



DEPARTMENT OF  
TREASURY AND FINANCE

**MONTHLY  
REPORT OF  
GENERAL  
GOVERNMENT  
FINANCES**

Statement for the Month Ended  
31 May 2006

# MONTHLY REPORT OF GENERAL GOVERNMENT FINANCES

## MAY 2006

### *Introduction*

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

The general government sector recorded a \$50 million operating surplus for the month of May 2006, \$104 million higher than the \$54 million operating deficit recorded in May 2005.

Revenue for the month of May 2006 totalled \$1,275 million, up \$221 million on May 2005. The increase in monthly revenue was primarily due to:

- higher taxation revenue (up \$119 million), largely due to sustained property market activity and wages and employment growth, reflected in increased conveyance duty and payroll tax (up \$100 million and \$14 million respectively);
- higher grants and subsidies from the Commonwealth (up \$92 million), due mainly to the timing of grants for government schools;
- higher sales of goods and services (up \$9 million), reflecting seasonal factors and increases in the volume and demand for goods and services across the sector; and
- lower revenue from public corporations (down \$13 million), reflecting changes in the State's dividend revenue recognition policy following the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS) in 2005-06<sup>1</sup>.

Expenses for the month of May 2006 totalled \$1,225 million, up \$116 million on May 2005. This increase largely reflects:

- higher services and contracts expenses (up \$42 million), primarily due to changes in the timing of roadworks expenditure and purchases by agencies;
- higher salaries and wages (up \$38 million), reflecting increased pay rates and employee numbers, particularly in the health, education and law and order sectors; and
- higher current transfers (up \$37 million), due to the on-passing of higher non-government school funding, and increased appropriations to the Public Transport Authority and the Water Corporation.

A cash surplus of \$66 million was recorded in May 2006, compared with a small cash deficit of \$2 million in May 2005. This included a net cash inflow from operating activities of \$187 million, partially offset by net investment in non-financial assets of \$121 million during the month.

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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 (with substantial amounts declared during June). These declarations may be adjusted as a final dividend after 30 June once end of year accounts are finalised. The move to AIFRS recognises this timing in dividend declarations.

### *Eleven months Ending 31 May 2006*

An operating surplus of \$1,838 million was recorded for the eleven months ended 31 May 2006, up \$659 million on the \$1,179 million operating surplus recorded for the same period in 2004-05.

Revenue over the period totalled \$14,379 million, \$1,584 million (or 12.4%) higher than the first eleven months of 2004-05. The major contributors to this increase were:

- higher taxation revenue (up \$780 million), due mainly to the impact of continued growth across the Western Australian economy, reflected in higher collections from conveyance duty, payroll tax, motor vehicle taxes and mortgage and insurance duties, partially offset by the abolition of debits tax from 1 July 2005;
- higher Commonwealth grants (up \$601 million), due to higher GST grants (reflecting Western Australia's share of increased national collections), higher specific purpose grants for both government and non-government schools and for the health and agriculture sectors, and higher North West Shelf petroleum royalties (reflecting higher production volumes and prices in 2005-06);
- higher royalty income (up \$298 million), primarily reflecting higher iron ore prices and production volumes; and
- higher sales of goods and services (up \$124 million), due mainly to increased demand in the health and education sectors.

These increases were partly offset by lower revenue from public corporations (down \$236 million), mainly due to the timing impact of implementing AIFRS in 2005-06 (noted in the monthly discussion above). Full year dividend revenue expectations remain broadly in line with the revised estimate published in the 2006-07 Budget, with further dividend declarations expected by 30 June.

Expenses totalled \$12,541 million for the eleven months ended 31 May 2006, \$925 million (or 8.0%) higher than the same period in 2004-05. This increase primarily reflects:

- higher salaries (up \$368 million), due mainly to increased pay rates and employee numbers in the health, education, and law and order sectors (which accounted for \$299 million, or 81%, of the total increase in salaries);
- higher current transfers (up \$309 million), due to the monthly factors noted earlier as well as higher Commonwealth grants for National Resource Agreements in the agriculture sector, and increased spending by the health sector on patient transport, aged care and mental health;
- higher 'other' gross operating expenses (up \$122 million), reflecting increased school maintenance and information technology costs, higher direct patient support costs for the health sector, and increases in cost and demand driven factors associated with purchases across a range of agencies; and
- higher services and contracts expenses (up \$102 million), primarily due to the timing of expensed roadworks and increased contract expenses in the law and order sector.

The significantly higher period-to-date operating surplus is reflected in a \$1,706 million cash surplus for the eleven months to 31 May 2006, up \$1,111 million on the same period a year earlier.

**GENERAL GOVERNMENT**  
Operating Statement

	2005-06				2004-05		
	Month of April \$m	Month of May \$m	Eleven Months to 31 May \$m	Estimated Actual <sup>(a)</sup> \$m	Month of May \$m	Eleven Months to 31 May \$m	Actual <sup>(b)</sup> \$m
<b>REVENUE</b>							
Taxation	375	452	4,746	5,100	333	3,966	4,314
Current grants and subsidies	645	576	6,443	6,894	493	5,849	6,468
Capital grants	32	38	318	406	29	311	347
Sales of goods and services	79	108	997	1,027	99	873	982
Interest income	14	19	153	195	11	128	142
Revenue from public corporations							
Dividends	36	1	195	536	29	424	468
Tax equivalent payments	25	25	251	296	10	258	292
Royalty income	76	32	951	1,276	26	653	841
Other	24	25	325	394	24	333	368
<i>Total</i>	<i>1,306</i>	<i>1,275</i>	<i>14,379</i>	<i>16,123</i>	<i>1,054</i>	<i>12,795</i>	<i>14,222</i>
<b>EXPENSES</b>							
Gross operating expenses							
Salaries	445	489	5,077	5,559	451	4,709	5,253
Depreciation and amortisation	49	46	521	594	43	480	607
Superannuation	42	47	472	546	43	452	519
Services and contracts	110	136	1,203	1,545	94	1,101	1,263
Other gross operating expenses	122	169	1,659	1,865	192	1,537	1,730
Nominal superannuation interest	25	25	279	304	24	261	294
Other interest	10	8	111	151	7	138	155
Current transfers	190	251	2,798	3,080	214	2,489	2,728
Capital transfers	34	53	421	497	41	448	482
<i>Total</i>	<i>1,026</i>	<i>1,225</i>	<i>12,541</i>	<i>14,141</i>	<i>1,109</i>	<i>11,616</i>	<i>13,030</i>
<b>NET OPERATING BALANCE</b>	<b>280</b>	<b>50</b>	<b>1,838</b>	<b>1,981</b>	<b>-54</b>	<b>1,179</b>	<b>1,192</b>

(a) Estimate published in the 2006-07 Budget, released 11 May 2006.

(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 April \$m	Month of May \$m	Eleven Months to 31 May \$m	Estimated Actual <sup>(a)</sup> \$m	Month of May \$m	Eleven Months to 31 May \$m	Actual <sup>(b)</sup> \$m
<b>RECEIPTS FROM OPERATING ACTIVITIES</b>							
Taxes received	371	433	4,560	5,119	325	3,883	4,328
Receipts from sales of goods and services	87	98	1,056	1,055	208	1,036	1,031
Grants and subsidies received	680	605	6,747	7,292	514	6,156	6,786
Other receipts	207	113	2,393	3,161	122	1,890	2,481
<i>Total</i>	<b>1,345</b>	<b>1,249</b>	<b>14,756</b>	<b>16,626</b>	<b>1,168</b>	<b>12,966</b>	<b>14,626</b>
<b>PAYMENTS FOR OPERATING ACTIVITIES</b>							
Payments for goods and services	-767	-723	-8,565	-9,723	-855	-8,229	-9,002
Grants and subsidies paid	-183	-243	-2,842	-3,293	-198	-2,616	-2,966
Interest paid	-13	-7	-98	-142	-1	-126	-162
Other payments	-52	-90	-753	-865	-59	-697	-798
<i>Total</i>	<b>-1,015</b>	<b>-1,062</b>	<b>-12,258</b>	<b>-14,023</b>	<b>-1,112</b>	<b>11,667</b>	<b>-12,928</b>
<b>Net Cash Flow from Operating Activities</b>	<b>330</b>	<b>187</b>	<b>2,498</b>	<b>2,603</b>	<b>56</b>	<b>1,298</b>	<b>1,698</b>
<b>INVESTMENT IN NON-FINANCIAL ASSETS</b>							
Purchase of non-financial assets	-111	-138	-975	-1,381	-87	-912	-1,092
Sales of non-financial assets	20	17	183	241	29	209	253
<i>Total</i>	<b>-92</b>	<b>-121</b>	<b>-792</b>	<b>-1,140</b>	<b>-58</b>	<b>-703</b>	<b>-839</b>
<b>INVESTMENT IN FINANCIAL ASSETS</b>							
Policy purposes	-39	-5	-476	-505	-1	-94	-122
Liquidity purposes	1	27	63	-42	-	-173	-62
<i>Total</i>	<b>-38</b>	<b>22</b>	<b>-413</b>	<b>-547</b>	<b>-1</b>	<b>-267</b>	<b>-184</b>
<b>Net Cash Flow from Investing Activities</b>	<b>-130</b>	<b>-99</b>	<b>-1,205</b>	<b>-1,687</b>	<b>-59</b>	<b>-970</b>	<b>-1,022</b>
<b>FINANCING ACTIVITIES</b>							
Advances received (net)	-	-	-1	-	-	-	-
Borrowings (net)	-33	-112	-359	-296	-5	-392	-395
Deposits received (net)	-	2	1	-	-19	-3	-1
Other financing	1	2	13	-20	1	-4	-100
<i>Total</i>	<b>-31</b>	<b>-108</b>	<b>-346</b>	<b>-316</b>	<b>-24</b>	<b>-399</b>	<b>-496</b>
Opening cash balance	3,668	3,836	2,869	2,869	2,646	2,690	2,690
<b>NET INCREASE IN CASH HELD</b>	<b>168</b>	<b>-20</b>	<b>946</b>	<b>599</b>	<b>-27</b>	<b>-71</b>	<b>180</b>
Closing cash balance	3,836	3,816	3,816	3,468	2,619	2,619	2,869
<i>Net cash from operating activities and investments in non-financial assets less finance leases and similar arrangements</i>	238	66	1,706	1,463	-2	595	859
<b>Cash Surplus</b>	<b>238</b>	<b>66</b>	<b>1,706</b>	<b>1,463</b>	<b>-2</b>	<b>595</b>	<b>859</b>

(a) Estimate published in the 2006-07 Budget, released 11 May 2006.

(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

### Taxation Revenue

	2005-06				2004-05		
	Month of April \$m	Month of May \$m	Eleven Months to 31 May \$m	Estimated Actual <sup>(a)</sup> \$m	Month of May \$m	Eleven Months to 31 May \$m	Actual <sup>(b)</sup> \$m
<b>TAXATION</b>							
Taxes on employers' payroll and labour force							
<i>Payroll tax</i>	116	112	1,232	1,351	98	1,111	1,211
Property taxes							
<i>Land tax</i>	-	-	312	320	-	317	315
Conveyances and transfers	148	209	1,721	1,833	109	1,102	1,218
Mortgages	14	16	154	171	14	125	140
Other stamp duties	3	4	31	36	3	34	36
<i>Total stamp duties on financial and capital transactions</i>	165	228	1,905	2,040	126	1,261	1,394
Debits Tax	-	-	8	8	9	92	100
<i>Total financial institutions taxes</i>	-	-	8	8	9	92	100
Metropolitan Region Improvement Tax	-	-	53	54	-	47	47
Emergency Services Levy	-	7	130	129	6	119	119
Loan guarantee fees	1	1	12	12	1	10	10
<i>Total other property taxes</i>	1	8	196	195	7	176	176
Taxes on provision of goods and services							
Lotteries Commission	8	8	92	101	8	87	98
less rebates	-2	-2	-20	-22	-2	-19	-21
Video lottery terminals	-	-	-	1	-	-	-
Casino Tax	6	4	54	57	4	47	52
less rebates	-2	-4	-28	-32	-3	-27	-28
TAB betting tax	5	5	58	62	4	52	59
less rebates	-2	-3	-25	-27	-2	-23	-25
<i>Total taxes on gambling</i>	14	9	132	139	9	119	134
Stamp duty on insurance policies	25	20	272	303	21	257	280
Other	2	2	26	23	-	20	19
<i>Total taxes on insurance</i>	27	22	298	326	21	277	299
Taxes on use of goods and performance of activities							
Stamp duty on vehicle licences	24	35	308	351	26	271	303
Permits – oversize vehicles and loads	-	-	2	3	-	2	3
Motor vehicle recording fee	2	3	27	30	1	35	37
Motor vehicle registrations	26	34	326	338	35	307	341
<i>Total motor vehicle taxes</i>	53	71	664	722	62	615	684
<b>Total Taxation</b>	<b>375</b>	<b>452</b>	<b>4,746</b>	<b>5,100</b>	<b>333</b>	<b>3,966</b>	<b>4,314</b>

(a) Estimate published in the 2006-07 Budget, released 11 May 2006.

(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.

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

Isabel Altieri                      A/Assistant Director                      (08) 9222 9381  
State Financial Reporting

Magda Wittek                      A/Manager                      (08) 9222 9239  
State Financial Reporting

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