>595</i>	<i>154</i>	<i>-111</i>	<i>273</i>	<i>554</i>
Cash Surplus	51	-2	595	154	-111	273	554

(a) Estimated actual published in the 2005-06 Budget, released 26 May 2005.
Columns may not add due to rounding.

GENERAL GOVERNMENT

Taxation Revenue

	2004-05				2003-04		
	Month of April \$m	Month of May \$m	Eleven Months to 31 May \$m	Estimated Actual ^(a) \$m	Month of May \$m	Eleven Months to 31 May \$m	Actual \$m
TAXATION							
Taxes on employers' payroll and labour force							
<i>Payroll tax</i>	102	98	1,111	1,202	100	1,045	1,139
Property taxes							
<i>Land tax</i>	1	-	317	315	-	280	280
Conveyances and transfers	103	109	1,102	1,110	119	1,104	1,207
Mortgages	14	14	125	121	9	104	115
Other stamp duties	2	3	34	31	3	50	53
<i>Total stamp duties on financial and capital transactions</i>	119	126	1,261	1,262	131	1,258	1,375
Debits Tax	8	9	92	96	8	89	97
<i>Total financial institutions taxes</i>	8	9	92	96	8	89	97
Metropolitan Region Improvement Tax	-	-	47	48	-	44	44
Emergency Services Levy	-	6	119	119	-	72	75
Loan guarantee fees	1	1	10	11	1	10	10
<i>Total other property taxes</i>	1	7	176	178	1	125	129
Taxes on provision of goods and services							
Lotteries Commission	8	8	87	96	8	88	95
less rebates	-2	-2	-19	-21	-2	-19	-20
Video lottery terminals	-	-	-	1	-	-	-
Casino Tax	5	4	47	51	4	43	47
less rebates	-2	-3	-27	-29	-2	-22	-24
TAB betting tax	4	4	52	53	-	42	56
less rebates	-2	-2	-23	-25	-2	-21	-22
<i>Total taxes on gambling</i>	12	9	119	126	6	112	132
Contribution to fire brigades	-	-	-	-	-	31	31
Stamp duty on insurance policies	21	21	257	286	20	253	279
Other	2	-	20	21	1	8	19
<i>Total taxes on insurance</i>	22	21	277	306	20	291	328
Taxes on use of goods and performance of activities							
Stamp duty on vehicle licences	28	26	271	289	22	237	273
Permits – oversize vehicles and loads	-	-	2	3	-	1	3
Motor vehicle recording fee	2	1	35	37	4	41	45
Motor vehicle registrations	30	35	307	317	26	287	320
<i>Total motor vehicle taxes</i>	60	62	615	645	52	566	641
Total Taxation	326	333	3,966	4,130	318	3,766	4,122

(a) Estimated actual published in the 2005-06 Budget, released 26 May 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 Assistant Director
State Financial Reporting (08) 9222 9327

Isabel Altieri Manager
State Financial Reporting (08) 9222 9381

Mara Peters Accounting Analyst
State Financial Reporting (08) 9222 9359