



DEPARTMENT OF
TREASURY AND FINANCE

**MONTHLY
REPORT OF
GENERAL
GOVERNMENT
FINANCES**

Statement for the Month Ended
28 February 2007

MONTHLY REPORT OF GENERAL GOVERNMENT FINANCES

FEBRUARY 2007

Introduction

This report provides a summary of the Western Australian general government sector's finances for the month of February 2007. 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 2007

The general government sector recorded a \$380 million operating surplus for the month of February 2007, an increase of \$48 million from the \$332 million surplus recorded in February 2006.

Revenue in February 2007 was \$1,525 million, up \$179 million from February 2006. The increase in monthly revenue includes:

- higher taxation revenue (up \$113 million), mainly due to:
 - the later timing of land tax and Metropolitan Region Improvement Tax (MRIT) assessments for 2006-07 (up \$48 million and \$13 million respectively);
 - higher payroll tax collections (up \$22 million), reflecting wages and employment growth;
 - higher conveyance duty revenue (up \$16 million), due to stronger property market prices over the last year; and
 - higher motor vehicle taxes (up \$9 million), reflecting sustained levels of vehicle sales and registrations;
- higher Commonwealth grants (up \$94 million), primarily due to higher GST grants and higher North West Shelf petroleum royalties (reflecting higher production volumes and prices in 2006-07);
- lower sales of goods and services (down \$11 million), reflecting changes in timing across the sector; and
- lower royalty income (down \$10 million), largely due to lower diamond production volumes.

Expenses for the month of February 2007 totalled \$1,146 million, up \$132 million from February 2006. This increase largely reflects:

- higher current transfers (up \$73 million), due to the on-passing of non-government school grants received from the Commonwealth in late January 2007;
- higher salaries (up \$41 million), mainly reflecting higher pay rates and employee numbers in the education, law and order and health sectors (which together accounted for 68% of the total increase in salaries expenditure);
- higher services and contract expenses (up \$16 million), due to higher recurrent construction and maintenance expenditure by the education and health sectors;
- higher superannuation (up \$13 million), reflecting the increase in salaries growth, discussed above, and the impact of a lower monthly disclosure in February 2006; and

- lower 'other' gross operating expenses (down \$6 million), reflecting changes in timing of purchases by general government agencies.

A cash surplus of \$295 million was recorded in February 2007, compared with a cash surplus of \$469 million in February 2006. This included a net cash inflow from operating activities of \$395 million (down \$178 million from the same period the previous year, reflecting an increase in payments for goods and services due largely to timing issues). Net capital investment of \$100 million was broadly in line with spending in the month of February 2006.

Eight Months Ended 28 February 2007

A cumulative operating surplus of \$1,716 million was recorded for the eight months ended 28 February 2007, an increase of \$222 million on the \$1,494 million surplus recorded for the same period in 2005-06.

Revenue in the first eight months of 2006-07 totalled \$11,620 million, \$1,018 million (or 9.6%) higher than for the same period in 2005-06. The major factors in this increase were:

- higher taxation revenue (up \$437 million), mainly due to:
 - higher payroll tax (up \$168 million), reflecting continued wages and employment growth across the economy, particularly in the mining and related sectors;
 - higher conveyance duty revenue (up \$136 million), due to sustained property market activity and stronger prices over the last year;
 - higher land tax and MRIT assessments (up \$75 million and \$13 million, respectively), reflecting the impact of higher property values;
 - higher motor vehicle taxes (up \$61 million), reflecting continued high levels of vehicle sales and registrations; and
 - lower mortgage duty revenue (down \$29 million), following the 50% cut in mortgage duty rates from 1 July 2006;
- higher Commonwealth grants (up \$300 million), primarily due to higher GST grants (up \$85 million), higher North West Shelf petroleum royalties (up \$58 million, reflecting higher production volumes and prices in 2006-07), and higher tied grants for non-government schools and public education, health, agriculture and roads (up \$139 million), partially offset by the cessation of National Competition Reform payments this year (down \$57 million);
- higher royalty income (up \$192 million), reflecting higher commodity prices and volumes, particularly for iron ore and nickel;
- higher sales of goods and services (up \$97 million), reflecting increases in the demand for goods and services across the sector;
- lower revenue from public corporations (down \$95 million), reflecting lower interim dividend declarations by the energy utilities (down \$84 million) and the Water Corporation (down \$7 million);
- higher interest revenue (up \$51 million), due to higher cash holdings and upward movements in interest rates over the past year; and
- higher 'other' revenue (up \$37 million), primarily due to an increase in the Public Transport Authority's (PTA) Capital User Charge (CUC), as a result the agency's stronger balance sheet.

Expenses totalled \$9,904 million for the eight months ended 28 February 2007, \$796 million (or 8.7%) higher than the same period in 2005-06. This increase primarily reflects:

- higher salaries (up \$354 million), mainly due to:
 - higher pay rates for general public servants flowing from the July 2006 Public Service General Agreement;
 - higher employee numbers and pay rates in the health sector (up \$123 million), driven by increases in hospital staff numbers in response to general demand, mental health strategies and other health initiatives;
 - the impact of enterprise agreements and employee numbers in the education sector (\$94 million), including the effect of initiatives to boost teaching staff numbers; and
 - the impact of enterprise agreements and employee numbers in the law and order sector (\$52 million), including the effect of initiatives undertaken in response to the Mahoney Inquiry into the justice system;
- higher current transfers (up \$253 million), mainly due to:
 - higher appropriation funding to the PTA for increases in rail and bus service costs as part of the Metropolitan and Regional Passenger Services, and for the increased CUC discussed earlier; and
 - the on-passing of higher specific purpose payments from the Commonwealth for various health and education programs;
- higher services and contract expenses (up \$167 million), mainly due to higher recurrent construction and maintenance expenditure for the education and health sectors;
- higher superannuation (up \$53 million), due to annual salaries growth and lower estimates of period-to-date expense in 2005-06;
- higher depreciation expenses (up \$29 million), as a result of asset revaluations over the last year; and
- lower 'other' gross operating expenses (down \$31 million), reflecting changes in timing of purchases by general government agencies.

A cash surplus of \$898 million was recorded during the first eight months of 2006-07. This included a net cash inflow from operating activities of \$1,719 million, broadly similar to the same period in 2005-06. At \$821 million, net capital investment was up a substantial \$307 million (or 60%) on the first eight months of 2005-06, reflecting increases in building and upgrade work in schools and TAFE colleges, and road construction activity by Main Roads.

GENERAL GOVERNMENT

Operating Statement

	2006-07				2005-06		
	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	468	494	3,943	5,506	381	3,506	5,195
Current grants and subsidies	691	799	5,042	7,125	714	4,808	6,890
Capital grants	25	41	267	430	32	201	375
Sales of goods and services	115	93	798	1,131	104	701	1,115
Interest income	20	18	153	205	15	102	170
Revenue from public corporations							
Dividends	12	-	57	468	-	149	534
Tax equivalent payments	41	22	216	346	22	219	304
Royalty income	143	20	856	1,542	30	664	1,184
Other	45	38	289	403	48	252	440
<i>Total</i>	<i>1,561</i>	<i>1,525</i>	<i>11,620</i>	<i>17,155</i>	<i>1,346</i>	<i>10,602</i>	<i>16,207</i>
EXPENSES							
Gross operating expenses							
Salaries	515	479	4,003	6,044	438	3,649	5,694
Depreciation and amortisation	50	54	407	649	47	378	591
Superannuation	55	42	390	589	29	337	557
Services and contracts	136	122	1,006	1,839	106	839	1,367
Other	138	116	1,145	1,953	122	1,176	1,876
Nominal superannuation interest	20	20	194	275	26	203	242
Other interest	10	6	72	116	7	83	120
Current transfers	438	263	2,420	3,403	190	2,167	3,007
Capital transfers	25	44	268	547	47	276	487
<i>Total</i>	<i>1,387</i>	<i>1,146</i>	<i>9,904</i>	<i>15,416</i>	<i>1,014</i>	<i>9,108</i>	<i>13,942</i>
NET OPERATING BALANCE	174	380	1,716	1,739	332	1,494	2,265

(a) Annual estimate published in the 2006-07 *Government Mid-year Financial Projections Statement*, released 21 December 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 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	534	422	3,625	5,536	526	3,317	5,119
Receipts from sales of goods and services	133	105	875	1,152	107	751	1,194
Grants and subsidies received	700	846	5,291	7,517	749	5,003	7,583
Other receipts	318	127	1,936	3,462	128	1,756	3,094
<i>Total</i>	<i>1,686</i>	<i>1,502</i>	<i>11,727</i>	<i>17,667</i>	<i>1,511</i>	<i>10,827</i>	<i>16,990</i>
PAYMENTS FOR OPERATING ACTIVITIES							
Payments for goods and services	-837	-803	-6,888	-10,655	-646	-6,226	-9,538
Grants and subsidies paid	-437	-234	-2,448	-3,619	-238	-2,213	-3,207
Interest paid	-13	-5	-69	-113	-4	-73	-122
Other payments	-61	-64	-603	-815	-49	-533	-864
<i>Total</i>	<i>-1,348</i>	<i>-1,106</i>	<i>-10,008</i>	<i>-15,203</i>	<i>-937</i>	<i>-9,046</i>	<i>-13,730</i>
Net Cash Flow from Operating Activities	338	395	1,719	2,465	573	1,782	3,260
INVESTMENT IN NON-FINANCIAL ASSETS							
Purchase of non-financial assets	-130	-111	-943	-1,848	-119	-648	-1,161
Sales of non-financial assets	20	11	122	215	15	134	203
<i>Total</i>	<i>-110</i>	<i>-100</i>	<i>-821</i>	<i>-1,633</i>	<i>-104</i>	<i>-514</i>	<i>-958</i>
INVESTMENT IN FINANCIAL ASSETS							
Policy purposes	-36	-18	-1,291	-1,410	-1	-436	-488
Liquidity purposes	-	-	29	-	-17	39	74
<i>Total</i>	<i>-36</i>	<i>-18</i>	<i>-1,262</i>	<i>-1,410</i>	<i>-19</i>	<i>-397</i>	<i>-415</i>
Net Cash Flow from Investing Activities	-146	-118	-2,083	-3,043	-123	-911	-1,373
FINANCING ACTIVITIES							
Advances received (net)	-	-	-4	-	-	-1	-1
Borrowings (net)	-72	-152	-236	-90	78	-190	-286
Deposits received (net)	5	-	1	-	-2	-1	-
Other financing	2	3	44	-81	4	10	-12
<i>Total</i>	<i>-65</i>	<i>-149</i>	<i>-196</i>	<i>-170</i>	<i>80</i>	<i>-183</i>	<i>-300</i>
Opening cash balance	3,647	3,774	4,462	4,462	3,032	2,875	2,875
NET INCREASE IN CASH HELD	127	128	-560	-748	531	688	1,587
Closing cash balance	3,774	3,902	3,902	3,713	3,563	3,563	4,462
<i>Net cash from operating activities and investments in non-financial assets</i>	<i>228</i>	<i>295</i>	<i>898</i>	<i>832</i>	<i>469</i>	<i>1,268</i>	<i>2,301</i>
<i>Less finance leases and similar arrangements</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Cash surplus	228	295	898	832	469	1,268	2,301

(a) Annual estimate published in the 2006-07 Government Mid-year Financial Projections Statement, released 21 December 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 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>	132	130	1,059	1,635	108	891	1,355
Property taxes							
<i>Land tax</i>	35	51	388	391	3	313	313
Conveyances and transfers	157	155	1,322	1,838	139	1,186	1,906
Mortgages	9	9	80	108	13	109	173
Other stamp duties	4	2	24	22	3	22	33
<i>Total stamp duties on financial and capital transactions</i>	171	165	1,426	1,967	155	1,316	2,113
Debits tax	-	-	-	-	-	8	8
<i>Total financial institutions taxes</i>	-	-	-	-	-	8	8
Metropolitan Region Improvement							
Tax	16	13	67	71	-	54	53
Emergency Services Levy	-	28	127	139	20	122	130
Loan guarantee fees	3	1	10	14	1	9	13
<i>Total other property taxes</i>	19	42	204	224	22	185	197
Taxes on provision of goods and services							
Lotteries Commission	9	9	70	106	8	67	102
Less rebates	-3	-2	-16	-23	-1	-15	-22
Video lottery terminals	-	-	-	1	-	-	-
Casino tax	7	7	48	65	5	39	59
Less rebates	-3	-3	-23	-34	-2	-20	-30
TAB betting tax	5	5	47	66	5	37	64
Less rebates	-2	-3	-20	-28	-2	-17	-27
<i>Total taxes on gambling</i>	13	13	106	152	12	91	146
Stamp duty on insurance policies	27	25	209	317	23	204	296
Other	2	2	18	23	2	24	30
<i>Total taxes on insurance</i>	29	27	227	340	25	228	326
Taxes on use of goods and performance of activities							
Stamp duty on vehicle licences	32	33	254	369	26	217	342
Permits – oversize vehicles and loads	-	-	2	3	-	2	3
Motor vehicle recording fee	3	2	21	32	2	19	30
Motor vehicle registrations	34	30	257	394	27	234	361
<i>Total motor vehicle taxes</i>	68	65	533	798	56	472	736
Total taxation	468	494	3,943	5,506	381	3,506	5,195

(a) Annual estimate published in the 2006-07 *Government Mid-year Financial Projections Statement*, released 21 December 2006.

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

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