



DEPARTMENT OF  
TREASURY AND FINANCE

**MONTHLY  
REPORT OF  
GENERAL  
GOVERNMENT  
FINANCES**

Statement for the Month Ended  
**31 October 2005**

# MONTHLY REPORT OF GENERAL GOVERNMENT FINANCES

## OCTOBER 2005

### *Introduction*

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

### *Operating Statement*

A general government sector operating surplus of \$235 million was recorded for the month of October 2005. This compares with a \$318 million surplus recorded in October 2004.

Revenue in October 2005 totalled \$1,395 million, down \$29 million (or 2.0%) from October 2004. This change primarily reflects:

- lower taxation revenue (down \$35 million) due mainly to a large one-off conveyance duty assessment in October 2004, and a change in the timing of receipts of Emergency Services Levy from local government authorities; and
- lower dividend revenue from public corporations (down \$30 million), 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>;

Partially offsetting these lower outcomes, there were increases in revenue from the sale of goods and services (up \$14 million reflecting timing of receipts by agencies), and Tax Equivalent Regime revenue (up \$13 million - due to increased profitability of public corporations).

Expenses for the month of October 2005 totalled \$1,160 million, up \$54 million (or 4.9%) from October 2004. This increase largely reflects:

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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.

- higher salaries (up \$39 million), including the impact of backdated pay increases for general public servants and education assistants, and higher pay rates and increased employee numbers in the health, education and police sectors;
- higher 'other' gross operating expenses (up \$24 million) primarily due to the timing of agency spending, particularly in the health and education sectors.

These increases were offset by lower current and capital transfers (down \$15 million) due to the timing of grant payments.

### *Cash Flow Statement*

A cash surplus of \$402 million was recorded in October 2005 (broadly comparable with a \$374 million surplus in October 2004), reflecting a net cash inflow from operating activities of \$470 million and a net cash outflow from capital investment of \$68 million.

### *Four months ending 31 October 2005*

A cumulative operating surplus of \$753 million was recorded for the first four months of 2005-06, compared to operating surplus of \$650 million recorded in the same period the previous year.

Revenue in the four months to 31 October 2005 totalled \$5,350 million, up \$318 million (or 6.3%) higher than the first four months of 2004-05. The major contributors to this variance were: increases in Commonwealth grants (up \$159 million), primarily due to higher GST revenue and North West Shelf petroleum royalties; higher taxation revenue (up \$102 million) due to the continuing strength of the property and motor vehicle markets; and higher royalty income (up \$94 million) due to increased iron ore production and commodities prices. These increases are offset by reductions in 'other' revenue (down \$35 million), mainly reflecting the impact in 2004-05 of the transfer of Crown land by Edith Cowan University back to the State in 2004-05.

Expenses of \$4,597 million were recorded for the four months ended 31 October 2005, \$215 million (or 4.9%) higher than the same period the previous year. This increase is largely due to higher salaries (\$134 million) and current transfers (up \$84 million), reflecting the same issues outlined under the monthly results described above. These increases were partially offset by a reduction in capital transfers due to the purchase of Crown land by Edith Cowan University, associated with the revenue item noted above.

These stronger period-to-date results were reflected in the revised full-year projections released in the 2005-06 *Government Mid-Year Financial Projections Statement* (mid-year review), released on 21 December 2005. The mid-year review is available for download from the Treasury and Finance website at [www.dtf.wa.gov.au](http://www.dtf.wa.gov.au).

## GENERAL GOVERNMENT

### Operating Statement

	2005-06				2004-05		
	Month of Sep \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Annual Estimate <sup>(a)</sup> \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Actual <sup>(b)</sup> \$m
<b>REVENUE</b>							
Taxation	704	382	1,818	4,669	417	1,716	4,314
Current grants and subsidies	392	779	2,402	6,792	773	2,206	6,468
Capital grants	6	15	70	380	21	107	347
Sales of goods and services	73	87	333	998	73	343	982
Interest income	9	10	47	146	10	45	142
Revenue from public corporations							
Dividends	56	-	90	504	30	137	468
Tax equivalent payments	66	21	128	265	8	77	292
Royalty income	166	72	344	1,243	72	250	841
Other	46	28	116	361	20	151	368
<b>Total</b>	<b>1,500</b>	<b>1,395</b>	<b>5,350</b>	<b>15,357</b>	<b>1,424</b>	<b>5,032</b>	<b>14,222</b>
<b>EXPENSES</b>							
<b>Gross operating expenses</b>							
Salaries	463	446	1,809	5,514	407	1,675	5,253
Depreciation and amortisation	49	47	189	597	44	176	607
Superannuation	45	43	173	542	38	160	519
Services and contracts <sup>(c)</sup>	99	125	404	1,612	120	407	1,263
Other	173	148	636	1,801	124	562	1,730
Nominal superannuation interest	25	25	99	304	24	96	294
Other interest	9	6	42	143	12	63	155
Current transfers	245	295	1,129	3,086	302	1,045	2,728
Capital transfers	7	26	115	456	34	197	482
<b>Total</b>	<b>1,113</b>	<b>1,160</b>	<b>4,597</b>	<b>14,056</b>	<b>1,106</b>	<b>4,382</b>	<b>13,030</b>
<b>NET OPERATING BALANCE</b>	<b>387</b>	<b>235</b>	<b>753</b>	<b>1,302</b>	<b>318</b>	<b>650</b>	<b>1,192</b>

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

(b) Consistent with 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 Sep \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Annual Estimate <sup>(a)</sup> \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Actual <sup>(b)</sup> \$m
<b>RECEIPTS FROM OPERATING ACTIVITIES</b>							
Taxes received	368	435	1,472	4,686	441	1,398	4,328
Receipts from sales of goods and services	100	97	396	1,037	81	333	1,031
Grants and subsidies received	395	795	2,468	7,171	799	2,317	6,786
Other receipts	286	294	924	2,973	244	723	2,481
<i>Total</i>	<b>1,645</b>	<b>1,621</b>	<b>5,260</b>	<b>15,867</b>	<b>1,565</b>	<b>4,771</b>	<b>14,626</b>
<b>PAYMENTS FOR OPERATING ACTIVITIES</b>							
Payments for goods and services	-773	-829	-3,218	-9,674	-740	-3,076	-9,002
Grants and subsidies paid	-202	-264	-1,054	-3,274	-311	-1,083	-2,966
Interest paid	-12	-13	-46	-144	-16	-67	-162
Other payments	-75	-45	-268	-824	-57	-271	-798
<i>Total</i>	<b>-1,063</b>	<b>-1,151</b>	<b>-4,586</b>	<b>-13,916</b>	<b>-1,124</b>	<b>-4,497</b>	<b>-12,928</b>
<b>Net Cash Flow from Operating Activities</b>	<b>86</b>	<b>470</b>	<b>674</b>	<b>1,951</b>	<b>441</b>	<b>273</b>	<b>1,698</b>
<b>INVESTMENT IN NON-FINANCIAL ASSETS</b>							
Purchase of non-financial assets	-61	-84	-277	-1,422	-76	-302	-1,092
Sales of non-financial assets	15	15	74	207	9	102	253
<i>Total</i>	<b>-47</b>	<b>-68</b>	<b>-203</b>	<b>-1,215</b>	<b>-67</b>	<b>-200</b>	<b>-839</b>
<b>INVESTMENT IN FINANCIAL ASSETS</b>							
Policy purposes	-2	-34	-413	-527	-39	-85	-122
Liquidity purposes	-	-	38	16	-88	-84	-62
<i>Total</i>	<b>-2</b>	<b>-34</b>	<b>-376</b>	<b>-512</b>	<b>-127</b>	<b>-169</b>	<b>-184</b>
<b>Net Cash Flow from Investing Activities</b>	<b>-49</b>	<b>-102</b>	<b>-579</b>	<b>-1,727</b>	<b>-194</b>	<b>-368</b>	<b>-1,022</b>
<b>FINANCING ACTIVITIES</b>							
Advances received (net)	-	-	-	-	-	-	-
Borrowings (net)	-202	219	-203	-871	-58	-357	-395
Deposits received (net)	-8	2	-3	-	1	-	-1
Other financing	-	5	7	-29	13	2	-
<i>Total</i>	<b>-210</b>	<b>225</b>	<b>-198</b>	<b>-900</b>	<b>-43</b>	<b>-355</b>	<b>-100</b>
Opening cash balance	2,346	2,175	2,869	2,869	2,035	2,690	2,690
<b>NET INCREASE IN CASH HELD</b>	<b>-174</b>	<b>594</b>	<b>-103</b>	<b>-675</b>	<b>205</b>	<b>-450</b>	<b>180</b>
Closing cash balance	2,172	2,766	2,766	2,194	2,239	2,239	2,869
<i>Net cash from operating activities and investments in non-financial assets less finance leases and similar arrangements</i>	39	402	470	736	374	74	859
Cash Surplus	39	402	470	736	374	74	859

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

(b) Consistent with 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 Sep \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Annual Estimate <sup>(a)</sup> \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Actual <sup>(b)</sup> \$m
<b>TAXATION</b>							
Taxes on employers' payroll and labour force							
<i>Payroll tax</i>	115	107	438	1,326	104	414	1,211
Property taxes							
<i>Land tax</i>	267	15	283	320	18	301	315
Conveyances and transfers	118	133	475	1,480	156	433	1,218
Mortgages	13	15	53	156	18	48	140
Other stamp duties	3	3	12	36	2	15	36
<i>Total stamp duties on financial and capital transactions</i>	134	151	540	1,672	176	496	1,394
Debits Tax	-	-	8	8	8	33	100
<i>Total financial institutions taxes</i>	-	-	8	8	8	33	100
Metropolitan Region Improvement Tax	34	11	48	54	9	46	47
Emergency Services Levy	39	2	82	129	29	79	119
Loan guarantee fees	1	2	5	12	1	4	10
<i>Total other property taxes</i>	74	15	134	195	39	129	176
Taxes on provision of goods and services							
Lotteries Commission	8	8	33	101	8	32	98
less rebates	-2	-2	-8	-22	-2	-7	-21
Video lottery terminals	-	-	-	1	-	-	-
Casino Tax	6	6	20	52	3	15	52
less rebates	-3	-3	-9	-28	-3	-10	-28
TAB betting tax	6	5	21	62	4	18	59
less rebates	-2	-2	-9	-27	-2	-8	-25
<i>Total taxes on gambling</i>	14	12	48	138	8	41	134
Contribution to fire brigades	-	-	-	-	-	-	-
Stamp duty on insurance policies	29	24	110	293	18	100	280
Other	14	2	19	22	2	16	19
<i>Total taxes on insurance</i>	43	26	129	314	20	116	299
Taxes on use of goods and performance of activities							
Stamp duty on vehicle licences	28	26	108	326	19	79	303
Permits – oversize vehicles and loads	-	-	1	3	-	1	3
Motor vehicle recording fee	2	2	10	30	3	14	37
Motor vehicle registrations	28	28	119	338	22	93	341
<i>Total motor vehicle taxes</i>	58	56	238	697	43	186	684
<b>Total Taxation</b>	<b>704</b>	<b>382</b>	<b>1,818</b>	<b>4,669</b>	<b>417</b>	<b>1,716</b>	<b>4,314</b>

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

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

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

Magda Wittek                      Principal Accounting Analyst  
    State Financial Reporting                      (08) 9222 9239

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

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