



DEPARTMENT OF
TREASURY AND FINANCE

**MONTHLY
REPORT OF
GENERAL
GOVERNMENT
FINANCES**

Statement for the Month Ended
31 August 2007

MONTHLY REPORT OF GENERAL GOVERNMENT FINANCES

AUGUST 2007

Introduction

This report provides a summary of the Western Australian general government sector's finances for the month of August 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, as illustrated in the charts below.

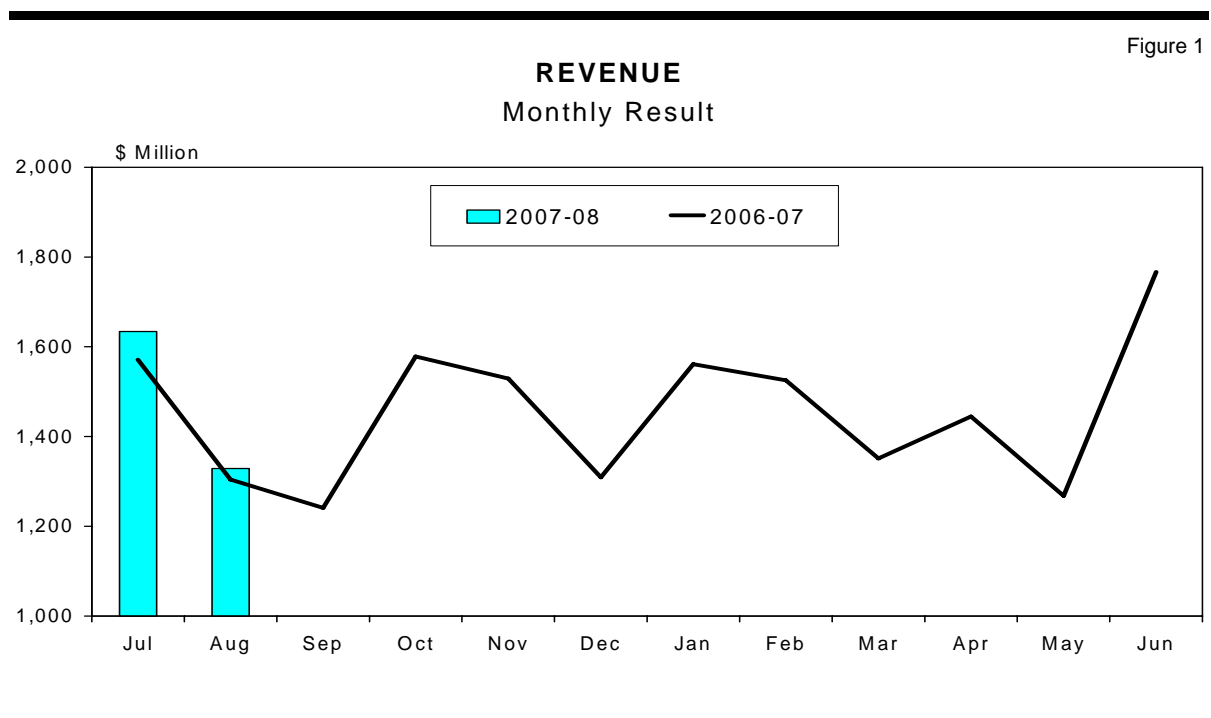
Month of August 2007

The general government sector recorded a \$12 million operating deficit for the month of August 2007, broadly similar to the \$31 million deficit recorded in August 2006.

Revenue in August 2007 was \$1,329 million, up \$25 million from August 2006. The increase in monthly revenue is primarily attributable to:

- higher taxation revenue (up \$72 million), largely due to earlier issuance of Emergency Services Levy (ESL) invoices in 2007-08 (up \$34 million), and the impact of wages and employment growth on payroll tax (up \$23 million);
- lower royalty income (down \$22 million), primarily due to the early receipt of iron ore royalties in August 2006; and
- lower sales of goods and services (down \$18 million), reflecting the timing and demand for goods and services across the sector.

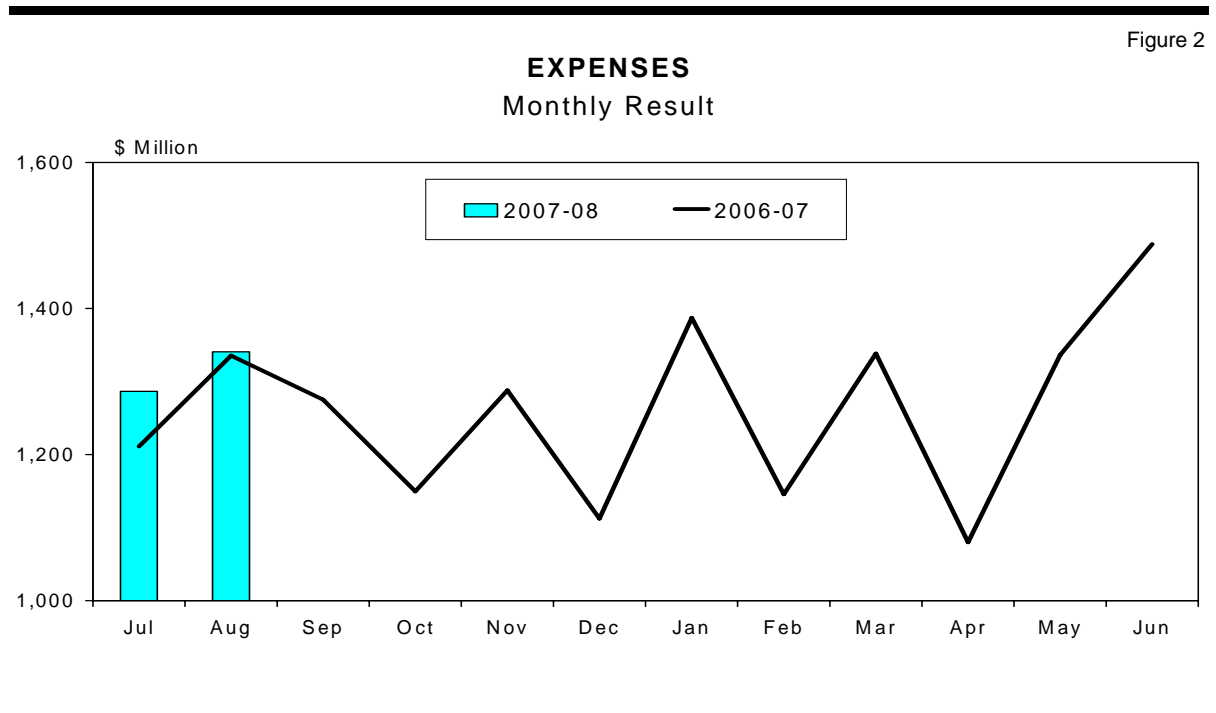
The following chart shows August 2007 revenue collections relative to monthly revenue recorded through 2006-07.



Expenses for the month of August 2007 totalled \$1,341 million, largely unchanged from the \$1,335 million recorded in August 2006. This outcome includes:

- higher salaries and wages (up \$34 million), mainly due to pay increases in the law and order and health sectors; and
- lower 'other' gross operating expenses (down \$50 million), primarily due to the timing of payments across general government agencies.

Figure 2 shows monthly expenses relative to those recorded last year.



A cash surplus of \$34 million was recorded in August 2007, compared with a cash surplus of \$5 million in August 2006. This included a net cash inflow from operating activities of \$153 million, partially offset by net capital investment of \$118 million during the month.

Higher purchases of fixed assets (up \$25 million on August 2006) mainly reflects infrastructure spending on road projects.

Two Months Ended 31 August 2007

A cumulative operating surplus of \$335 million was recorded for the two months ended 31 August 2007, almost identical to the \$329 million operating surplus recorded for the same period in 2006-07.

Revenue in the first two months of 2007-08 totalled \$2,963 million, \$88 million (or 3.1%) higher than the first two months of 2006-07. The major contributors to this increase were:

- higher taxation revenue (up \$75 million), reflecting the payroll tax and ESL issues noted earlier;
- higher Commonwealth grants (up \$22 million), largely due to higher GST grants (up \$19 million) and non-government school funding (up \$9 million); and
- lower sales of goods and services (down \$11 million), reflecting the timing and demand for goods and services across the sector.

Expenses totalled \$2,627 million for the two months ended 31 August 2007, \$80 million (or 3.1%) higher than the same period in 2006-07. This increase largely reflects:

- higher salaries and wages (up \$72 million), reflecting the factors discussed in the monthly results above;
- higher services and contracts (up \$28 million), due mainly to expensed construction work in the education and health sectors;
- lower 'other' gross operating expenses (down \$42 million), primarily reflecting the timing of agency purchases of goods and services; and
- higher capital transfers (up \$11 million), due mainly to higher First Home Owner Grants.

A cash surplus of \$130 million was recorded during the first two months of 2007-08. This included a net cash inflow from operating activities of \$395 million (up \$57 million on the same period the previous year), partially offset by net capital investment of \$264 million (up \$93 million on the first two months of 2006-07). The higher infrastructure spend is due largely to work on the Perth Arena (\$35 million) and a number of road projects including the New Perth - Bunbury Highway (\$43 million).

GENERAL GOVERNMENT
Operating Statement

	2007-08				2006-07		
	Month of July \$m	Month of August \$m	Two Months to 31 Aug \$m	Annual Estimate ^(a) \$m	Month of August \$m	Two Months to 31 Aug \$m	Actual ^(b) \$m
REVENUE							
Taxation	470	509	979	5,527	437	904	5,718
Current grants and subsidies	794	560	1,354	7,272	560	1,323	7,155
Capital grants	22	48	70	513	55	79	448
Sales of goods and services	137	91	228	1,181	109	239	1,229
Interest income	23	24	47	213	25	46	246
Revenue from public corporations							
Dividends	-	-	-	441	-	-	421
Tax equivalent payments	27	27	54	327	25	49	311
Royalty income	137	33	170	1,815	55	167	1,468
Other	23	37	60	304	38	69	453
<i>Total</i>	<i>1,634</i>	<i>1,329</i>	<i>2,963</i>	<i>17,593</i>	<i>1,304</i>	<i>2,875</i>	<i>17,451</i>
EXPENSES							
Gross operating expenses							
Salaries	505	559	1,064	6,436	525	992	6,182
Depreciation and amortisation	56	58	115	710	50	98	672
Superannuation	49	54	103	625	51	97	602
Services and contracts	100	148	248	2,018	144	220	1,663
Other	148	147	296	1,999	197	338	1,822
Nominal superannuation interest	23	23	47	279	25	51	289
Other interest	8	10	19	118	12	23	112
Current transfers	361	284	645	3,464	282	648	3,392
Capital transfers	36	56	91	492	49	80	413
<i>Total</i>	<i>1,287</i>	<i>1,341</i>	<i>2,627</i>	<i>16,141</i>	<i>1,335</i>	<i>2,547</i>	<i>15,147</i>
NET OPERATING BALANCE	348	-12	335	1,453	-31	329	2,303

(a) Annual estimate published in the 2007-08 Budget, released 10 May 2007.

(b) Consistent with the 2006-07 *Annual Report on State Finances*, released 26 September 2007. Columns may not add due to rounding.

GENERAL GOVERNMENT

Cash Flow Statement

	2007-08				2006-07		
	Month of July \$m	Month of August \$m	Two Months to 31 Aug \$m	Annual Estimate ^(a) \$m	Month of August \$m	Two Months to 31 Aug \$m	Actual ^(b) \$m
RECEIPTS FROM OPERATING ACTIVITIES							
Taxes received	454	478	932	5,556	441	875	5,675
Receipts from sales of goods and services	141	118	259	1,215	108	225	1,280
Grants and subsidies received	809	609	1,418	7,721	643	1,402	7,550
Other receipts	332	160	492	3,821	155	434	3,542
<i>Total</i>	<i>1,736</i>	<i>1,365</i>	<i>3,101</i>	<i>18,313</i>	<i>1,347</i>	<i>2,935</i>	<i>18,046</i>
PAYMENTS FOR OPERATING ACTIVITIES							
Payments for goods and services	-982	-903	-1,885	-11,357	-870	-1,770	-10,541
Grants and subsidies paid	-406	-223	-629	-3,690	-285	-634	-3,526
Interest paid	-18	-7	-24	-115	-3	-22	-112
Other payments	-88	-80	-169	-1,063	-87	-172	-966
<i>Total</i>	<i>-1,494</i>	<i>-1,213</i>	<i>-2,707</i>	<i>-16,225</i>	<i>-1,245</i>	<i>-2,597</i>	<i>-15,145</i>
Net Cash Flow from Operating Activities	242	153	395	2,088	102	338	2,901
INVESTMENT IN NON-FINANCIAL ASSETS							
Purchase of non-financial assets	-161	-136	-297	-2,070	-111	-202	-1,610
Sales of non-financial assets	15	18	32	202	13	31	169
<i>Total</i>	<i>-146</i>	<i>-118</i>	<i>-264</i>	<i>-1,868</i>	<i>-97</i>	<i>-171</i>	<i>-1,441</i>
INVESTMENT IN FINANCIAL ASSETS							
Policy purposes	-43	-28	-71	-271	-55	-164	-1,405
Liquidity purposes	-20	-	-20	-5	-	-	31
<i>Total</i>	<i>-63</i>	<i>-28</i>	<i>-91</i>	<i>-276</i>	<i>-55</i>	<i>-164</i>	<i>-1,374</i>
Net Cash Flow from Investing Activities	-209	-147	-355	-2,144	-152	-334	-2,815
FINANCING ACTIVITIES							
Advances received (net)	-	-	-	-	-	-	-4
Borrowings (net)	28	-176	-148	31	-479	-467	-24
Deposits received (net)	-	-	-	-	-5	-6	-
Other financing	5	-13	-8	-10	5	3	16
<i>Total</i>	<i>32</i>	<i>-189</i>	<i>-156</i>	<i>21</i>	<i>-479</i>	<i>-471</i>	<i>-12</i>
Opening cash balance	4,535	4,601	4,535	4,009	4,522	4,462	4,462
NET INCREASE IN CASH HELD	66	-183	-117	-35	-528	-467	74
Closing cash balance	4,601	4,418	4,418	3,975	3,994	3,994	4,535
<i>Net cash from operating activities and investments in non-financial assets</i>	<i>96</i>	<i>34</i>	<i>130</i>	<i>220</i>	<i>5</i>	<i>167</i>	<i>1,460</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	96	34	130	220	5	167	1,460

(a) Annual estimate published in the 2007-08 Budget, released 10 May 2007.

(b) Consistent with the 2006-07 *Annual Report on State Finances*, released 26 September 2007. Columns may not add due to rounding.

GENERAL GOVERNMENT

Taxation Revenue

	2007-08				2006-07		
	Month of July \$m	Month of August \$m	Two Months to 31 Aug \$m	Annual Estimate ^(a) \$m	Month of August \$m	Two Months to 31 Aug \$m	Actual ^(b) \$m
TAXATION							
Taxes on employers' payroll and labour force							
<i>Payroll tax</i>	165	157	322	1,722	134	269	1,607
Property taxes							
<i>Land tax</i>	-	-	-	430	-	-	386
Conveyances and transfers	173	182	355	1,697	172	369	2,037
Mortgages	10	10	21	108	15	27	121
Other stamp duties	-	1	2	1	5	9	26
<i>Total stamp duties on financial and capital transactions</i>	183	194	377	1,806	192	404	2,184
Metropolitan Region Improvement Tax	-	-	-	78	-	-	65
Emergency Services Levy	-	34	34	152	-	7	137
Loan guarantee fees	1	1	2	14	1	2	14
<i>Total other property taxes</i>	1	35	36	244	1	9	217
Taxes on provision of goods and services							
Lotteries Commission	7	11	19	111	9	17	112
Less rebates	-2	-2	-4	-24	-2	-4	-24
Video lottery terminals	-	-	-	1	-	-	-
Casino tax	6	7	13	70	6	12	77
Less rebates	-3	-3	-6	-36	-4	-6	-40
TAB betting tax	2	6	8	29	5	11	69
Less rebates	-2	-	-3	-5	-2	-4	-30
<i>Total taxes on gambling</i>	9	18	27	145	12	26	164
Stamp duty on insurance policies	32	32	64	324	28	56	308
Other	2	2	4	23	2	4	27
<i>Total taxes on insurance</i>	34	34	68	347	30	60	335
Taxes on use of goods and performance of activities							
Stamp duty on vehicle licences	33	34	67	367	33	62	393
Permits – oversize vehicles and loads	-	-	-	3	-	-	4
Motor vehicle recording fee	3	3	6	34	3	6	32
Motor vehicle registrations	40	35	75	430	31	69	396
<i>Total motor vehicle taxes</i>	77	72	149	834	67	136	825
Total taxation	470	509	979	5,527	437	904	5,718

(a) Annual estimate published in the 2007-08 Budget, released 10 May 2007.

(b) Consistent with the 2006-07 *Annual Report on State Finances*, released 26 September 2007.

Columns may not add due to rounding.

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