



DEPARTMENT OF
TREASURY AND FINANCE

**MONTHLY
REPORT OF
GENERAL
GOVERNMENT
FINANCES**

Statement for the Month Ended
30 November 2006

MONTHLY REPORT OF GENERAL GOVERNMENT FINANCES

NOVEMBER 2006

Introduction

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

The general government sector recorded a \$241 million operating surplus for the month of November 2006, broadly unchanged from the \$234 million surplus recorded in November 2005.

Revenue in November 2006 was \$1,529 million, up \$152 million from November 2005. The increase in monthly revenue includes:

- higher taxation (up \$196 million), due mainly to: the later issuance of 2006-07 assessments for land tax and Metropolitan Region Improvement Tax (MRIT), up \$264 million and \$25 million respectively; the impact of wages and employment growth on payroll tax collections (up \$22 million); and lower conveyance duty revenue (down \$123 million), owing to large one-off assessments in November 2005¹;
- lower royalty revenue (down \$22 million), reflecting lower diamond volumes due to adverse weather conditions affecting mining;
- lower sales of goods and services (down \$22 million), reflecting the timing and demand for goods and services across the sector; and
- higher 'other' revenue (up \$10 million), largely due to an increase in the Public Transport Authority's (PTA's) Capital User Charge (CUC) payment.

Expenses for the month of November 2006 totalled \$1,288 million, up \$145 million from November 2005. This increase largely reflects:

- higher current transfers (up \$74 million), mainly due to higher appropriations to the PTA (primarily the impact of an additional draw-down in November 2006, compared to November 2005, and higher CUC for 2006-07), infrastructure grants to fund the North Greenbushes to Bunbury railway, the on-passing of non-government school grants, and the distribution of Subiaco Redevelopment Project surpluses to the City of Subiaco;
- higher salaries (up \$61 million), mainly reflecting higher pay rates and employee numbers in the health, education and law and order; and
- higher services and contracts expense (up \$18 million), primarily due to higher levels of ongoing construction and maintenance activities in the health and education sectors.

¹ Abstracting from large one-off assessments in November 2005, conveyance duty increased by around \$40 million in November 2006, mainly reflecting growth in property prices.

The sector recorded a cash deficit of \$132 million in November 2006, compared with a cash surplus of \$264 million in November 2005. This included:

- a net cash outflow from operating activities of \$26 million due mainly to the timing of land tax receipts, the impact of an additional pay fortnight in November 2006 compared to November 2005, and the payment of grants (as detailed above); and
- net capital investment of \$106 million during the month. Capital spending (i.e. spending on infrastructure) increased by \$47 million relative to November 2005, due mainly to ongoing building and upgrade work in schools and TAFE colleges.

Five Months Ended 30 November 2006

A cumulative operating surplus of \$965 million was recorded for the five months ended 30 November 2006, comparable with the \$987 million operating surplus recorded for the same period in 2005-06.

Revenue in the first five months of 2006-07 totalled \$7,224 million, \$498 million (or 7.4%) higher than the first five months of 2005-06. The major contributors to this increase were:

- higher Commonwealth grants (up \$185 million), largely due to:
 - higher specific purpose grants (up \$140 million), with increased funding for health (up \$39 million), agriculture (up \$21 million), housing (up \$14 million), and the timing of road funding (up \$67 million);
 - higher North West Shelf petroleum royalties (up \$41 million), reflecting higher international oil and LNG prices;
- higher taxation (up \$157 million), reflecting growth in payroll tax collections (up \$115 million), the continued strength of property market collections (due mainly to higher prices, up \$86 million), partially offset by the impact of the later issuance of land tax and MRIT assessments this year (down \$19 million and \$23 million respectively);
- higher royalty revenue (up \$94 million), largely due to the impact of higher commodity prices, particularly for iron ore and nickel;
- lower dividend revenue from public corporations (down \$65 million), reflecting the timing of dividend declarations by Western Power in 2005-06;
- higher sales of goods and services (up \$51 million), reflecting increases in the volume and demand for goods and services across the sector;
- higher interest revenue (up \$38 million), due to returns on higher cash holdings, and upward movements in interest rates; and
- higher 'other' revenue (up \$33 million), primarily due to the PTA's CUC assessment for 2006-07 (up \$29 million).

Expenses totalled \$6,259 million for the five months ended 30 November 2006, \$520 million (or 9.1%) higher than the same period in 2005-06. This increase primarily reflects:

- higher salaries (up \$233 million), mainly reflecting higher pay rates and employee numbers in the health, education and training, and law and order sectors (these sectors, which are actively recruiting employees and have the largest numbers of public sector staff, accounted for \$167 million or 72% of the total increase in salaries during this period);
- higher current transfers (up \$184 million), due to the same factors outlined in the monthly discussion;
- higher services and contracts (up \$109 million), primarily due to increased construction and maintenance activities for the education and health sectors;

- lower 'other' gross operating expenses (down \$43 million), reflecting changes in timing of purchases of general government agencies; and
- higher superannuation (up \$26 million), reflecting the impact of higher salaries discussed above.

A cash surplus of \$317 million was recorded during the first five months of 2006-07. This resulted from a net cash inflow from operating activities of \$828 million (down from \$999 million for the same period the previous year, reflecting the November monthly tax receipt issues outlined earlier), and net capital investment of \$511 million (up from \$264 million in the first five months of 2005-06), reflecting road construction activity and building and upgrade work in schools and TAFE colleges.

GENERAL GOVERNMENT Operating Statement

	2006-07				2005-06		
	Month of Oct \$m	Month of Nov \$m	Five Months to 30 Nov \$m	Annual Estimate ^(a) \$m	Month of Nov \$m	Five Months to 30 Nov \$m	Actual ^(b) \$m
REVENUE							
Taxation	395	752	2,532	5,506	556	2,375	5,195
Current grants and subsidies	827	567	3,100	7,125	577	2,980	6,890
Capital grants	39	42	173	430	38	108	375
Sales of goods and services	87	83	489	1,131	105	438	1,115
Interest income	17	18	98	205	13	60	170
Revenue from public corporations							
Dividends	-	1	25	468	-	90	534
Tax equivalent payments	55	13	151	346	21	149	304
Royalty income	120	19	480	1,542	41	386	1,184
Other	39	35	175	403	25	142	440
<i>Total</i>	<i>1,579</i>	<i>1,529</i>	<i>7,224</i>	<i>17,155</i>	<i>1,377</i>	<i>6,726</i>	<i>16,207</i>
EXPENSES							
Gross operating expenses							
Salaries	499	532	2,513	6,044	471	2,280	5,694
Depreciation and amortisation	52	51	251	649	52	242	591
Superannuation	49	52	245	589	45	219	557
Services and contracts	144	135	630	1,839	117	521	1,367
Other	32	166	768	1,953	175	811	1,876
Nominal superannuation interest	25	25	127	275	25	123	242
Other interest	10	7	47	116	11	54	120
Current transfers	312	272	1,511	3,403	198	1,327	3,007
Capital transfers	26	48	167	547	48	163	487
<i>Total</i>	<i>1,150</i>	<i>1,288</i>	<i>6,259</i>	<i>15,416</i>	<i>1,143</i>	<i>5,739</i>	<i>13,942</i>
NET OPERATING BALANCE	429	241	965	1,739	234	987	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 Oct \$m	Month of Nov \$m	Five Months to 30 Nov \$m	Annual Estimate ^(a) \$m	Month of Nov \$m	Five Months to 30 Nov \$m	Actual ^(b) \$m
RECEIPTS FROM OPERATING ACTIVITIES							
Taxes received	401	405	2,124	5,536	482	1,954	5,119
Receipts from sales of goods and services	101	92	529	1,152	88	484	1,194
Grants and subsidies received	849	620	3,260	7,517	612	3,079	7,583
Other receipts	338	123	1,162	3,462	140	1,064	3,094
<i>Total</i>	<i>1,689</i>	<i>1,241</i>	<i>7,076</i>	<i>17,667</i>	<i>1,321</i>	<i>6,581</i>	<i>16,990</i>
PAYMENTS FOR OPERATING ACTIVITIES							
Payments for goods and services	-825	-930	-4,384	-10,655	-781	-3,975	-9,538
Grants and subsidies paid	-308	-254	-1,416	-3,619	-150	-1,204	-3,207
Interest paid	-14	-5	-44	-113	-3	-49	-122
Other payments	-74	-78	-404	-815	-61	-353	-864
<i>Total</i>	<i>-1,222</i>	<i>-1,267</i>	<i>-6,248</i>	<i>-15,203</i>	<i>-996</i>	<i>-5,582</i>	<i>-13,730</i>
Net Cash Flow from Operating Activities	467	-26	828	2,465	325	999	3,260
INVESTMENT IN NON-FINANCIAL ASSETS							
Purchase of non-financial assets	-141	-122	-578	-1,848	-75	-352	-1,161
Sales of non-financial assets	9	16	67	215	14	88	203
<i>Total</i>	<i>-132</i>	<i>-106</i>	<i>-511</i>	<i>-1,633</i>	<i>-61</i>	<i>-264</i>	<i>-958</i>
INVESTMENT IN FINANCIAL ASSETS							
Policy purposes	-66	-33	-1,214	-1,410	-	-413	-488
Liquidity purposes	12	16	29	-	1	39	74
<i>Total</i>	<i>-55</i>	<i>-17</i>	<i>-1,185</i>	<i>-1,410</i>	<i>1</i>	<i>-375</i>	<i>-415</i>
Net Cash Flow from Investing Activities	-186	-123	-1,696	-3,043	-60	-639	-1,373
FINANCING ACTIVITIES							
Advances received (net)	-	-	-4	-	-	-	-1
Borrowings (net)	-63	49	-49	-90	119	-322	-286
Deposits received (net)	-2	5	-1	-	5	2	-
Other financing	-	4	36	-81	2	9	-12
<i>Total</i>	<i>-65</i>	<i>58</i>	<i>-18</i>	<i>-170</i>	<i>-112</i>	<i>-310</i>	<i>-300</i>
Opening cash balance	3,450	3,667	4,462	4,462	2,772	2,875	2,875
NET INCREASE IN CASH HELD	217	-91	-886	-748	153	50	1,587
Closing cash balance	3,667	3,576	3,576	3,713	2,925	2,925	4,462
<i>Net cash from operating activities and investments in non-financial assets</i>	<i>336</i>	<i>-132</i>	<i>317</i>	<i>832</i>	<i>264</i>	<i>735</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	336	-132	317	832	264	735	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 Oct \$m	Month of Nov \$m	Five Months to 30 Nov \$m	Annual Estimate ^(a) \$m	Month of Nov \$m	Five Months to 30 Nov \$m	Actual ^(b) \$m
TAXATION							
Taxes on employers' payroll and labour force							
<i>Payroll tax</i>	132	130	661	1,635	108	546	1,355
Property taxes							
<i>Land tax</i>	-	279	279	391	15	298	313
Conveyances and transfers	143	170	854	1,838	293	768	1,906
Mortgages	9	9	53	108	14	67	173
Other stamp duties	2	3	16	22	3	15	33
<i>Total stamp duties on financial and capital transactions</i>	154	182	923	1,967	310	850	2,113
Debits tax	-	-	-	-	-	8	8
<i>Total financial institutions taxes</i>	-	-	-	-	-	8	8
Metropolitan Region Improvement							
Tax	-	30	30	71	5	53	53
Emergency Services Levy	1	24	93	139	21	102	130
Loan guarantee fees	2	1	5	14	1	6	13
<i>Total other property taxes</i>	2	55	129	224	27	161	197
Taxes on provision of goods and services							
Lotteries Commission	9	9	43	106	8	41	102
Less rebates	-2	-2	-10	-23	-1	-9	-22
Video lottery terminals	-	-	-	1	-	-	-
Casino tax	7	6	28	65	5	25	59
Less rebates	-1	-4	-14	-34	-3	-13	-30
TAB betting tax	5	5	27	66	5	26	64
Less rebates	-2	-3	-12	-28	-3	-12	-27
<i>Total taxes on gambling</i>	17	11	62	152	10	58	146
Stamp duty on insurance policies	23	24	136	317	23	133	296
Other	2	2	9	23	2	21	30
<i>Total taxes on insurance</i>	25	26	145	340	25	154	326
Taxes on use of goods and performance of activities							
Stamp duty on vehicle licences	31	33	157	369	31	139	342
Permits – oversize vehicles and loads	-	-	1	3	-	1	3
Motor vehicle recording fee	2	3	13	32	2	12	30
Motor vehicle registrations	31	32	163	394	28	147	361
<i>Total motor vehicle taxes</i>	65	68	334	798	61	299	736
Total taxation	395	752	2,532	5,506	556	2,375	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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