



DEPARTMENT OF
TREASURY AND FINANCE

**MONTHLY
REPORT OF
GENERAL
GOVERNMENT
FINANCES**

Statement for the Month Ended
31 August 2006

MONTHLY REPORT OF GENERAL GOVERNMENT FINANCES

AUGUST 2006

Introduction

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

The general government sector recorded a \$31 million operating deficit for the month of August 2006, an improvement of \$66 million from the \$97 million deficit recorded in August 2005.

Revenue in August 2006 was \$1,304 million, up \$216 million from August 2005. The increase in monthly revenue is primarily attributable to:

- higher grants and subsidies from the Commonwealth (up \$68 million), due mainly to higher GST grants and the timing of tied grants for education and road funding;
- higher taxation revenue (up \$67 million), largely due to the impact of sustained property market activity and wages and employment growth on conveyance duty and payroll tax (up \$63 million and \$31 million respectively), partially offset by a timing difference in Emergency Services Levy collections (down \$34 million);
- higher royalty income (up \$29 million) primarily due to the timing of iron ore royalties and higher iron ore contract prices in 2006-07; and
- higher sales of goods and services (up \$28 million), reflecting increases in the volume and demand for goods and services across the sector.

Expenses for the month of August 2006 totalled \$1,335 million, up \$150 million from August 2005. This increase largely reflects:

- higher salaries and wages (up \$54 million), mainly reflecting increased pay rates and employee numbers in the health, education and law and order sectors;
- higher current transfers (up \$52 million), due to increased appropriations to the Public Transport Authority and the on-passing of Commonwealth agriculture grants; and
- higher services and contracts expenses (up \$37 million), primarily due to increases in construction and maintenance activities by agencies.

A small cash surplus of \$5 million was recorded in August 2006, compared with a cash deficit of \$96 million in August 2005. This included a net cash inflow from operating activities of \$102 million (reflecting the cash impact of the items above), partially offset by net capital investment of \$97 million during the month.

Two Months Ended 31 August 2006

A cumulative operating surplus of \$329 million was recorded for the two months ended 31 August 2006, up \$198 million on the \$131 million operating surplus recorded for the same period in 2005-06.

Revenue in the first two months of 2006-07 totalled \$2,875 million, \$420 million (or 17.1%) higher than the first two months of 2005-06. The major contributors to this increase were:

- higher taxation revenue (up \$172 million), with the strength of the State's economy boosting conveyance duty (up \$145 million) and payroll tax (up \$54 million) in particular;
- higher Commonwealth grants (up \$122 million), due to higher specific purpose grants for both government and non-government schools, higher North West Shelf petroleum royalties (reflecting higher production volumes and prices in 2006-07), higher health funding and increased road funding;
- higher sales of goods and services (up \$65 million), primarily reflecting the monthly factors discussed above; and
- higher royalty income (up \$61 million), primarily reflecting higher prices and production volumes of a number of the State's mineral commodities.

These increases were partly offset by lower dividend revenue from public corporations (down \$34 million), due to the impact of the late final dividend declaration by the Land Authority in July 2005.

Expenses totalled \$2,547 million for the two months ended 31 August 2006, \$223 million (or 9.6%) higher than the same period in 2005-06. This increase primarily reflects:

- higher salaries (up \$92 million), due mainly to higher pay rates and employee numbers in the health, education, and law and order sectors (accounting for \$64 million, or around 70%, of the total increase in salaries);
- higher current transfers (up \$59 million), due to higher appropriations to the Public Transport Authority (primarily for indirect costs associated with the New MetroRail project) and the on-passing of Commonwealth non-government school grants;
- higher services and contracts expenses (up \$39 million), primarily due to increased activity in construction and maintenance work undertaken by agencies; and
- higher 'other' gross operating expenses (up \$23 million), reflecting increased school administration costs, higher direct patient support costs for the health sector, and increases in cost and demand factors impacting purchases across the sector.

A cash surplus of \$167 million was recorded during the first two months of 2006-07. This included a net cash inflow from operating activities of \$338 million (up from \$118 million for the same period the previous year), partially offset by net capital investment of \$171 million (up from \$88 million in the first two months of 2005-06).

GENERAL GOVERNMENT
Operating Statement

	2006-07				2005-06		
	Month of July \$m	Month of Aug \$m	Two Months to 31 Aug \$m	Annual Estimate ^(a) \$m	Month of Aug \$m	Two Months to 31 Aug \$m	Actual ^(b) \$m
REVENUE							
Taxation	468	437	904	5,082	370	732	5,195
Current grants and subsidies	762	560	1,323	7,163	513	1,231	6,890
Capital grants	23	55	79	402	34	49	375
Sales of goods and services	130	109	239	1,046	81	174	1,115
Interest income	21	25	46	151	15	27	170
Revenue from public corporations							
Dividends	-	-	-	456	-	34	534
Tax equivalent payments	25	25	49	294	21	42	304
Royalty income	112	55	167	1,504	26	106	1,184
Other	31	38	69	410	29	60	440
<i>Total</i>	<i>1,571</i>	<i>1,304</i>	<i>2,875</i>	<i>16,510</i>	<i>1,088</i>	<i>2,455</i>	<i>16,207</i>
EXPENSES							
Gross operating expenses							
Salaries	466	525	992	5,904	471	900	5,694
Depreciation and amortisation	49	50	98	637	44	94	591
Superannuation	45	51	97	580	45	86	557
Services and contracts	77	144	220	1,753	107	181	1,367
Other	141	197	338	1,873	195	315	1,876
Nominal superannuation interest	25	25	51	306	25	49	242
Other interest	11	12	23	132	16	28	120
Current transfers	366	282	648	3,466	230	589	3,007
Capital transfers	30	49	80	583	51	82	487
<i>Total</i>	<i>1,211</i>	<i>1,335</i>	<i>2,547</i>	<i>15,234</i>	<i>1,185</i>	<i>2,324</i>	<i>13,942</i>
NET OPERATING BALANCE	360	-31	329	1,275	-97	131	2,265

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

(b) Consistent with the 2005-06 Annual Report on State Finances, released 27 September 2006.
Columns may not add due to rounding.

GENERAL GOVERNMENT

Cash Flow Statement

	2006-07				2005-06		
	Month of July \$m	Month of Aug \$m	Two Months to 31 Aug \$m	Annual Estimate ^(a) \$m	Month of Aug \$m	Two Months to 31 Aug \$m	Actual ^(b) \$m
RECEIPTS FROM OPERATING ACTIVITIES							
Taxes received	434	441	875	5,097	340	669	5,119
Receipts from sales of goods and services	117	108	225	1,072	106	199	1,194
Grants and subsidies received	759	643	1,402	7,556	546	1,278	7,583
Other receipts	279	155	434	3,480	64	344	3,094
<i>Total</i>	1,588	1,347	2,935	17,206	1,055	2,490	16,990
PAYMENTS FOR OPERATING ACTIVITIES							
Payments for goods and services	-900	-870	-1,770	-10,313	-834	-1,615	-9,538
Grants and subsidies paid	-349	-285	-634	-3,683	-221	-588	-3,207
Interest paid	-19	-3	-22	-123	-5	-21	-122
Other payments	-85	-87	-172	-832	-20	-148	-864
<i>Total</i>	1,352	-1,245	-2,597	-14,951	-1,080	-2,372	-13,730
Net Cash Flow from Operating Activities	236	102	338	2,255	-26	118	3,260
INVESTMENT IN NON-FINANCIAL ASSETS							
Purchase of non-financial assets	-91	-111	-202	-1,620	-79	-132	-1,161
Sales of non-financial assets	18	13	31	227	8	44	203
<i>Total</i>	-73	-97	-171	-1,393	-71	-88	-958
INVESTMENT IN FINANCIAL ASSETS							
Policy purposes	-109	-55	-164	-1,453	-337	-376	-488
Liquidity purposes	-	-	-	-21	-30	37	74
<i>Total</i>	-109	-55	-164	-1,474	-366	-340	-415
Net Cash Flow from Investing Activities	-182	-152	-334	-2,867	-437	-428	-1,373
FINANCING ACTIVITIES							
Advances received (net)	-	-	-	-	-	-	-1
Borrowings (net)	11	-479	-467	27	-209	-220	-286
Deposits received (net)	-2	-5	-6	-	6	3	-
Other financing	-2	5	3	-23	4	3	-12
<i>Total</i>	7	-479	-471	4	-200	-213	-300
Opening cash balance	4,462	4,522	4,462	3,468	3,015	2,875	2,875
NET INCREASE IN CASH HELD	61	-528	-467	-608	-663	-523	1,587
Closing cash balance	4,522	3,994	3,994	2,860	2,352	2,352	4,462
<i>Net cash from operating activities and investments in non-financial assets less finance leases and similar arrangements</i>	<i>162</i>	<i>5</i>	<i>167</i>	<i>862</i>	<i>-96</i>	<i>30</i>	<i>2,301</i>
Cash Surplus	162	5	167	862	-96	30	2,301

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

(b) Consistent with the 2005-06 Annual Report on State Finances, released 27 September 2006.

Columns may not add due to rounding.

GENERAL GOVERNMENT

Taxation Revenue

	2006-07				2005-06		
	Month of July \$m	Month of Aug \$m	Two Months to 31 Aug \$m	Annual Estimate ^(a) \$m	Month of Aug \$m	Two Months to 31 Aug \$m	Actual ^(b) \$m
TAXATION							
Taxes on employers' payroll and labour force							
<i>Payroll tax</i>	135	134	269	1,428	103	215	1,355
Property taxes							
<i>Land tax</i>	-	-	-	342	-	1	313
Conveyances and transfers	197	172	369	1,741	109	224	1,906
Mortgages	11	15	27	101	12	25	173
Other stamp duties	4	5	9	24	3	6	33
<i>Total stamp duties on financial and capital transactions</i>	212	192	404	1,866	124	255	2,113
Debits Tax	-	-	-	-	-	8	8
<i>Total financial institutions taxes</i>	-	-	-	-	-	8	8
Metropolitan Region Improvement Tax	-	-	-	58	-	3	53
Emergency Services Levy	7	-	7	138	34	41	130
Loan guarantee fees	1	1	2	14	1	2	13
<i>Total other property taxes</i>	8	1	9	209	35	46	197
Taxes on provision of goods and services							
Lotteries Commission							
less rebates	9	9	17	103	8	16	102
Video lottery terminals	-2	-2	-4	-23	-2	-4	-22
Casino Tax	-	-	-	1	-	-	-
less rebates	6	6	12	58	5	9	59
TAB betting tax	-2	-4	-6	-33	-1	-4	-30
less rebates	5	5	11	64	5	9	64
<i>Total taxes on gambling</i>	-2	-2	-4	-28	-2	-4	-27
Stamp duty on insurance policies	14	12	26	141	13	22	146
Other	28	28	56	315	31	57	296
<i>Total taxes on insurance</i>	2	2	4	24	2	4	30
<i>Total taxes on insurance</i>	30	30	60	339	33	60	326
Taxes on use of goods and performance of activities							
Stamp duty on vehicle licences	29	33	62	369	30	54	342
Permits – oversize vehicles and loads	-	-	-	3	-	-	3
Motor vehicle recording fee	3	3	6	31	2	5	30
Motor vehicle registrations	37	31	69	354	30	64	361
<i>Total motor vehicle taxes</i>	69	67	136	757	62	124	736
Total Taxation	468	437	904	5,082	370	732	5,195

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

(b) Consistent with the 2005-06 Annual Report on State Finances, released 27 September 2006.

Columns may not add due to rounding.

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

Roy Picardo Assistant Director
 State Financial Reporting (08) 9222 9327

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

ISSN 1444-4224