



DEPARTMENT OF
TREASURY AND FINANCE

**MONTHLY
REPORT OF
GENERAL
GOVERNMENT
FINANCES**

Statement for the Month Ended
31 August 2008

MONTHLY REPORT OF GENERAL GOVERNMENT FINANCES¹

AUGUST 2008

Introduction

This report provides a summary of the Western Australian general government sector's finances for the month of August 2008. 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 2008

The general government sector recorded a \$79 million operating deficit for the month of August 2008, compared with a \$16 million deficit recorded in August 2007.

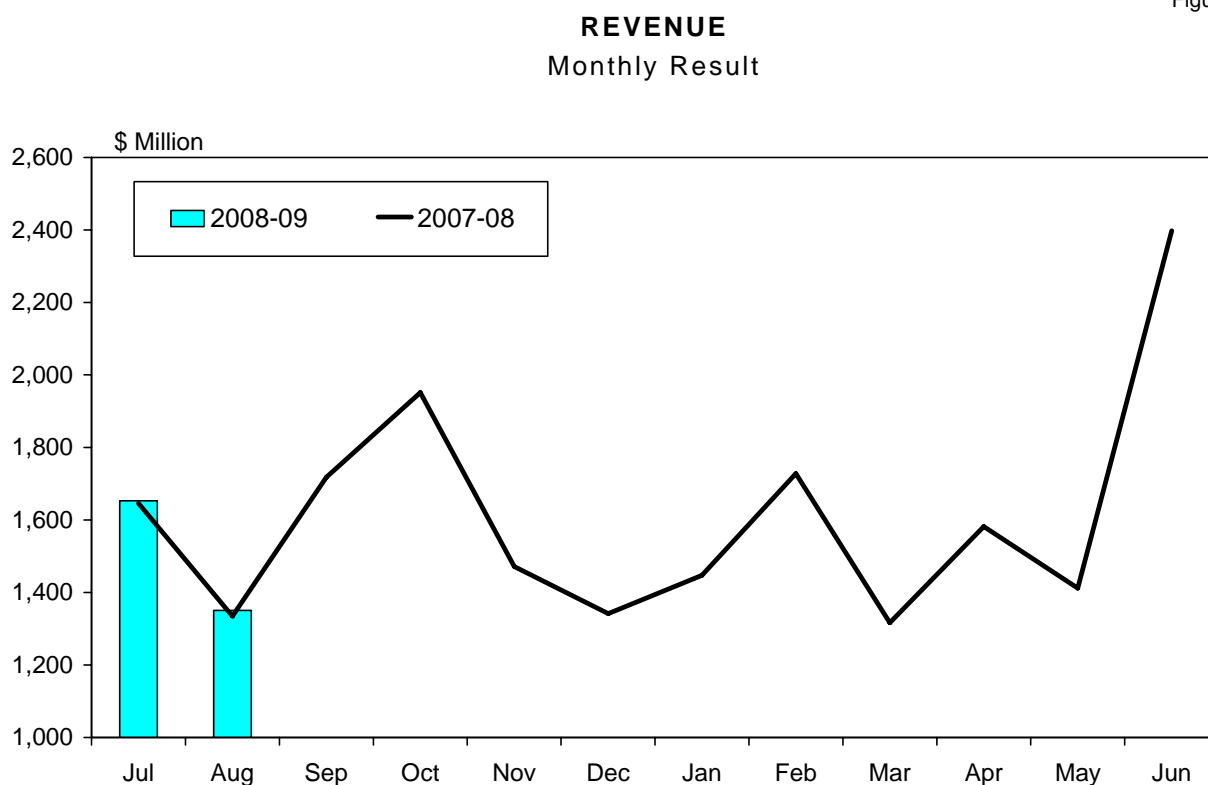
Revenue for the month of August 2008 totalled \$1,351 million, up \$16 million on August 2007. The increase in monthly revenue is primarily due to:

- higher Commonwealth recurrent grants (up \$67 million), mainly reflecting to higher North West Shelf petroleum royalties (up \$38 million) and increased funding for indigenous housing (up \$6 million);
- lower taxation revenue (down \$52 million), due largely to lower transfer duty (down \$83 million) due to ongoing weakness in the property market and the abolition of mortgage duty from 1 July 2008 (down \$10 million), partially offset by an increase in payroll tax collections (up \$40 million) as a result of employment growth and wage increases across the State economy; and
- higher sales of goods and services (up \$28 million), mainly due to the timing of Riskcover insurance premium rebates particularly to the Department of Health.

¹ This monthly report is consistent with the presentation of general government estimates used in the 2008-09 Budget Papers and the 2008 *Pre-election Financial Projections Statement* (released on 16 August 2008 and which updated the budget estimates). Accounting changes applying from the 2008-09 year were reflected in the 2008-09 Budget. Details of AASB 1049: *Whole of Government and General Government Sector Financial Reporting* (issued in October 2007) and how it impacts the State's financial aggregates are available in Appendix 4 of the 2008-09 Budget Paper No. 3: *Economic and Fiscal Outlook*. Comparative data from monthly reports released for 2007-08 have been adjusted to be consistent with the new presentation applicable from this year.

The following chart shows monthly revenue collections for the first two months of 2008-09 are tracking closely to the same periods in 2007 -08.

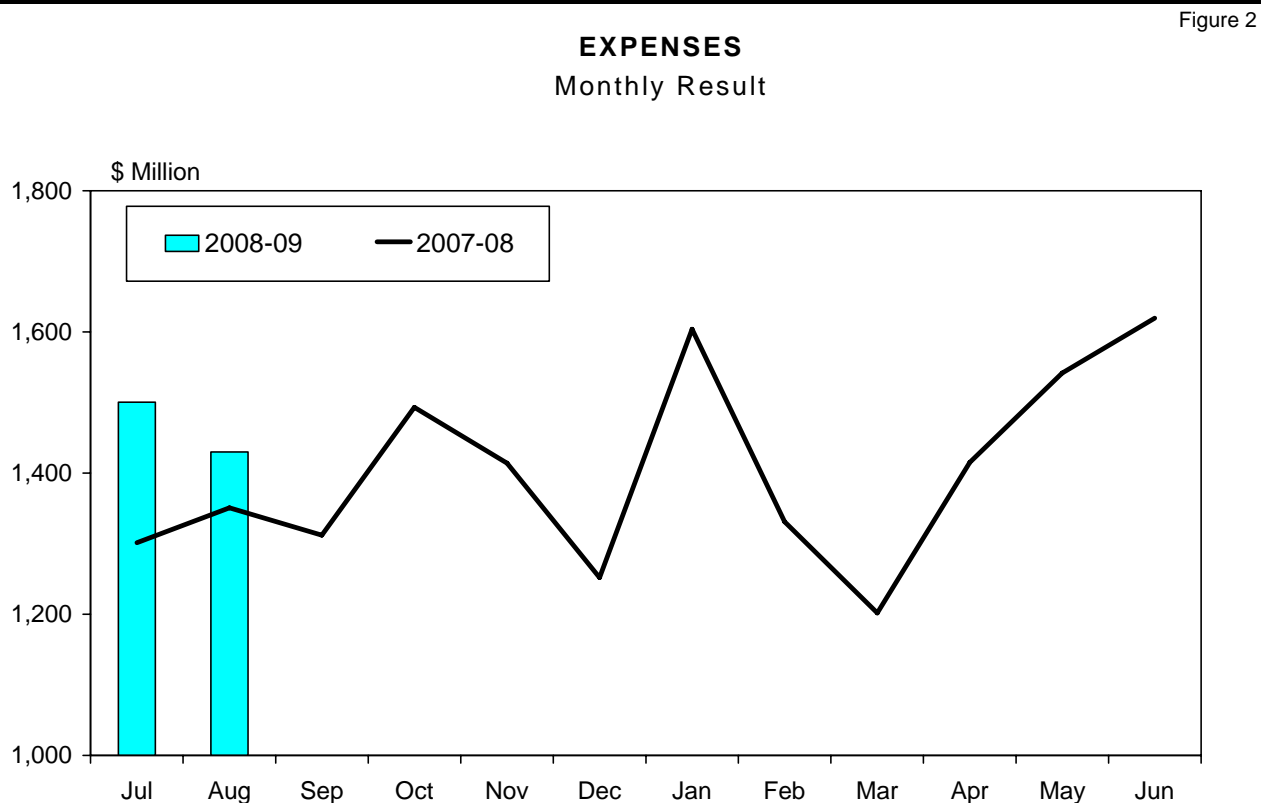
Figure 1



Totalling \$1,430 million, expenses in August 2008 were \$79 million higher than in August 2007. The major contributing factors to this increase were:

- higher current transfers (up \$44 million), due mainly to increased funding for indigenous housing and maintenance in remote communities, higher Community Service Obligations to the Water Corporation and the timing of a range of grants across the sector;
- higher salaries and wages (up \$31 million), largely due to higher wages and staff numbers in the health and education sectors;
- lower 'other' gross operating expenses (down \$25 million), mainly reflecting the timing of purchases across the general government sector; and
- higher services and contract expenses (up \$15 million), primarily due to higher expensed construction and maintenance expenditure in the education and health sectors.

Figure 2 shows monthly expenses relative to those recorded last year. Monthly expenses can vary significantly through the year, mainly due to timing issues.



A cash deficit of \$149 million was recorded in August 2008. This compares with a cash surplus of \$34 million in August 2007. The lower cash result reflects a \$161 million decrease in net cash flows from operating activities and higher net monthly investment in non-financial assets (up \$23 million). The higher infrastructure spend reflects outlays on road infrastructure (particularly the New Perth-Bunbury Highway) and development of facilities at Perry Lakes.

Two Months Ended 31 August 2008

An operating surplus of \$73 million was recorded for the two months ended 31 August 2008, \$255 million lower than the \$328 million surplus recorded for the same period in 2007-08.

Revenue in the period totalled \$3,004 million, \$24 million (or 0.8%) higher than the same period in 2007-08. The increase largely reflects:

- higher Commonwealth recurrent grants (up \$75 million), mainly due to higher North West Shelf petroleum royalties (up \$73 million) and increased funding for indigenous housing (up \$12 million), partially offset by the timing of GST grants (down \$39 million);
- lower taxation revenue (down \$67 million), due the factors outlined in the monthly discussion above; and
- higher sales of goods and services (up \$32 million), mainly due to timing of insurance premium rebates noted earlier (up \$11 million), and higher collections of taxi licence fees (up \$7 million).

Expenses totalled \$2,930 million for the two months ended 31 August 2008, \$278 million (or 10.5%) higher than the same period in 2007-08. The increase is mainly due to:

- higher salaries and wages (up \$118 million), with higher employee costs for the health and education, sectors accounting for around 82.5% of this increase;

- higher current and capital transfers (up \$98 million), largely reflecting payments to the Housing Authority for maintenance in remote indigenous communities and for expensed construction of community housing, and higher non-government school grants;
- higher services and contracts expenses (up \$55 million), primarily due to higher recurrent construction and maintenance expenditure in the education and health sectors; and
- lower 'other' gross operating expenses (down \$29 million), mainly reflecting the timing of purchases across the general government sector.

The cash deficit for the first two months of 2008-09 was \$69 million. This included a net cash inflow from operating activities of \$225 million (the cash equivalent of the operating surplus discussed above). This was more than offset by net capital investment of \$294 million. Spending on infrastructure was up \$43 million (or 14.5%) on the first two months of 2008-09, reflecting continued growth in the State's Capital Works Program for 2008-09, particularly for roads, and Perry Lakes sporting facilities (noted earlier).

GENERAL GOVERNMENT Operating Statement

	2008-09				2007-08		
	Month of July	Month of August	Two Months to 31 August	Estimated Outturn ^(a)	Month of August ^(b)	Two Months to 31 August ^(b)	Actual ^(b)
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<i>Revenue</i>							
Taxation	467	467	935	6,287	519	1,002	6,447
Current grants and subsidies	802	627	1,429	7,751	560	1,354	7,800
Capital grants	18	29	47	446	43	63	436
Sales of goods and services	141	119	260	1,330	91	228	1,407
Interest Income	29	27	57	241	24	47	332
Revenue from public corporations							
Dividends	-	-	-	476	-	-	512
Tax equivalent payments	28	28	57	355	27	54	368
Royalty income	137	25	162	2,715	33	171	1,680
Other	29	27	57	302	37	60	364
<i>Total revenue</i>	<i>1,653</i>	<i>1,351</i>	<i>3,004</i>	<i>19,903</i>	<i>1,335</i>	<i>2,980</i>	<i>19,345</i>
<i>Expenses</i>							
Salaries	592	590	1,182	7,224	559	1,064	6,906
Superannuation							
Concurrent costs	59	59	117	697	54	103	666
Superannuation interest cost	26	26	51	312	23	47	359
Other employee costs	21	25	45	280	18	36	276
Depreciation and amortisation	61	64	125	776	58	115	709
Services and contracts	140	163	303	2,195	148	248	1,981
Other gross operating expenses	126	104	231	1,819	129	260	1,560
Other interest	6	11	17	121	10	19	120
Current transfers	442	338	780	4,066	294	670	3,769
Capital transfers	27	51	79	482	56	91	491
<i>Total expenses</i>	<i>1,501</i>	<i>1,430</i>	<i>2,930</i>	<i>17,972</i>	<i>1,351</i>	<i>2,652</i>	<i>16,837</i>
NET OPERATING BALANCE	152	-79	73	1,930	-16	328	2,507

(a) Consistent with the revised outturn published in the *Pre-election Financial Projections Statement*, released 16 August 2008.

(b) Data for the actual for 2007-08 (contained in the *2007-08 Annual Report on State Finances*) and for August 2007 has been adjusted in this report to the presentation format consistent with AASB 1049 for comparative purposes.

Columns may not add due to rounding.

GENERAL GOVERNMENT

Cash Flow Statement

	2008-09				2007-08		
	Month of July	Month of August	Two Months to 31 August	Estimated Outturn ^(a)	Month of August ^(b)	Two Months to 31 August ^(b)	Actual ^(b)
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
OPERATING ACTIVITIES							
<i>Receipts from operating activities</i>							
Taxes received	614	431	1,044	6,305	484	945	6,294
Grants and subsidies received	818	657	1,474	8,179	609	1,418	8,192
Receipts from sales of goods and services	164	122	286	1,471	118	259	1,505
Interest receipts	28	31	59	248	29	46	314
Dividends and tax equivalents	67	5	73	851	-	58	827
Other receipts	286	129	415	3,887	133	392	2,751
<i>Total receipts from operating activities</i>	<i>1,976</i>	<i>1,375</i>	<i>3,351</i>	<i>20,942</i>	<i>1,372</i>	<i>3,118</i>	<i>19,882</i>
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation	-672	-640	-1,312	-8,292	-579	-1,198	-7,684
Payments for goods and services	-510	-336	-846	-4,307	-324	-687	-4,068
Interest paid	-21	-6	-27	-120	-7	-24	-112
Grants and subsidies paid	-438	-292	-730	-4,123	-229	-642	-3,844
Dividends and tax equivalents	-	-	-	-	-	-	-
Other payments	-101	-109	-210	-1,208	-81	-172	-1,114
<i>Total payments for operating activities</i>	<i>-1,743</i>	<i>-1,383</i>	<i>-3,126</i>	<i>-18,049</i>	<i>-1,220</i>	<i>-2,723</i>	<i>-16,823</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	233	-8	225	2,892	153	395	3,060
INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets	-168	-172	-340	-2,721	-136	-297	-2,022
Sales of non-financial assets	15	31	46	165	18	32	244
<i>Total cash flows from investments in non-financial assets</i>	<i>-153</i>	<i>-141</i>	<i>-294</i>	<i>-2,555</i>	<i>-118</i>	<i>-264</i>	<i>-1,778</i>
<i>Cash flows from investments in financial assets</i>							
<i>Receipts from investing activities:</i>							
For policy purposes	-	-	-	-	-	-	1
For liquidity purposes	-	16	16	-	-	-	83
<i>Payments for investing activities:</i>							
For policy purposes	-36	-8	-45	-283	-28	-71	-349
For liquidity purposes	-1	1	-	-10	-	-20	-1
<i>Total cash flows from investments in financial assets</i>	<i>-37</i>	<i>9</i>	<i>-28</i>	<i>-293</i>	<i>-28</i>	<i>-91</i>	<i>-267</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES	-190	-132	-322	-2,849	-147	-355	-2,045
FINANCING ACTIVITIES							
<i>Receipts from financing activities</i>							
Advances received	1	1	2	1	1	2	13
Borrowings	-10	147	137	58	-77	2	45
Deposits received	-	-	-	-	-	-	-
Other financing receipts	-	-	-	27	-12	-7	54
<i>Total receipts from financing activities</i>	<i>-9</i>	<i>148</i>	<i>140</i>	<i>85</i>	<i>-88</i>	<i>-3</i>	<i>111</i>
<i>Payments for financing activities</i>							
Advances paid	-1	-1	-2	-	-1	-2	-16
Borrowings repaid	-46	25	-21	-177	-98	-150	-189
Deposits paid	-	-	-	-	-	-	-
Other financing payments	-47	-2	-49	-107	-1	-2	-31
<i>Total payments for financing activities</i>	<i>-95</i>	<i>22</i>	<i>-72</i>	<i>-284</i>	<i>-100</i>	<i>-154</i>	<i>-236</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	-103	171	67	-199	-189	-156	-125
Net increase in cash and cash equivalents	-60	30	-30	-155	-183	-117	890
Opening balance	4,236	4,176	4,236	3,923	3,412	3,346	3,346
Closing balance	4,176	4,206	4,206	3,768	3,229	3,229	4,236
KEY FISCAL AGGREGATES							
Net cash flows from operating activities	233	-8	225	2,892	153	395	3,060
Net cash flows from investing in non-financial assets	-153	-141	-294	-2,555	-118	-264	-1,778
Cash surplus/-deficit	80	-149	-69	337	34	130	1,281

(a) Consistent with the revised outturn published in the *Pre-election Financial Projections Statement*, released 16 August 2008.

(b) Data for the actual for 2007-08 (contained in the 2007-08 *Annual Report on State Finances*) and for August 2007 has been adjusted in this report to the presentation format consistent with AASB 1049 for comparative purposes.

Columns may not add due to rounding.

GENERAL GOVERNMENT

Operating Revenue

	2008-09				2007-08		
	Month of July \$m	Month of August \$m	Two Months to 31 August \$m	Estimated Outturn ^(a) \$m	Month of August ^(b) \$m	Two Months to 31 August ^(b) \$m	Actual ^(b) \$m
TAXATION							
Taxes on employers' payroll and labour force							
<i>Payroll tax</i>	198	197	395	2,112	157	322	1,940
Property taxes							
<i>Land tax</i>	1	-1	1	563	-	2	421
Transfer Duty	118	103	221	1,669	186	363	2,265
Landholder Duty	-	-	-	138	-	-	-
<i>Total duty on transfers</i>	118	103	221	1,807	186	363	2,265
Mortgages	3	-	3	10	10	21	108
Other stamp duties	1	1	2	1	1	2	-
Metropolitan Region Improvement Tax	-	-	-	86	-	-	76
Emergency Services Levy	9	40	49	154	34	34	150
Loan guarantee fees	1	1	3	22	1	2	14
<i>Total other property taxes</i>	14	43	57	273	46	58	348
Taxes on provision of goods and services							
Lotteries Commission	10	10	19	114	11	19	121
Video lottery terminals	-	-	-	1	-	-	-
Casino Tax	6	8	14	81	7	13	84
TAB betting tax	3	3	6	35	6	8	30
<i>Total taxes on gambling</i>	19	20	39	230	24	40	235
Insurance Duty	32	35	67	368	32	64	342
Other	1	1	3	18	2	4	30
<i>Total taxes on insurance</i>	33	36	70	386	34	68	372
Taxes on use of goods and performance of activities							
Vehicle Licence Duty	30	28	58	406	34	67	393
Permits - Oversize Vehicles and Loads	-	-	1	4	-	-	5
Motor Vehicle recording fee	4	3	7	40	3	6	34
Motor Vehicle registrations	50	36	86	465	35	75	434
<i>Total motor vehicle taxes</i>	85	67	153	916	72	149	866
Total Taxation	467	467	935	6,287	519	1,002	6,447
CURRENT GRANTS AND SUBSIDIES							
General Purpose Grants							
GST Grants	403	296	699	3,918	292	738	3,984
Competition Reform	-	-	-	-	-	-	4
Compensation for Condensate Excise	-	-	-	9	-	-	71
Specific Purpose Grants to the State							
Australian Health Care Agreement	94	75	169	972	71	159	971
Other health	25	17	42	322	40	60	349
Schools assistance – government schools	11	19	30	274	20	41	312
Vocational training	-	24	24	103	23	23	102
Roads	4	4	9	27	-	6	36
Other	31	37	68	312	1	23	364
Specific Purpose Grants through the State							
Schools assistance – non-government schools	145	-	145	588	-	136	603
Local government financial assistance grants	-	33	33	130	31	31	122
Local government roads	-	22	22	87	21	21	83
Other	-	-	-	31	-	-	-
Other Grants							
North west shelf royalties	89	100	189	979	62	116	798
Total Current Grants and Subsidies	802	627	1,429	7,751	560	1,354	7,800

GENERAL GOVERNMENT
Operating Revenue – Continued

	2008-09				2007-08		
	Month of July	Month of August	Two Months to 31 August	Estimated Outturn ^(a)	Month of August ^(b)	Two Months to 31 August ^(b)	Actual ^(b)
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
CAPITAL GRANTS							
Specific Purpose Grants to the State							
Roads	1	7	8	152	-	-	174
Schools assistance – government schools	3	3	6	33	3	5	32
Vocational training	-	4	4	17	4	4	26
Other	12	14	26	227	35	49	173
Specific Purpose Grants through the State							
Schools assistance – non-government schools	2	2	3	18	2	4	31
Total Capital Grants	18	29	47	446	43	63	436
SALES OF GOODS AND SERVICES	141	119	260	1,330	91	228	1,407
INTEREST INCOME	29	27	57	241	24	47	332
REVENUE FROM PUBLIC CORPORATIONS							
Dividends	-	-	-	476	-	-	512
Tax Equivalent Regime	28	28	57	355	27	54	368
Total Revenue from Public Corporations	28	28	57	831	28	55	880
ROYALTY INCOME	137	25	162	2,715	33	171	1,680
OTHER							
Lease Rentals	7	6	12	58	7	11	65
Fines	12	11	23	125	15	26	125
Revenue not elsewhere counted	11	11	22	119	15	23	174
Total Other	29	27	57	302	37	60	364
GRAND TOTAL	1,653	1,351	3,004	19,903	1,335	2,980	19,345

(a) Consistent with the revised outturn published in the *Pre-election Financial Projections Statement*, released 16 August 2008.

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