



DEPARTMENT OF
TREASURY AND FINANCE

**MONTHLY
REPORT OF
GENERAL
GOVERNMENT
FINANCES**

Statement for the Month Ended
31 May 2007

MONTHLY REPORT OF GENERAL GOVERNMENT FINANCES

MAY 2007

Introduction

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

The general government sector recorded a \$68 million operating deficit for the month of May 2007, a \$118 million turnaround on the \$50 million surplus recorded in May 2006.

Revenue in May 2007 was \$1,268 million, broadly unchanged from May 2006, with largely offsetting changes in:

- Commonwealth grants (up \$79 million), reflecting the timing of GST grants;
- taxation revenue (down \$45 million), primarily due to some large one-off refunds of conveyance duty in May 2007; and
- sales of goods and services (down \$23 million), reflecting seasonal factors and timing of receipts.

Expenses for the month of May 2007 totalled \$1,336 million, up \$111 million from May 2006. This increase largely reflects:

- higher salaries expenditure (up \$65 million), mainly due to increased pay rates and employee numbers in the health and law and order sectors;
- higher current and capital transfers (up \$30 million), reflecting higher appropriation funding to the Public Transport Authority (PTA) for rail and bus service costs as part of the Metropolitan and Regional Passenger Services, and timing of that funding;
- higher depreciation costs (up \$18 million), primarily due to higher physical asset values and the impact of the State's record Capital Works Program;
- higher services and contracts (up \$13 million), due to the impact of higher recurrent construction and maintenance expenditure for the education and law and order sectors; and
- lower 'other' operating expenses (down \$17 million), due largely to the timing of purchases by agencies.

A cash deficit of \$187 million was recorded in May 2007, compared with a cash surplus of \$66 million in May 2006. This included a net cash outflow (or deficit) from operating activities of \$55 million (reflecting the cash impact of the items discussed above), and net investment in non-financial assets of \$133 million.

Eleven Months Ended May 2007

A cumulative operating surplus of \$2,025 million was recorded for the eleven months ended 31 May 2007, up \$187 million on the \$1,838 million operating surplus recorded for the same period in 2006.

Revenue in the first eleven months of 2006-07 totalled \$15,684 million, \$1,305 million (or 9.1%) higher than the first eleven months of 2005-06, mainly reflecting:

- higher taxation revenue (up \$462 million), with:
 - higher payroll tax (up \$237 million), reflecting wages and employment growth across the Western Australian economy;
 - higher conveyance duty (up \$101 million), due to sustained property market activity and stronger prices over the last year, and the impact of a number of large commercial transfers;
 - higher motor vehicle taxes (up \$85 million), reflecting continued buoyant vehicle transfer activity;
 - higher land tax (up \$71 million), due mainly to higher property values and higher investment property assessments; and
 - lower mortgage duty (down \$45 million), reflecting the halving of the mortgage duty rate from 1 July 2006;
- higher Commonwealth grants (up \$386 million), primarily due to higher GST grants (reflecting growth in national collections), higher North West Shelf petroleum royalties (due to higher production volumes and prices in 2006-07), higher education, health, agriculture and road funding, partially offset by the cessation of National Competition Reform payments from 1 July 2006;
- higher royalty income (up \$279 million), largely due to the impact of higher commodity prices and volumes, particularly for iron ore (up \$142 million) and nickel (up \$95 million);
- higher 'other' income (up \$88 million), primarily due to an increase in the PTA's Capital User Charge, reflecting the higher net asset position of that agency;
- higher sales of goods and services (up \$82 million), reflecting increased demand for goods and services across the sector;
- higher interest income (up \$65 million), due to the impact of higher cash holdings through 2006-07 and upward movements in interest rates over the past year; and
- lower revenue from public corporations (down \$58 million), primarily due to lower interim dividend declarations by the energy utilities and the Land Authority.

Expenses totalled \$13,659 million for the eleven months ended 31 May 2007, \$1,118 million (or 8.9%) higher than the same period in 2006. This increase primarily reflects:

- higher salaries (up \$514 million), reflecting increased pay rates and employee numbers, particularly in the health, education, and law and order sectors (which accounted for \$380 million, or 74%, of the total increase in salaries expenditure during the period);
- higher current and capital transfers (up \$376 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 an increase in the agency's Capital User Charge assessment (offset by an equivalent increase in revenue);
 - conversion of an \$88 million loan to a capital grant, originally provided in October 2004 to the purchasers of the Dampier to Bunbury Natural Gas Pipeline, reflecting the completion of initial pipeline expansion commitments; and
 - the on-passing of higher specific purpose payments from the Commonwealth, particularly for health and education programs;
- higher services and contracts (up \$234 million), primarily due to higher construction and maintenance expenditure by the education and health sectors, and the implementation of a range of initiatives relating to prison services and court security as a result of the Mahoney Inquiry; and
 - lower 'other' gross operating expenses (down \$89 million), largely due to the timing of day-to-day purchases by agencies.

A cash surplus of \$1,242 million was recorded during the first eleven months of 2006-07. This included a net cash inflow from operating activities of \$2,450 million (down \$48 million on the same period the previous year), partially offset by net capital spending of \$1,208 million (up \$416 million on the eleven months to May 2006). The higher infrastructure spend largely reflects:

- an extra \$202 million on construction activity by Main Roads, including Auslink and other road projects such as the Karratha-Tom Price Road, the Dunham River Bridge and works on the Eyre Highway; and
- an additional \$162 million on building and upgrades to schools and TAFE colleges.

GENERAL GOVERNMENT

Operating Statement

	2006-07				2005-06		
	Month of April \$m	Month of May \$m	Eleven Months to 31 May \$m	Annual Estimate ^(a) \$m	Month of May \$m	Eleven Months to 31 May \$m	Actual ^(b) \$m
REVENUE							
Taxation	425	407	5,208	5,622	452	4,746	5,195
Current grants and subsidies	642	640	6,745	7,131	576	6,443	6,890
Capital grants	35	53	402	431	38	318	375
Sales of goods and services	80	85	1,079	1,141	108	997	1,115
Interest income	23	21	218	219	19	153	170
Revenue from public corporations							
Dividends	15	-	84	445	1	195	534
Tax equivalent payments	54	18	304	316	25	251	304
Royalty income	134	23	1,230	1,555	32	951	1,184
Other	37	22	413	418	25	325	440
<i>Total</i>	<i>1,445</i>	<i>1,268</i>	<i>15,684</i>	<i>17,278</i>	<i>1,275</i>	<i>14,379</i>	<i>16,207</i>
EXPENSES							
Gross operating expenses							
Salaries	503	554	5,591	6,098	489	5,077	5,694
Depreciation and amortisation	51	64	570	662	46	521	591
Superannuation	49	54	545	594	47	472	557
Services and contracts	134	149	1,437	1,842	136	1,203	1,367
Other	103	152	1,570	1,890	169	1,659	1,876
Nominal superannuation interest	20	20	255	275	25	279	242
Other interest	9	9	97	122	8	111	120
Current transfers	186	272	3,120	3,393	251	2,798	3,007
Capital transfers	25	62	475	548	53	421	487
<i>Total</i>	<i>1,080</i>	<i>1,336</i>	<i>13,659</i>	<i>15,425</i>	<i>1,225</i>	<i>12,541</i>	<i>13,942</i>
NET OPERATING BALANCE	365	-68	2,025	1,853	50	1,838	2,265

(a) Estimated actual published in the 2007-08 Budget, released 10 May 2007.

(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 April \$m	Month of May \$m	Eleven Months to 31 May \$m	Annual Estimate ^(a) \$m	Month of May \$m	Eleven Months to 31 May \$m	Actual ^(b) \$m
RECEIPTS FROM OPERATING ACTIVITIES							
Taxes received	470	435	5,049	5,653	433	4,560	5,119
Receipts from sales of goods and services	77	124	1,214	1,116	98	1,056	1,194
Grants and subsidies received	666	656	7,069	7,528	605	6,747	7,583
Other receipts	243	183	2,792	3,428	113	2,393	3,094
<i>Total</i>	<i>1,456</i>	<i>1,398</i>	<i>16,123</i>	<i>17,774</i>	<i>1,249</i>	<i>14,756</i>	<i>16,990</i>
PAYMENTS FOR OPERATING ACTIVITIES							
Payments for goods and services	-845	-1,076	-9,633	-10,587	-723	-8,565	-9,538
Grants and subsidies paid	-152	-275	-3,117	-3,613	-243	-2,842	-3,207
Interest paid	-11	-6	-89	-119	-7	-98	-122
Other payments	-44	-96	-834	-966	-90	-753	-864
<i>Total</i>	<i>-1,051</i>	<i>-1,453</i>	<i>-13,673</i>	<i>-15,284</i>	<i>-1,062</i>	<i>-12,258</i>	<i>-13,730</i>
Net Cash Flow from Operating Activities	405	-55	2,450	2,490	187	2,498	3,260
INVESTMENT IN NON-FINANCIAL ASSETS							
Purchase of non-financial assets	-138	-143	-1,359	-1,686	-138	-975	-1,161
Sales of non-financial assets	12	10	151	226	17	183	203
<i>Total</i>	<i>-126</i>	<i>-133</i>	<i>-1,208</i>	<i>-1,460</i>	<i>-121</i>	<i>-792</i>	<i>-958</i>
INVESTMENT IN FINANCIAL ASSETS							
Policy purposes	-32	-27	-1,366	-1,399	-5	-476	-488
Liquidity purposes	-	-	29	-	27	63	74
<i>Total</i>	<i>-32</i>	<i>-27</i>	<i>-1,337</i>	<i>-1,399</i>	<i>22</i>	<i>-413</i>	<i>-415</i>
Net Cash Flow from Investing Activities	-158	-159	-2,545	-2,859	-99	-1205	-1,373
FINANCING ACTIVITIES							
Advances received (net)	-	-	-4	-	-	-1	-1
Borrowings (net)	-58	54	-33	-86	-112	-359	-286
Deposits received (net)	-	-	-	-	2	1	-
Other financing	-1	2	51	2	2	13	-12
<i>Total</i>	<i>-58</i>	<i>56</i>	<i>14</i>	<i>-83</i>	<i>-108</i>	<i>-346</i>	<i>-300</i>
Opening cash balance	4,350	4,538	4,462	4,462	3,842	2,875	2,875
NET INCREASE IN CASH HELD	188	-158	-81	-452	-20	946	1,587
Closing cash balance	4,538	4,380	4,380	4,009	3,821	3,821	4,462
<i>Net cash from operating activities and investments in non-financial assets</i>	<i>279</i>	<i>-187</i>	<i>1,242</i>	<i>1,030</i>	<i>66</i>	<i>1,706</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	279	-187	1,242	1,030	66	1,706	2,301

(a) Estimated actual published in the 2007-08 Budget, released 10 May 2007.

(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 April \$m	Month of May \$m	Eleven Months to 31 May \$m	Annual Estimate ^(a) \$m	Month of May \$m	Eleven Months to 31 May \$m	Actual ^(b) \$m
TAXATION							
Taxes on employers' payroll and labour force							
<i>Payroll tax</i>	138	139	1,469	1,595	112	1,232	1,355
Property taxes							
<i>Land tax</i>	-1	-2	383	391	-	312	313
Conveyances and transfers	163	162	1,822	1,969	209	1,721	1,906
Mortgages	8	11	109	120	16	154	173
Other stamp duties	2	-1	25	24	4	31	33
<i>Total stamp duties on financial and capital transactions</i>	173	172	1,956	2,113	228	1,905	2,113
Debits tax	-	-	-	-	-	8	8
<i>Total financial institutions taxes</i>	-	-	-	-	-	8	8
Metropolitan Region Improvement Tax							
Tax	-1	-	65	71	-	53	53
Emergency Services Levy	-	-	127	139	7	130	130
Loan guarantee fees	1	1	13	14	1	12	13
<i>Total other property taxes</i>	1	1	205	224	8	196	197
Taxes on provision of goods and services							
Lotteries Commission	9	9	97	106	8	92	102
Less rebates	-	-4	-22	-23	-2	-20	-22
Video lottery terminals	-	-	-	1	-	-	-
Casino tax	8	1	62	65	4	54	59
Less rebates	-3	-4	-35	-34	-4	-28	-30
TAB betting tax	5	5	65	64	5	58	64
Less rebates	-1	-5	-28	-30	-3	-25	-27
<i>Total taxes on gambling</i>	18	1	139	149	9	132	146
Stamp duty on insurance policies	30	16	283	312	20	272	296
Other	2	2	23	23	2	26	30
<i>Total taxes on insurance</i>	32	18	306	335	22	298	326
Taxes on use of goods and performance of activities							
Stamp duty on vehicle licences	30	38	358	385	35	308	342
Permits – oversize vehicles and loads	-	-	2	3	-	2	3
Motor vehicle recording fee	2	3	29	32	3	27	30
Motor vehicle registrations	31	37	360	396	34	326	361
<i>Total motor vehicle taxes</i>	64	78	749	816	71	664	736
Total taxation	425	407	5,208	5,622	452	4,746	5,195

(a) Estimated annual published in the 2007-08 Budget, released 10 May 2007.

(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:

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