



DEPARTMENT OF  
TREASURY AND FINANCE

**MONTHLY  
REPORT OF  
GENERAL  
GOVERNMENT  
FINANCES**

Statement for the Month Ended  
31 January 2007

# MONTHLY REPORT OF GENERAL GOVERNMENT FINANCES

## JANUARY 2007

### *Introduction*

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

The general government sector recorded a \$174 million operating surplus for the month of January 2007, compared to the \$119 million surplus recorded in January 2006.

Revenue in January 2007 was \$1,561 million, up \$203 million from January 2006. The increase in monthly revenue includes:

- higher taxation revenue (up \$90 million), mainly due to:
  - later issuance of 2006-07 land tax and Metropolitan Region Improvement Tax (MRIT) assessments (up \$35 million and \$16 million, respectively);
  - higher motor vehicle taxes (up \$13 million), reflecting sustained levels of vehicle sales and registrations; and
  - higher conveyance duty revenue (up \$11 million), due to sustained property market activity and stronger prices over the last year;
- higher royalty income (up \$54 million), largely due to higher prices and production volumes for nickel, iron ore, copper, zinc and cobalt;
- higher Commonwealth grants (up \$39 million), primarily due to higher non-government school grants, North West Shelf petroleum royalties (reflecting higher production volumes and prices in 2006-07) and GST grants;
- lower revenue from public corporations (down \$40 million), primarily due to the timing of dividend declarations by Western Power in 2005-06 (i.e. prior to electricity reform arrangements which took effect from 1 April 2006);
- higher sales of goods and services (up \$37 million), reflecting increased demand for goods and services delivered across the general government sector; and
- higher 'other' income (up \$15 million), due to an increase in the Public Transport Authority's (PTA's) Capital User Charge (CUC), reflecting the higher net asset position of the agency following a significant \$913 million debt repayment in September 2006.

Expenses for the month of January 2007 totalled \$1,387 million, up \$148 million from January 2006. This increase largely reflects:

- higher salaries (up \$72 million), due mainly to:
  - higher pay rates for general public servants following the July 2006 Public Service General Agreement;
  - higher employee numbers and pay rates in the health sector (50% of the total increase), driven by increases in hospital staff numbers in response to general demand, mental health strategies and other health initiatives; and

- the impact of enterprise agreements and employee numbers in the education sector (24% of the total increase), including the effect of initiatives to boost teaching staff numbers;
- higher services and contract expenses (up \$39 million), due to higher recurrent construction and maintenance expenditure for the education and health sectors;
- higher 'other' gross operating expenses (up \$26 million), reflecting changes in the timing of purchases by general government agencies; and
- higher current transfers (up \$14 million), due to the on-passing of non-government school grants from the Commonwealth.

A cash surplus of \$228 million was recorded in January 2007, compared with a cash surplus of \$95 million in January 2006. This included a net cash inflow from operating activities of \$338 million, reflecting the cash impact of higher receipts for conveyance duty, payroll tax, land tax and MRIT. This was partially offset by net capital investment of \$110 million, up \$38 million relative to January 2006, due mainly to increased upgrade and building activity by Main Roads and the education sector.

### *Seven Months Ended 31 January 2007*

A cumulative operating surplus of \$1,336 million was recorded for the seven months ended 31 January 2007, up \$174 million from the \$1,162 million operating surplus recorded for the same period in 2005-06.

Revenue in the first seven months of 2006-07 totalled \$10,095 million, \$838 million (or 9.1%) higher than the first seven months of 2005-06. The major contributors to this increase were:

- higher taxation revenue (up \$323 million), mainly due to:
  - higher payroll tax (up \$146 million), reflecting continued wages and employment growth across the economy, particularly in the mining and related sectors;
  - higher conveyance duty revenue (up \$120 million), due to sustained property market activity and stronger prices over the last year;
  - higher motor vehicle taxes (up \$52 million), reflecting continued high levels of vehicle sales and registrations; and
  - lower mortgage duty revenue (down \$24 million), reflecting the halving of the mortgage duty rate from 1 July 2006;
- higher Commonwealth grants (up \$205 million), primarily due to higher North West Shelf petroleum royalties (reflecting higher production volumes and prices in 2006-07), higher tied grants for government and non-government schools, health, agriculture and roads, and higher GST grants;
- higher royalty income (up \$201 million), reflecting higher prices and production volumes for iron ore, nickel, gold and alumina;
- higher sales of goods and services (up \$109 million), reflecting increased demand for goods and services across the sector;
- lower revenue from public corporations (down \$96 million), primarily due to the timing of dividend declarations by Western Power in 2005-06, and lower interim dividends from the Water Corporation;
- higher interest revenue (up \$48 million), reflecting higher cash holdings and increased interest rates over the past year; and
- higher 'other' revenue (up \$47 million), primarily due to an increase in the PTA's CUC payment, noted in the monthly discussion above.

Expenses totalled \$8,758 million for the seven months ended 31 January 2007, \$663 million (or 8.2%) higher than the same period in 2005-06. This increase primarily reflects:

- higher salaries (up \$313 million), due to the same factors noted in the monthly discussion as well as the State's response to the Mahoney Inquiry into the justice system;
- higher current transfers (up \$180 million), 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 PTA's increased CUC liability; and
  - on-passing of higher specific purpose grants from the Commonwealth for various health and education programs;
- higher services and contracts (up \$151 million), mainly due to:
  - higher recurrent construction and maintenance expenditure for the education and health sectors;
  - costs associated with the State's response to the Mahoney Inquiry into the justice system; and
  - costs associated with the commissioning of the new Police Perth Metropolitan (Digital) Radio Network;
- higher superannuation expenses (up \$40 million), reflecting the impact of salaries growth; and
- lower 'other' gross operating expenses (down \$25 million), due largely to the timing of purchases by general government agencies.

A cash surplus of \$603 million was recorded during the first seven months of 2006-07. This included a net cash inflow from operating activities of \$1,324 million (up \$116 million on the same period the previous year), and net capital investment of \$720 million (up \$310 million on the first seven months of 2005-06), reflecting increased building and upgrade work in schools and TAFE colleges and road construction activity.

## GENERAL GOVERNMENT

### Operating Statement

	2006-07				2005-06		
	Month of Dec \$m	Month of Jan \$m	Seven Months to 31 Jan \$m	Annual Estimate <sup>(a)</sup> \$m	Month of Jan \$m	Seven Months to 31 Jan \$m	Actual <sup>(b)</sup> \$m
<b>REVENUE</b>							
Taxation	449	468	3,449	5,506	378	3,126	5,195
Current grants and subsidies	451	691	4,243	7,125	651	4,095	6,890
Capital grants	28	25	226	430	26	169	375
Sales of goods and services	101	115	705	1,131	78	596	1,115
Interest income	17	20	135	205	14	87	170
Revenue from public corporations							
Dividends	19	12	56	468	59	149	534
Tax equivalent payments	1	41	194	346	34	197	304
Royalty income	213	143	836	1,542	89	635	1,184
Other	31	45	251	403	30	204	440
<i>Total</i>	<i>1,309</i>	<i>1,561</i>	<i>10,095</i>	<i>17,155</i>	<i>1,358</i>	<i>9,257</i>	<i>16,207</i>
<b>EXPENSES</b>							
Gross operating expenses							
Salaries	496	515	3,524	6,044	443	3,211	5,694
Depreciation and amortisation	52	50	353	649	47	331	591
Superannuation	48	55	348	589	43	308	557
Services and contracts	119	136	884	1,839	97	733	1,367
Other	124	138	1,029	1,953	112	1,054	1,876
Nominal superannuation interest	25	20	173	275	25	177	242
Other interest	8	10	65	116	11	75	120
Current transfers	207	438	2,157	3,403	424	1,977	3,007
Capital transfers	32	25	225	547	37	229	487
<i>Total</i>	<i>1,112</i>	<i>1,387</i>	<i>8,758</i>	<i>15,416</i>	<i>1,239</i>	<i>8,095</i>	<i>13,942</i>
<b>NET OPERATING BALANCE</b>	<b>197</b>	<b>174</b>	<b>1,336</b>	<b>1,739</b>	<b>119</b>	<b>1,162</b>	<b>2,265</b>

(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 Dec \$m	Month of Jan \$m	Seven Months to 31 Jan \$m	Annual Estimate <sup>(a)</sup> \$m	Month of Jan \$m	Seven Months to 31 Jan \$m	Actual <sup>(b)</sup> \$m
<b>RECEIPTS FROM OPERATING ACTIVITIES</b>							
Taxes received	544	534	3,202	5,536	391	2,792	5,119
Receipts from sales of goods and services	107	133	769	1,152	62	643	1,194
Grants and subsidies received	484	700	4,445	7,517	672	4,254	7,583
Other receipts	323	318	1,809	3,462	222	1,629	3,094
<i>Total</i>	<i>1,458</i>	<i>1,686</i>	<i>10,225</i>	<i>17,667</i>	<i>1,347</i>	<i>9,317</i>	<i>16,990</i>
<b>PAYMENTS FOR OPERATING ACTIVITIES</b>							
Payments for goods and services	-864	-837	-6,086	-10,655	-743	-5,581	-9,538
Grants and subsidies paid	-362	-437	-2,214	-3,619	-374	-1,974	-3,207
Interest paid	-1	-13	-64	-113	-12	-69	-122
Other payments	-73	-61	-538	-815	-51	-484	-864
<i>Total</i>	<i>-1,300</i>	<i>-1,348</i>	<i>-8,902</i>	<i>-15,203</i>	<i>-1,180</i>	<i>-8,109</i>	<i>-13,730</i>
<b>Net Cash Flow from Operating Activities</b>	<b>158</b>	<b>338</b>	<b>1,324</b>	<b>2,465</b>	<b>167</b>	<b>1,208</b>	<b>3,260</b>
<b>INVESTMENT IN NON-FINANCIAL ASSETS</b>							
Purchase of non-financial assets	-124	-130	-832	-1,848	-85	-529	-1,161
Sales of non-financial assets	24	20	111	215	13	119	203
<i>Total</i>	<i>-100</i>	<i>-110</i>	<i>-720</i>	<i>-1,633</i>	<i>-72</i>	<i>-410</i>	<i>-958</i>
<b>INVESTMENT IN FINANCIAL ASSETS</b>							
Policy purposes	-22	-36	-1,272	-1,410	-3	-435	-488
Liquidity purposes	-1	-	29	-	18	56	74
<i>Total</i>	<i>-23</i>	<i>-36</i>	<i>-1,244</i>	<i>-1,410</i>	<i>14</i>	<i>-379</i>	<i>-415</i>
<b>Net Cash Flow from Investing Activities</b>	<b>-122</b>	<b>-146</b>	<b>-1,964</b>	<b>-3,043</b>	<b>-58</b>	<b>-788</b>	<b>-1,373</b>
<b>FINANCING ACTIVITIES</b>							
Advances received (net)	-	-	-4	-	-	-1	-1
Borrowings (net)	37	-72	-84	-90	-97	-269	-286
Deposits received (net)	-3	5	1	-	4	1	-
Other financing	2	2	41	-81	-2	6	-12
<i>Total</i>	<i>36</i>	<i>-65</i>	<i>-47</i>	<i>-170</i>	<i>-95</i>	<i>-263</i>	<i>-300</i>
Opening cash balance	3,576	3,647	4,462	4,462	3,018	2,875	2,875
<b>NET INCREASE IN CASH HELD</b>	<b>72</b>	<b>127</b>	<b>-688</b>	<b>-748</b>	<b>14</b>	<b>157</b>	<b>1,587</b>
Closing cash balance	3,647	3,774	3,774	3,713	3,032	3,032	4,462
<i>Net cash from operating activities and investments in non-financial assets</i>	<i>58</i>	<i>228</i>	<i>603</i>	<i>832</i>	<i>95</i>	<i>799</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	58	228	603	832	95	799	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 Dec \$m	Month of Jan \$m	Seven Months to 31 Jan \$m	Annual Estimate <sup>(a)</sup> \$m	Month of Jan \$m	Seven Months to 31 Jan \$m	Actual <sup>(b)</sup> \$m
<b>TAXATION</b>							
Taxes on employers' payroll and labour force							
<i>Payroll tax</i>	136	132	930	1,635	125	784	1,355
Property taxes							
<i>Land tax</i>	22	35	337	391	-	310	313
Conveyances and transfers	155	157	1,167	1,838	146	1,047	1,906
Mortgages	9	9	71	108	14	95	173
Other stamp duties	3	4	22	22	3	19	33
<i>Total stamp duties on financial and capital transactions</i>	167	171	1,260	1,967	162	1,161	2,113
Debits tax	-	-	-	-	-	8	8
<i>Total financial institutions taxes</i>	-	-	-	-	-	8	8
Metropolitan Region Improvement							
Tax	8	16	54	71	-	53	53
Emergency Services Levy	5	-	99	139	-	102	130
Loan guarantee fees	-	3	9	14	1	7	13
<i>Total other property taxes</i>	14	19	162	224	1	163	197
Taxes on provision of goods and services							
Lotteries Commission	10	9	62	106	8	59	102
Less rebates	-2	-3	-14	-23	-2	-13	-22
Video lottery terminals	-	-	-	1	-	-	-
Casino tax	6	7	41	65	5	35	59
Less rebates	-3	-3	-20	-34	-2	-18	-30
TAB betting tax	9	5	42	66	-	33	64
Less rebates	-3	-2	-17	-28	-2	-15	-27
<i>Total taxes on gambling</i>	18	13	93	152	7	80	146
Stamp duty on insurance policies	21	27	184	317	26	181	296
Other	5	2	16	23	2	22	30
<i>Total taxes on insurance</i>	26	29	200	340	28	203	326
Taxes on use of goods and performance of activities							
Stamp duty on vehicle licences	33	32	221	369	23	190	342
Permits – oversize vehicles and loads	-	-	1	3	-	1	3
Motor vehicle recording fee	2	3	18	32	2	17	30
Motor vehicle registrations	30	34	227	394	29	207	361
<i>Total motor vehicle taxes</i>	66	68	468	798	55	416	736
<b>Total taxation</b>	<b>449</b>	<b>468</b>	<b>3,449</b>	<b>5,506</b>	<b>378</b>	<b>3,126</b>	<b>5,195</b>

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(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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