



DEPARTMENT OF
TREASURY AND FINANCE

**MONTHLY
REPORT OF
GENERAL
GOVERNMENT
FINANCES**

Statement for the Month Ended
28 February 2006

MONTHLY REPORT OF GENERAL GOVERNMENT FINANCES

FEBRUARY 2006

Introduction

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

The general government sector recorded a \$332 million operating surplus for the month of February 2006, up from the \$203 million operating surplus recorded in February 2005.

Revenue for the month of February 2006 totalled \$1,346 million, up \$113 million from February 2005. The increase in monthly revenue is primarily due to:

- higher taxation revenue (up \$78 million), largely due to the impact of stronger economic conditions reflected in increased conveyance duty and payroll tax (up \$54 million and \$17 million respectively), and higher Emergency Services Levy revenue (up \$16 million) due mainly to changes in billing cycles. These increases were partially offset by lower motor vehicle taxes (down \$13 million) due to processing of a backlog of assessments in February 2005, and the impact of the abolition of debits tax (\$8 million);
- higher tax equivalent revenue (up \$24 million), due mainly to timing differences in the recognition of tax liabilities by the Water Corporation;
- higher Commonwealth grants (up \$21 million), reflecting the State's share of an increase in the national pool of GST revenue, increased North West Shelf petroleum royalties as a result of higher oil prices and volumes, and increased education grants;
- higher 'other' revenue (up \$19 million) primarily due to an increase in the number of mining lease applications; and
- higher royalty income (up \$13 million), largely due to increased receipts of nickel and diamond royalties, reflecting higher sales volumes and prices.

Partially offsetting the above revenue increases was a \$48 million lower outcome for dividend revenue due to changes in the State's revenue recognition policy following the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS) in 2005-06¹.

Expenses for the month of February 2006 totalled \$1,014 million, down \$16 million from February 2005. This decrease largely reflects:

- lower current transfers (down \$25 million), due primarily to the timing of non-government schools grants;
- lower 'other' gross operating expenses (down \$15 million), mainly due to lower school support services and the timing of payments by agencies across the sector; and

¹ 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, and a final dividend after 30 June. The move to AIFRS recognises this timing in dividend declarations.

- lower services and contracts (down \$10 million) primarily due to the timing of roadworks projects.

An increase in salaries (up \$35 million) partially offset these decreases. Higher pay rates and employee numbers, particularly health workers and education staff, were the main components of this growth.

A cash surplus of \$469 million was recorded in February 2006, compared with a cash surplus of \$217 million in February 2005. This was comprised of a net cash inflow from operating activities of \$573 million, combined with investment in non-financial assets of \$104 million during the month.

Eight Months Ending 28 February 2006

An operating surplus of \$1,494 million was recorded for the eight months ended 28 February 2006, up \$422 million on the \$1,072 million operating surplus recorded for the same period the previous year.

Revenue in the eight months to 28 February 2006 totalled \$10,602 million, \$1,001 million (or 10.4%) higher than the first eight months of 2004-05. The major contributors to this increase were:

- higher taxation revenue (up \$507 million), due mainly to the continued growth across the Western Australian economy, reflected in higher revenue from conveyance duty, payroll tax and motor vehicle taxes, partially offset by the impact of the abolition of debits tax;
- higher Commonwealth grants (up \$406 million), due to higher GST grants (reflecting Western Australia's share of increased national collections and changes in the monthly profile of Commonwealth payments for 2005-06), higher North West Shelf petroleum royalties, and higher specific purpose payments for health, schools, and anti-salinity funding;
- higher royalty income (up \$208 million), primarily reflecting increased iron ore volumes and prices (up \$158 million), and higher diamond royalties (up \$21 million); and
- higher sales of goods and services (up \$54 million) reflecting increases across a range of agencies due mainly to demand and seasonal factors, and changes in revenue recovery systems and processes in the health sector.

These increases were partly offset by lower revenue from public corporations (down \$179 million), mainly due to the impact of implementing AIFRS in 2005-06 (noted in the monthly discussion above).

Expenses of \$9,108 million were recorded for the eight months ended 28 February 2006, \$579 million (or 6.8%) higher than the same period the previous year. This increase primarily reflects:

- higher salaries (up \$288 million), reflecting increased pay rates and employee numbers, particularly in the health, education, and law and order sectors (these three sectors account for \$233 million or 81% of the total increase in salaries expenditure);
- higher 'other' gross operating expenses (up \$126 million), reflecting increased school maintenance costs, direct patient support costs and timing differences associated with purchases by agencies; and
- higher current and capital transfers (up \$116 million), due to the on-passing of higher agriculture and non-government school grants from the Commonwealth, increased support for patient transport, aged care and drug and alcohol services and increased community service obligation payments to the Water Corporation.

GENERAL GOVERNMENT

Operating Statement

	2005-06				2004-05		
	Month of Jan \$m	Month of Feb \$m	Eight Months to 28 Feb \$m	Annual Estimate ^(a) \$m	Month of Feb \$m	Eight Months to 28 Feb \$m	Actual ^(b) \$m
REVENUE							
Taxation	378	381	3,506	4,669	303	2,999	4,314
Current grants and subsidies	651	714	4,808	6,792	683	4,359	6,468
Capital grants	26	32	201	380	42	244	347
Sales of goods and services	78	104	701	998	100	647	982
Interest income	14	15	102	146	12	93	142
Revenue from public corporations							
Dividends	59	-	149	504	48	320	468
Tax equivalent payments	34	22	219	265	-2	227	292
Royalty income	89	30	664	1,243	17	456	841
Other	30	48	252	361	29	256	368
<i>Total</i>	<i>1,358</i>	<i>1,346</i>	<i>10,602</i>	<i>15,357</i>	<i>1,233</i>	<i>9,601</i>	<i>14,222</i>
EXPENSES							
Gross operating expenses							
Salaries	443	438	3,649	5,514	399	3,361	5,253
Depreciation and amortisation	47	47	378	597	42	351	607
Superannuation	43	29	337	542	37	322	519
Services and contracts	97	106	839	1,612	116	821	1,263
Other gross operating expenses	112	122	1,176	1,801	137	1,050	1,730
Nominal superannuation interest	25	26	203	304	24	189	294
Other interest	11	7	83	143	11	109	155
Current transfers	424	190	2,167	3,086	215	1,976	2,728
Capital transfers	37	47	276	456	48	351	482
<i>Total</i>	<i>1,239</i>	<i>1,014</i>	<i>9,108</i>	<i>14,056</i>	<i>1,030</i>	<i>8,529</i>	<i>13,030</i>
NET OPERATING BALANCE	119	332	1,494	1,302	203	1,072	1,192

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

(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 Jan \$m	Month of Feb \$m	Eight Months to 28 Feb \$m	Annual Estimate ^(a) \$m	Month of Feb \$m	Eight Months to 28 Feb \$m	Actual ^(b) \$m
RECEIPTS FROM OPERATING ACTIVITIES							
Taxes received	391	526	3,317	4,686	307	2,888	4,328
Receipts from sales of goods and services	62	107	751	1,037	84	660	1,031
Grants and subsidies received	672	749	5,003	7,171	696	4,603	6,786
Other receipts	222	128	1,756	2,973	84	1,395	2,481
<i>Total</i>	1,347	1,511	10,827	15,867	1,171	9,546	14,626
PAYMENTS FOR OPERATING ACTIVITIES							
Payments for goods and services	-743	-646	-6,226	-9,674	-622	-5,861	-9,002
Grants and subsidies paid	-374	-238	-2,213	-3,274	-179	-2,127	-2,966
Interest paid	-12	-4	-73	-144	-3	-102	-162
Other payments	-51	-49	-533	-824	-63	-512	-798
<i>Total</i>	-1,180	-937	-9,046	-13,916	-867	-8,601	-12,928
Net Cash Flow from Operating Activities	167	573	1,782	1,951	304	945	1,698
INVESTMENT IN NON-FINANCIAL ASSETS							
Purchase of non-financial assets	-85	-119	-648	-1,422	-103	-664	-1,092
Sales of non-financial assets	13	15	134	207	16	146	253
<i>Total</i>	-72	-104	-514	-1,215	-86	-518	-839
INVESTMENT IN FINANCIAL ASSETS							
Policy purposes	-3	-1	-436	-527	-	-89	-122
Liquidity purposes	18	-17	39	16	1	-143	-62
<i>Total</i>	14	-19	-397	-512	1	-232	-184
Net Cash Flow from Investing Activities	-58	-123	-911	-1,727	-86	-750	-1,022
FINANCING ACTIVITIES							
Advances received (net)	-	-	-1	-	-	-7	-
Borrowings (net)	-97	78	-190	-871	-61	-382	-395
Deposits received (net)	4	-2	-1	-	-1	-5	-1
Other financing	-2	4	10	-29	-	-	-100
<i>Total</i>	-95	80	-183	-900	-62	-394	-496
Opening cash balance	3,012	3,026	2,869	2,869	2,334	2,690	2,690
NET INCREASE IN CASH HELD	14	531	688	-675	156	-199	180
Closing cash balance	3,026	3,557	3,557	2,194	2,490	2,490	2,869
<i>Net cash from operating activities and investments in non-financial assets less finance leases and similar arrangements</i>	95	469	1,268	736	217	427	859
Cash Surplus	95	469	1,268	736	217	427	859

(a) Estimate published in the 2005-06 Government Mid-year Financial Projections Statement, released 21 December 2005.

(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 Jan \$m	Month of Feb \$m	Eight Months to 28 Feb \$m	Annual Estimate ^(a) \$m	Month of Feb \$m	Eight Months to 28 Feb \$m	Actual ^(b) \$m
TAXATION							
Taxes on employers' payroll and labour force							
<i>Payroll tax</i>	125	108	891	1,326	91	818	1,211
Property taxes							
<i>Land tax</i>	-	3	313	320	1	311	315
Conveyances and transfers	146	139	1,186	1,480	85	796	1,218
Mortgages	14	13	109	156	9	86	140
Other stamp duties	3	3	22	36	1	24	36
<i>Total stamp duties on financial and capital transactions</i>	162	155	1,316	1,672	95	907	1,394
Debits Tax	-	-	8	8	8	66	100
<i>Total financial institutions taxes</i>	-	-	8	8	8	66	100
Metropolitan Region Improvement Tax	-	-	54	54	-	47	47
Emergency Services Levy	-	20	122	129	4	112	119
Loan guarantee fees	1	1	9	12	1	7	10
<i>Total other property taxes</i>	1	22	185	195	5	166	176
Taxes on provision of goods and services							
Lotteries Commission	8	8	67	101	8	63	98
less rebates	-2	-1	-15	-22	-2	-15	-21
Video lottery terminals	-	-	-	1	-	-	-
Casino Tax	5	5	39	52	5	34	52
less rebates	-2	-2	-20	-28	-3	-19	-28
TAB betting tax	-	5	37	62	5	38	59
less rebates	-2	-2	-17	-27	-2	-17	-25
<i>Total taxes on gambling</i>	7	12	91	138	10	86	134
Stamp duty on insurance policies	26	23	204	293	22	192	280
Other	2	2	24	22	2	21	19
<i>Total taxes on insurance</i>	28	25	228	314	23	212	299
Taxes on use of goods and performance of activities							
Stamp duty on vehicle licences	23	26	217	326	29	189	303
Permits – oversized vehicles and loads	-	-	2	3	-	1	3
Motor vehicle recording fee	2	2	19	30	4	29	37
Motor vehicle registrations	29	27	234	338	37	214	341
<i>Total motor vehicle taxes</i>	55	56	472	697	69	433	684
Total Taxation	378	381	3,506	4,669	303	2,999	4,314

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

(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.

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