



DEPARTMENT OF  
TREASURY AND FINANCE

**MONTHLY  
REPORT OF  
GENERAL  
GOVERNMENT  
FINANCES**

Statement for the Month Ended  
30 November 2005

# MONTHLY REPORT OF GENERAL GOVERNMENT FINANCES

## NOVEMBER 2005

### *Introduction*

This report provides a summary of the Western Australian general government sector's finances for the month of November 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. For example, revenue is typically stronger in the first half of a financial year, with the full year's land tax revenue being recognised in the first or second quarters of the year (when land tax assessments are issued), while expenses typically accelerate in the latter months of a financial year as programs with a 30 June completion date come to a conclusion. The timing of grant revenue (from the Commonwealth), and grant payments, can also be quite 'lumpy', making comparisons between monthly reporting periods difficult.

### *Month of November 2005*

The general government sector recorded a \$234 million operating surplus for the month of November 2005, compared to a \$116 million operating surplus in November 2004.

Revenue in November 2005 totalled \$1,377 million, up \$324 million from November 2004. The increase in monthly revenue is primarily due to:

- higher taxation revenue (up \$214 million), largely reflecting the continued strength of property market activity including the impact of unexpected large one-off assessments;
- higher Commonwealth grants (up \$78 million), due mainly to higher GST grants and a revised GST monthly payment profile for 2005-06, the combined effects of higher non-government school grants and timing differences associated with the receipt of these funds, and higher North West Shelf petroleum royalties, largely reflecting the increase in the international price of oil;
- higher sales of goods and services (up \$44 million), primarily reflecting changes in the timing of receipts by agencies; and
- higher royalty income (up \$21 million), due to higher diamond sales (up \$16 million) and increased petroleum production and prices (up \$5 million).

Partially offsetting the above revenue increases was a \$35 million reduction in dividend revenue due to changes in the State's revenue recognition policy following the introduction of International Financial Reporting Standards (IFRS) in 2005-06<sup>1</sup>.

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<sup>1</sup> Under IFRS, dividends can only be recognised when they are declared and approved. Under the previous monthly accounting policy prior to 2005-06, dividends were accrued uniformly throughout the year. Interim dividends are expected to be declared around January/February 2006, while final end-of-year dividends are generally expected to be declared in July under IFRS.

Expenses for the month of November 2005 totalled \$1,143 million, up \$206 million from November 2004. This increase largely reflects:

- higher salaries (up \$52 million), reflecting higher pay rates and increased employee numbers in the health, education, and law and order sectors. Increases in the health sector (up \$25 million) include EBA salary increases for registered and enrolled nurses and medical practitioners. Education sector outcomes (up \$12 million) include EBA salary increases for teachers and additional education assistants for children with special needs and other miscellaneous programs. Increases in law and order (up \$8 million) reflect an additional 80 police officers as a result of the ongoing implementation of the Frontline First initiative;
- 'other' gross operating expenses (up \$49 million) and higher services and contracts (up \$46 million), reflecting changes in the timing of purchases by agencies across the sector; and
- higher current transfers (up \$44 million), due to the on-passing of higher non-government school grants from the Commonwealth, and increased support for aged care and mental health services.

The sector recorded a cash surplus of \$264 million in November 2005, broadly similar to the cash surplus of \$235 million in November 2004.

#### *Five months ending 30 November 2005*

A cumulative operating surplus of \$987 million was recorded for the first five months of 2005-06, compared with an operating surplus of \$765 million for the same period the previous year.

Revenue in the five months to 30 November 2005 totalled \$6,726 million, \$641 million (or 10.5%) higher than the first five months of 2004-05. The major contributors to this variance were higher taxation revenue (up \$317 million) and Commonwealth grants (up \$238 million), reflecting broadly similar issues as those outlined in the monthly results above. Royalty income increased by \$116 million due to increased iron ore production and rising iron ore prices (up \$87 million) and an increase in diamond sales (up \$18 million). These increases were partly offset by lower dividend revenue (down \$81 million) due to the change in dividend recognition discussed above (which is essentially just a timing issue).

Expenses of \$5,739 million were recorded for the five months ended 30 November 2005, \$419 million (or 7.9%) higher than the same period the previous year. This increase is largely due to: higher salaries (up \$186 million), reflecting the same factors as indicated above in the monthly outcome; higher current transfers (up \$128 million), due to higher agriculture grants, the on-passing of higher non-government school grants, and higher Community Service Obligation payments to the Water Corporation; and higher 'other' gross operating expenses (up \$123 million), reflecting the timing of purchases by agencies, increased costs in the health sector (primarily direct patient support costs due to increases in the cost of drugs and associated medical instruments), and increased school expenses (including maintenance and computer software). These increases were partially offset by a reduction in capital transfers (down \$81 million) following the November 2004 purchase of Crown land by Edith Cowan University.

The sector recorded a \$735 million cash surplus for the five months to 30 November 2005 (up from the \$309 million cash surplus for the same period last year), reflecting the stronger operating surplus discussed above.

## GENERAL GOVERNMENT

### Operating Statement

	2005-06				2004-05		
	Month of Oct \$m	Month of Nov \$m	Five Months to 30 Nov \$m	Annual Estimate <sup>(a)</sup> \$m	Month of Nov \$m	Five Months to 30 Nov \$m	Actual <sup>(b)</sup> \$m
<b>REVENUE</b>							
Taxation	382	556	2,375	4,669	342	2,058	4,314
Current grants and subsidies	779	577	2,980	6,792	487	2,693	6,468
Capital grants	15	38	108	380	50	157	347
Sales of goods and services	87	105	438	998	61	404	982
Interest income	10	13	60	146	12	56	142
Revenue from public corporations							
Dividends	-	-	90	504	35	171	468
Tax equivalent payments	21	21	149	265	20	98	292
Royalty income	72	41	386	1,243	20	270	841
Other	28	25	142	361	26	177	368
<i>Total</i>	<i>1,395</i>	<i>1,377</i>	<i>6,726</i>	<i>15,357</i>	<i>1,053</i>	<i>6,085</i>	<i>14,222</i>
<b>EXPENSES</b>							
Gross operating expenses							
Salaries	446	471	2,280	5,514	419	2,094	5,253
Depreciation and amortisation	47	52	242	597	44	220	607
Superannuation	43	45	219	542	41	201	519
Services and contracts	125	117	521	1,612	71	478	1,263
Other	148	175	811	1,801	126	688	1,730
Nominal superannuation interest	25	25	123	304	24	120	294
Other interest	6	11	54	143	12	74	155
Current transfers	295	198	1,327	3,086	154	1,199	2,728
Capital transfers	26	48	163	456	47	244	482
<i>Total</i>	<i>1,160</i>	<i>1,143</i>	<i>5,739</i>	<i>14,056</i>	<i>937</i>	<i>5,320</i>	<i>13,030</i>
<b>NET OPERATING BALANCE</b>	<b>235</b>	<b>234</b>	<b>987</b>	<b>1,302</b>	<b>116</b>	<b>765</b>	<b>1,192</b>

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

(b) Consistent with the final audited data contained in the 2004-05 *Government of Western Australia 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 Oct \$m	Month of Nov \$m	Five Months to 30 Nov \$m	Annual Estimate <sup>(a)</sup> \$m	Month of Nov \$m	Five Months to 30 Nov \$m	Actual <sup>(b)</sup> \$m
<b>RECEIPTS FROM OPERATING ACTIVITIES</b>							
Taxes received	435	482	1,954	4,686	470	1,868	4,328
Receipts from sales of goods and services	97	88	484	1,037	71	404	1,031
Grants and subsidies received	795	612	3,079	7,171	537	2,854	6,786
Other receipts	294	140	1,064	2,973	110	833	2,481
<i>Total</i>	<i>1,621</i>	<i>1,321</i>	<i>6,581</i>	<i>15,867</i>	<i>1,188</i>	<i>5,959</i>	<i>14,626</i>
<b>PAYMENTS FOR OPERATING ACTIVITIES</b>							
Payments for goods and services	-829	-781	-3,975	-9,674	-671	-3,747	-9,002
Grants and subsidies paid	-264	-150	-1,204	-3,274	-138	-1,221	-2,966
Interest paid	-13	-3	-49	-144	-5	-72	-162
Other payments	-45	-61	-353	-824	-70	-342	-798
<i>Total</i>	<i>-1,151</i>	<i>-996</i>	<i>-5,582</i>	<i>-13,916</i>	<i>-884</i>	<i>-5,382</i>	<i>-12,928</i>
<b>Net Cash Flow from Operating Activities</b>	<b>470</b>	<b>325</b>	<b>999</b>	<b>1,951</b>	<b>304</b>	<b>577</b>	<b>1,698</b>
<b>INVESTMENT IN NON-FINANCIAL ASSETS</b>							
Purchase of non-financial assets	-84	-75	-352	-1,422	-84	-385	-1,092
Sales of non-financial assets	15	14	88	207	15	117	253
<i>Total</i>	<i>-68</i>	<i>-61</i>	<i>-264</i>	<i>-1,215</i>	<i>-69</i>	<i>-268</i>	<i>-839</i>
<b>INVESTMENT IN FINANCIAL ASSETS</b>							
Policy purposes	-34	-	-413	-527	15	-70	-122
Liquidity purposes	-	1	39	16	-40	-124	-62
<i>Total</i>	<i>-34</i>	<i>1</i>	<i>-375</i>	<i>-512</i>	<i>-25</i>	<i>-194</i>	<i>-184</i>
<b>Net Cash Flow from Investing Activities</b>	<b>-102</b>	<b>-60</b>	<b>-639</b>	<b>-1,727</b>	<b>-94</b>	<b>-462</b>	<b>-1,022</b>
<b>FINANCING ACTIVITIES</b>							
Advances received (net)	-	-	-	-	-	-	-
Borrowings (net)	219	119	-322	-871	32	-325	-395
Deposits received (net)	2	5	2	-	-7	-7	-1
Other financing	5	2	9	-29	7	9	-100
<i>Total</i>	<i>225</i>	<i>-112</i>	<i>-310</i>	<i>-900</i>	<i>31</i>	<i>-323</i>	<i>-496</i>
Opening cash balance	2,175	2,766	2,869	2,869	2,239	2,690	2,690
<b>NET INCREASE IN CASH HELD</b>	<b>594</b>	<b>153</b>	<b>50</b>	<b>-675</b>	<b>242</b>	<b>-209</b>	<b>180</b>
Closing cash balance	2,766	2,919	2,919	2,194	2,481	2,481	2,869
<i>Net cash from operating activities and investments in non-financial assets less finance leases and similar arrangements</i>	<i>402</i>	<i>264</i>	<i>735</i>	<i>736</i>	<i>235</i>	<i>309</i>	<i>859</i>
Cash Surplus	402	264	735	736	235	309	859

(a) Annual estimate published in the 2005-06 Government Mid-Year Financial Projections Statement, released 21 December 2005.

(b) Consistent with the final audited data contained in the 2004-05 Government of Western Australia Consolidated Financial Statements released 10 November 2005.

Columns may not add due to rounding.

## GENERAL GOVERNMENT

### Taxation Revenue

	2005-06				2004-05		
	Month of Oct \$m	Month of Nov \$m	Five Months to 30 Nov \$m	Annual Estimate <sup>(a)</sup> \$m	Month of Nov \$m	Five Months to 30 Nov \$m	Actual <sup>(b)</sup> \$m
<b>TAXATION</b>							
Taxes on employers' payroll and labour force							
<i>Payroll tax</i>	107	108	546	1,326	103	518	1,211
Property taxes							
<i>Land tax</i>	15	15	298	320	3	304	315
Conveyances and transfers	133	293	768	1,480	100	533	1,218
Mortgages	15	14	67	156	9	57	140
Other stamp duties	3	3	15	36	3	17	36
<i>Total stamp duties on financial and capital transactions</i>	151	310	850	1,672	112	608	1,394
Debits Tax	-	-	8	8	8	41	100
<i>Total financial institutions taxes</i>	-	-	8	8	8	41	100
Metropolitan Region Improvement Tax	11	5	53	54	1	47	47
Emergency Services Levy	2	21	102	129	16	95	119
Loan guarantee fees	2	1	6	12	1	4	10
<i>Total other property taxes</i>	15	27	161	195	18	147	176
Taxes on provision of goods and services							
Lotteries Commission	8	8	41	101	8	40	98
less rebates	-2	-1	-9	-22	-2	-9	-21
Video lottery terminals	-	-	-	1	-	-	-
Casino Tax	6	5	25	52	4	19	52
less rebates	-3	-3	-13	-28	-1	-11	-28
TAB betting tax	5	5	26	62	4	23	59
less rebates	-2	-3	-12	-27	-2	-10	-25
<i>Total taxes on gambling</i>	12	10	58	138	12	52	134
Stamp duty on insurance policies	24	23	133	293	25	124	280
Other	2	2	21	22	2	18	19
<i>Total taxes on insurance</i>	26	25	154	314	26	143	299
Taxes on use of goods and performance of activities							
Stamp duty on vehicle licences	26	31	139	326	27	106	303
Permits – oversize vehicles and loads	-	-	1	3	-	1	3
Motor vehicle recording fee	2	2	12	30	4	18	37
Motor vehicle registrations	28	28	147	338	28	122	341
<i>Total motor vehicle taxes</i>	56	61	299	697	59	246	684
<b>Total Taxation</b>	<b>382</b>	<b>556</b>	<b>2,375</b>	<b>4,669</b>	<b>342</b>	<b>2,058</b>	<b>4,314</b>

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