



DEPARTMENT OF
TREASURY AND FINANCE

MONTHLY
REPORT OF
**GENERAL
GOVERNMENT
FINANCES**

Statement for the Month Ended
30 November 2004

MONTHLY REPORT OF GENERAL GOVERNMENT FINANCES

NOVEMBER 2004

Introduction

This report provides a summary of the Western Australian general government sector's finances for the month of November 2004. 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.

The results in this report are reflected in the full-year estimates for 2004-05 published in the recent *Pre-Election Financial Projections Statement* (PFPS). In this regard, the PFPS estimates reflect the impact of developments up to the PFPS cut-off date of 26 January 2005. The PFPS estimate of the general government operating surplus for 2004-05 (\$498 million) is lower than the surplus for the first five months of the year (\$765 million) because, apart from normal timing issues, the PFPS estimate reflects:

- the impact of the tax relief package announced in October 2004 (which didn't 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 a \$116 million operating surplus for the month of November 2004, compared to an \$83 million operating surplus in November 2003.

Revenue in November 2004 totalled \$1,053 million, up \$139 million from November 2003. This increase in monthly revenue is primarily due to:

- higher Commonwealth grants (up \$71 million), reflecting increased health and road grants, an increase in the national pool of GST revenue and Western Australia's share of that revenue, and higher North West Shelf petroleum royalties;
- higher taxation revenue (up \$37 million), mainly comprising stamp duty on property conveyances (up \$12 million due to continuing strength in residential property market activity and several large commercial property transactions), motor vehicle taxes (up \$12 million due to a catch-up of delayed processing of payments in previous months), and the Emergency Services Levy (also up \$12 million due to the phasing out of previous funding arrangements in the first half of 2003-04); and
- higher sales of goods and services (up \$25 million), with the monthly increase primarily driven by timing differences (in year to date terms, revenue from the sale of goods and services is up only \$9 million).

Expenses for the month of November 2004 totalled \$937 million, up \$106 million from November 2003. This increase largely reflects:

- higher 'other' gross operating expenses (up \$59 million), mainly due to an increase in health sector costs related to increases in drug supplies and patient appliances and materials, and a reclassification of expenses from services and contracts to other gross operating expenses (the overall net increase across both types of expense is \$34 million);
- higher salaries (up \$49 million), reflecting higher pay rates and increased employee numbers, particularly in the health, education and police sectors; and
- higher current and capital transfers (up \$26 million), mainly due to the timing of appropriation funding to the Public Transport Authority (which did not occur until December 2003).

Cash Flow Statement

A \$304 million net cash inflow resulted from operating activities in the month of November 2004. Combined with net capital expenditure (i.e. investment in non-financial assets) of \$69 million, this resulted in a cash surplus of \$235 million in November 2004, compared with a cash surplus of \$128 million in November 2003.

Five Months Ending 30 November 2004

A cumulative operating surplus of \$765 million was recorded for the five months ended 30 November 2004, up \$53 million from the same period the previous year (\$712 million).

Revenue in the five months to 30 November 2004 totalled \$6,085 million, \$620 million (or 11.3%) higher than the first five months of 2003-04. The major contributors to this increase are Commonwealth grants (up \$382 million) and taxation (up \$101 million), reflecting similar factors to those outlined in the monthly results above.

Expenses of \$5,320 million were recorded for the five months ended 30 November 2004, \$567 million (or 11.9%) higher than the same period the previous year. This increase primarily reflects the timing of appropriations to the Public Transport Authority (up \$192 million), a grant payment to Edith Cowan University for the purchase of Crown land (\$58 million), the on-passing of higher non-government school grants from the Commonwealth (up \$32 million), and higher salaries (up \$155 million, primarily in the health and education sectors).

GENERAL GOVERNMENT

Operating Statement

	2004-05				2003-04		
	Month of Oct \$m	Month of Nov \$m	Five Months to 30 Nov \$m	Annual Estimate ^(a) \$m	Month of Nov \$m	Five Months to 30 Nov \$m	Actual \$m
REVENUE							
Taxation	417	342	2,058	3,982	305	1,957	4,122
Current grants and subsidies	773	487	2,693	6,328	437	2,357	5,583
Capital grants	21	50	157	381	29	111	295
Sales of goods and services	73	61	404	918	36	395	942
Interest income	10	12	56	146	16	49	128
Revenue from public corporations							
Dividends	30	35	171	436	34	170	448
Tax equivalent payments	8	20	98	259	19	94	310
Royalty income	72	20	270	780	19	232	654
Other	20	26	177	336	18	99	272
<i>Total</i>	<i>1,424</i>	<i>1,053</i>	<i>6,085</i>	<i>13,565</i>	<i>914</i>	<i>5,465</i>	<i>12,753</i>
EXPENSES							
Gross operating expenses							
Salaries	407	419	2,094	5,075	370	1,939	4,787
Depreciation and amortisation	44	44	220	561	48	242	546
Superannuation	38	41	201	496	34	176	458
Services and contracts ^(b)	120	71	478	1,459	96	457	1,216
Other gross operating expenses	124	126	688	1,733	67	653	1,637
Nominal superannuation interest	24	24	120	295	26	132	283
Other interest	12	12	74	180	15	67	165
Current transfers	302	154	1,199	2,769	168	954	2,440
Capital transfers	34	47	244	499	7	134	421
<i>Total</i>	<i>1,106</i>	<i>937</i>	<i>5,320</i>	<i>13,068</i>	<i>831</i>	<i>4,753</i>	<i>11,954</i>
NET OPERATING BALANCE	318	116	765	498	83	712	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 Oct \$m	Month of Nov \$m	Five Months to 30 Nov \$m	Annual Estimate ^(a) \$m	Month of Nov \$m	Five Months to 30 Nov \$m	Actual \$m
RECEIPTS FROM OPERATING ACTIVITIES							
Taxes received	441	470	1,868	3,988	421	1,720	4,047
Receipts from sales of goods and services	81	71	404	950	70	379	968
Grants and subsidies received	799	537	2,854	6,697	465	2,471	5,829
Other receipts	244	110	833	2,378	75	740	2,224
<i>Total</i>	<i>1,565</i>	<i>1,188</i>	<i>5,959</i>	<i>14,014</i>	<i>1,031</i>	<i>5,309</i>	<i>13,068</i>
PAYMENTS FOR OPERATING ACTIVITIES							
Payments for goods and services	-740	-671	-3,747	-9,042	-608	-3,495	-8,238
Grants and subsidies paid	-311	-138	-1,221	-3,057	-139	-905	-2,589
Interest paid	-16	-5	-72	-174	-5	-66	-171
Other payments	-57	-70	-342	-772	-57	-276	-691
<i>Total</i>	<i>-1,124</i>	<i>-884</i>	<i>-5,382</i>	<i>-13,046</i>	<i>-809</i>	<i>-4,742</i>	<i>-11,688</i>
Net Cash Flow from Operating Activities	441	304	577	968	222	568	1,380
INVESTMENT IN NON-FINANCIAL ASSETS							
Purchase of non-financial assets	-76	-84	-385	-1,260	-101	-404	-992
Sales of non-financial assets	9	15	117	289	6	49	166
<i>Total</i>	<i>-67</i>	<i>-69</i>	<i>-268</i>	<i>-970</i>	<i>-95</i>	<i>-355</i>	<i>-826</i>
INVESTMENT IN FINANCIAL ASSETS							
Policy purposes	-39	15	-70	-115	16	-12	-122
Liquidity purposes	-88	-40	-124	15	2	-102	-80
<i>Total</i>	<i>-127</i>	<i>-25</i>	<i>-194</i>	<i>-99</i>	<i>18</i>	<i>-114</i>	<i>-202</i>
Net Cash Flow from Investing Activities	-194	-94	-462	-1,070	-77	-469	-1,028
FINANCING ACTIVITIES							
Advances received (net)	-	-	-	-	-5	-5	-8
Borrowings (net)	-58	32	-325	-569	88	17	-158
Deposits received (net)	1	-7	-7	-	-4	1	-2
Other financing	13	7	9	-101	-1	-6	-32
<i>Total</i>	<i>-43</i>	<i>31</i>	<i>-323</i>	<i>-669</i>	<i>77</i>	<i>7</i>	<i>-199</i>
Opening cash balance	2,035	2,239	2,690	2,690	940	1,056	2,538
NET INCREASE IN CASH HELD	205	242	-209	-771	222	106	152
Closing cash balance	2,239	2,481	2,481	1,918	1,162	1,162	2,690
<i>Net cash from operating activities and investments in non-financial assets less finance leases and similar arrangements</i>	<i>374</i>	<i>235</i>	<i>309</i>	<i>-2</i>	<i>128</i>	<i>212</i>	<i>554</i>
Cash Surplus	374	235	309	-2	128	212	554

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

