



DEPARTMENT OF
TREASURY AND FINANCE

**MONTHLY
REPORT OF
GENERAL
GOVERNMENT
FINANCES**

Statement for the Month Ended
31 October 2006

MONTHLY REPORT OF GENERAL GOVERNMENT FINANCES

OCTOBER 2006

Introduction

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

The general government sector recorded a \$429 million operating surplus for the month of October 2006, an increase of \$194 million from the \$235 million surplus recorded in October 2005.

Revenue in October 2006 was \$1,579 million, up \$184 million from October 2005. The increase in monthly revenue is primarily attributable to:

- higher Commonwealth funding (up \$72 million), due mainly to the timing of receipts of GST grants and tied grants for education and roads;
- higher royalty income (up \$48 million), largely due to the impact of stronger commodity prices (nickel prices in particular);
- higher tax equivalent revenue from public corporations (up \$34 million), due to differences in the timing of Water Corporation revenue; and
- higher taxation revenue (up \$13 million), largely due to the impact of wages and employment growth on payroll tax collections (up \$25 million), and property market activity on conveyance duty (up \$10 million), partially offset by the later issuance of land tax and Metropolitan Region Improvement Tax assessments in 2006-07 (down \$15 million and \$11 million respectively).

Expenses for the month of October 2006 totalled \$1,150 million, down \$10 million from October 2005. This outcome largely reflects:

- lower 'other' gross operating expenses (down \$116 million), mainly due to changes in the timing of purchases by agencies across the sector (and following a significantly higher monthly outcome in September 2006)¹; partially offset by:
- higher salaries and wages (up \$53 million), mainly reflecting increased pay rates and employee numbers in the health, education and law and order sectors;
- higher services and contracts expenses (up \$19 million), primarily due to increases in recurrent road infrastructure expenditure by Main Roads, and maintenance activities by a number of agencies (particularly in the health and education and training sectors); and

¹ The October 2006 data includes correction of previously misstated financial information for the Department of Housing and Works. The impact of this correction (which resulted in overstated expenses for the month of September 2006, worth around \$64 million) appears in the State's monthly series as a lower outcome in October monthly spending. Aggregate spending for the four months ending 31 October 2006 is not affected by this correction.

- higher current transfers (up \$17 million), due to the on-passing of higher non-government school grants from the Commonwealth and a number of minor movements in grant payments across the sector, including Community Service Obligation payments to Synergy and the Water Corporation.

A cash surplus of \$336 million was recorded in October 2006, compared with a cash surplus of \$402 million in October 2005. This included a net cash inflow from operating activities of \$467 million (reflecting the cash impact of the items discussed above), partially offset by net capital investment of \$132 million during the month. Capital spending (i.e. spending on infrastructure) increased by \$57 million relative to October 2005, due mainly to building and upgrade work in schools and TAFE colleges.

Four Months Ended 31 October 2006

A cumulative operating surplus of \$724 million was recorded for the four months ended 31 October 2006, down \$29 million on the \$753 million operating surplus recorded for the same period in 2005-06.

Revenue in the first four months of 2006-07 totalled \$5,695 million, \$345 million (or 6.4%) higher than the first four months of 2005-06. The major contributors to this increase were:

- higher Commonwealth grants (up \$193 million), due mainly to higher specific purpose grants for both government and non-government schools, higher North West Shelf petroleum royalties (reflecting higher production volumes and prices in early 2006-07), and higher health and agricultural funding;
- higher royalty income (up \$117 million), primarily reflecting the higher production volumes and commodity prices (noted earlier in this report), particularly for iron ore and nickel;
- higher sales of goods and services (up \$73 million), reflecting increases in the volume and demand for goods and services provided by the sector to the State's booming economy;
- higher interest income (up \$33 million), reflecting returns on higher cash holdings, and upward movement in interest rates over the last year; and
- higher 'other' revenue (up \$24 million), primarily due to an increase in the Public Transport Authority's Capital User Charge.

These increases were partly offset by:

- lower dividend revenue from public corporations (down \$66 million), due to the timing of dividend declarations by Western Power in September 2005; and
- lower taxation revenue (down \$37 million), due to a timing difference in the issuance of land tax and Metropolitan Region Improvement Tax assessments relative to 2005-06 (worth \$283 million and \$48 million respectively), partially offset by an increase in conveyance duty collections (up \$209 million), and payroll tax (up \$93 million) reflecting the impact of those factors outlined earlier.

Expenses totalled \$4,971 million for the four months ended 31 October 2006, \$374 million (or 8.1%) higher than the same period in 2005-06. This increase primarily reflects:

- higher salaries (up \$172 million), largely attributable to higher pay rates and employee numbers in the health, education, and law and order sectors (which account for \$132 million, or around 76% of the total increase);
- higher current and capital transfers (up \$114 million), mainly due to higher appropriations to the Public Transport Authority (primarily for indirect costs associated with the New MetroRail project) and the on-passing of higher Commonwealth non-government school grants;

- higher services and contracts expenses (up \$91 million), reflecting increases in recurrent construction and maintenance activities by agencies (noted earlier for the month of October) and increases in health sector spending (particularly for renal and emergency departments services); and
- lower 'other' gross operating expenses (down \$34 million), reflecting changes in timing of purchases of general government agencies.

A cash surplus of \$449 million was recorded during the first four months of 2006-07. This included a net cash inflow from operating activities of \$854 million (up from \$674 million for the same period the previous year), partially offset by net capital investment of \$404 million (up from \$203 million in the first four months of 2005-06, due mainly to higher levels of building and upgrade work in schools and TAFE colleges, and road construction activity).

GENERAL GOVERNMENT Operating Statement

	2006-07				2005-06		
	Month of Sep \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Annual Estimate ^(a) \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Actual ^(b) \$m
REVENUE							
Taxation	481	395	1,781	5,506	382	1,818	5,195
Current grants and subsidies	383	827	2,533	7,125	779	2,402	6,890
Capital grants	14	39	132	430	15	70	375
Sales of goods and services	80	87	406	1,131	87	333	1,115
Interest income	18	17	80	205	10	47	170
Revenue from public corporations							
Dividends	24	-	24	468	-	90	534
Tax equivalent payments	35	55	139	346	21	128	304
Royalty income	174	120	461	1,542	72	344	1,184
Other	31	39	140	403	28	116	440
Total	1,241	1,579	5,695	17,155	1,395	5,350	16,207
EXPENSES							
Gross operating expenses							
Salaries	490	499	1,981	6,044	446	1,809	5,694
Depreciation and amortisation	50	52	200	649	47	189	591
Superannuation	48	49	193	589	43	173	557
Services and contracts	131	144	495	1,839	125	404	1,367
Other	232	32	602	1,953	148	636	1,876
Nominal superannuation interest	25	25	102	275	25	99	242
Other interest	7	10	40	116	6	42	120
Current transfers	278	312	1,239	3,403	295	1,129	3,007
Capital transfers	13	26	119	547	26	115	487
Total	1,275	1,150	4,971	15,416	1,160	4,597	13,942
NET OPERATING BALANCE	-34	429	724	1,739	235	753	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 Sep \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Annual Estimate ^(a) \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Actual ^(b) \$m
RECEIPTS FROM OPERATING ACTIVITIES							
Taxes received	443	401	1,719	5,536	435	1,472	5,119
Receipts from sales of goods and services	111	101	437	1,152	97	396	1,194
Grants and subsidies received	389	849	2,641	7,517	795	2,468	7,583
Other receipts	267	338	1,038	3,462	294	924	3,094
<i>Total</i>	<i>1,210</i>	<i>1,689</i>	<i>5,835</i>	<i>17,667</i>	<i>1,621</i>	<i>5,260</i>	<i>16,990</i>
PAYMENTS FOR OPERATING ACTIVITIES							
Payments for goods and services	-859	-825	-3,454	-10,655	-829	-3,218	-9,538
Grants and subsidies paid	-219	-308	-1,161	-3,619	-264	-1,054	-3,207
Interest paid	-4	-14	-40	-113	-13	-46	-122
Other payments	-80	-74	-326	-815	-45	-268	-864
<i>Total</i>	<i>-1,162</i>	<i>-1,222</i>	<i>-4,981</i>	<i>-15,203</i>	<i>-1,151</i>	<i>-4,586</i>	<i>-13,730</i>
Net Cash Flow from Operating Activities	48	467	854	2,465	470	674	3,260
INVESTMENT IN NON-FINANCIAL ASSETS							
Purchase of non-financial assets	-113	-141	-455	-1,848	-84	-277	-1,161
Sales of non-financial assets	11	9	51	215	15	74	203
<i>Total</i>	<i>-102</i>	<i>-132</i>	<i>-404</i>	<i>-1,633</i>	<i>-68</i>	<i>-203</i>	<i>-958</i>
INVESTMENT IN FINANCIAL ASSETS							
Policy purposes	-951	-66	-1,181	-1,410	-34	-413	-488
Liquidity purposes	1	12	13	-	-	38	74
<i>Total</i>	<i>-950</i>	<i>-55</i>	<i>-1,168</i>	<i>-1,410</i>	<i>-34</i>	<i>-376</i>	<i>-415</i>
Net Cash Flow from Investing Activities	-1,052	-186	-1,572	-3,043	-102	-579	-1,373
FINANCING ACTIVITIES							
Advances received (net)	-4	-	-4	-	-	-	-1
Borrowings (net)	432	-63	-99	-90	219	-203	-286
Deposits received (net)	2	-2	-6	-	2	-3	-
Other financing	30	-	33	-81	5	7	-12
<i>Total</i>	<i>459</i>	<i>-65</i>	<i>-76</i>	<i>-170</i>	<i>225</i>	<i>-198</i>	<i>-300</i>
Opening cash balance	3,994	3,450	4,462	4,462	2,178	2,875	2,875
NET INCREASE IN CASH HELD	-544	217	-795	-748	594	-103	1,587
Closing cash balance	3,450	3,667	3,667	3,713	2,772	2,772	4,462
<i>Net cash from operating activities and investments in non-financial assets</i>	<i>-54</i>	<i>336</i>	<i>449</i>	<i>832</i>	<i>402</i>	<i>470</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	-54	336	449	832	402	470	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 Sep \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Annual Estimate ^(a) \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Actual ^(b) \$m
TAXATION							
Taxes on employers' payroll and labour force							
<i>Payroll tax</i>	129	132	531	1,635	107	438	1,355
Property taxes							
<i>Land tax</i>	-	-	-	391	15	283	313
Conveyances and transfers	172	143	684	1,838	133	475	1,906
Mortgages	9	9	44	108	15	53	173
Other stamp duties	2	2	12	22	3	12	33
<i>Total stamp duties on financial and capital transactions</i>	183	154	740	1,967	151	540	2,113
Debits Tax	-	-	-	-	-	8	8
<i>Total financial institutions taxes</i>	-	-	-	-	-	8	8
Metropolitan Region Improvement Tax	-	-	-	71	11	48	53
Emergency Services Levy	62	1	70	139	2	82	130
Loan guarantee fees	1	2	4	14	2	5	13
<i>Total other property taxes</i>	62	2	74	224	15	134	197
Taxes on provision of goods and services							
Lotteries Commission	9	9	34	106	8	33	102
less rebates	-2	-2	-8	-23	-2	-8	-22
Video lottery terminals	-	-	-	1	-	-	-
Casino Tax	3	7	23	65	6	20	59
less rebates	-3	-1	-10	-34	-3	-9	-30
TAB betting tax	5	5	21	66	5	21	64
less rebates	-3	-2	-9	-28	-2	-9	-27
<i>Total taxes on gambling</i>	9	17	51	152	12	48	146
Stamp duty on insurance policies	32	23	111	317	24	110	296
Other	1	2	7	23	2	19	30
<i>Total taxes on insurance</i>	33	25	118	340	26	129	326
Taxes on use of goods and performance of activities							
Stamp duty on vehicle licences	31	31	124	369	26	108	342
Permits – oversize vehicles and loads	-	-	1	3	-	1	3
Motor vehicle recording fee	2	2	10	32	2	10	30
Motor vehicle registrations	31	31	131	394	28	119	361
<i>Total motor vehicle taxes</i>	64	65	266	798	56	238	736
Total Taxation	481	395	1,781	5,506	382	1,818	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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