



DEPARTMENT OF
TREASURY AND FINANCE

**MONTHLY
REPORT OF
GENERAL
GOVERNMENT
FINANCES**

Statement for the Month Ended
29 February 2008

MONTHLY REPORT OF GENERAL GOVERNMENT FINANCES

FEBRUARY 2008

Introduction

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

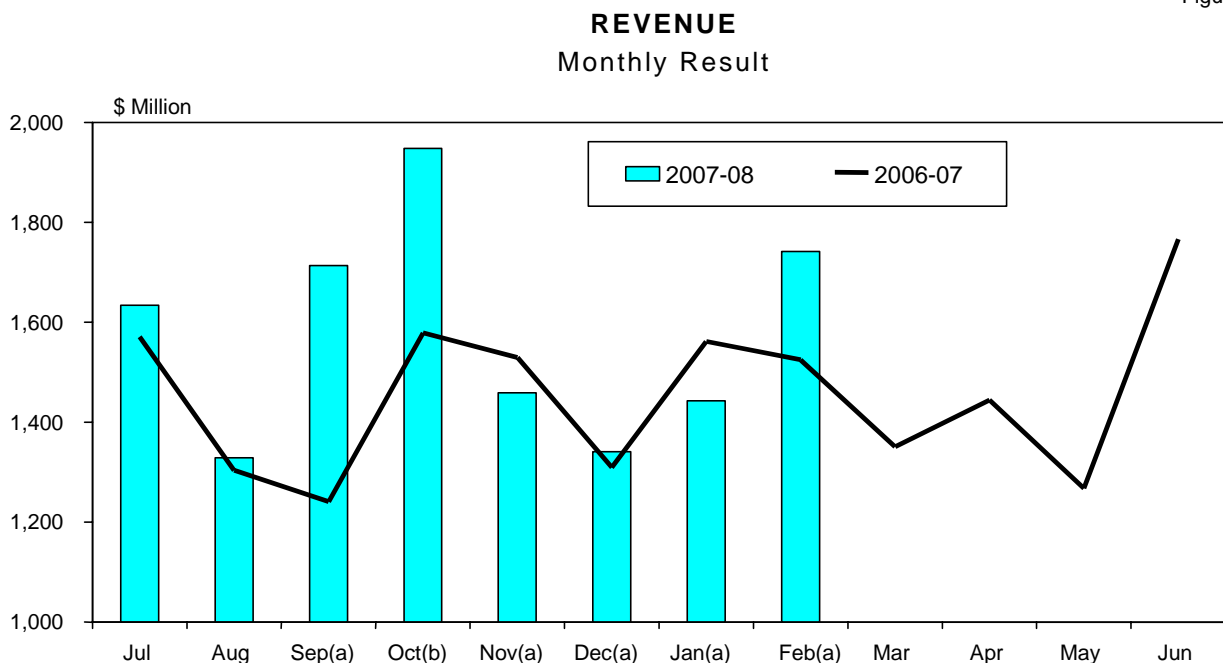
An operating surplus of \$402 million was recorded by the general government sector for the month of February 2008, broadly similar to the surplus recorded in February 2007 (\$380 million).

Revenue for the month of February 2008 totalled \$1,724 million, up \$199 million on February 2007. The increase in monthly revenue is primarily due to:

- higher Commonwealth grants (up \$137 million), reflecting the timing of GST revenue (up \$28 million) and North West Shelf petroleum royalties (up \$60 million following the late receipt of January 2008 collections in February), and higher grants for health (up \$33 million, due mainly to additional funding for the Commonwealth Vaccine Program); and
- higher sales of goods and services revenue (up \$33 million), largely due to the timing of revenue collections by schools.

The following chart shows monthly revenue collections for the first eight months of 2007-08 relative to those recorded through 2006-07, and demonstrates the volatility in revenue accrued through the year.

Figure 1



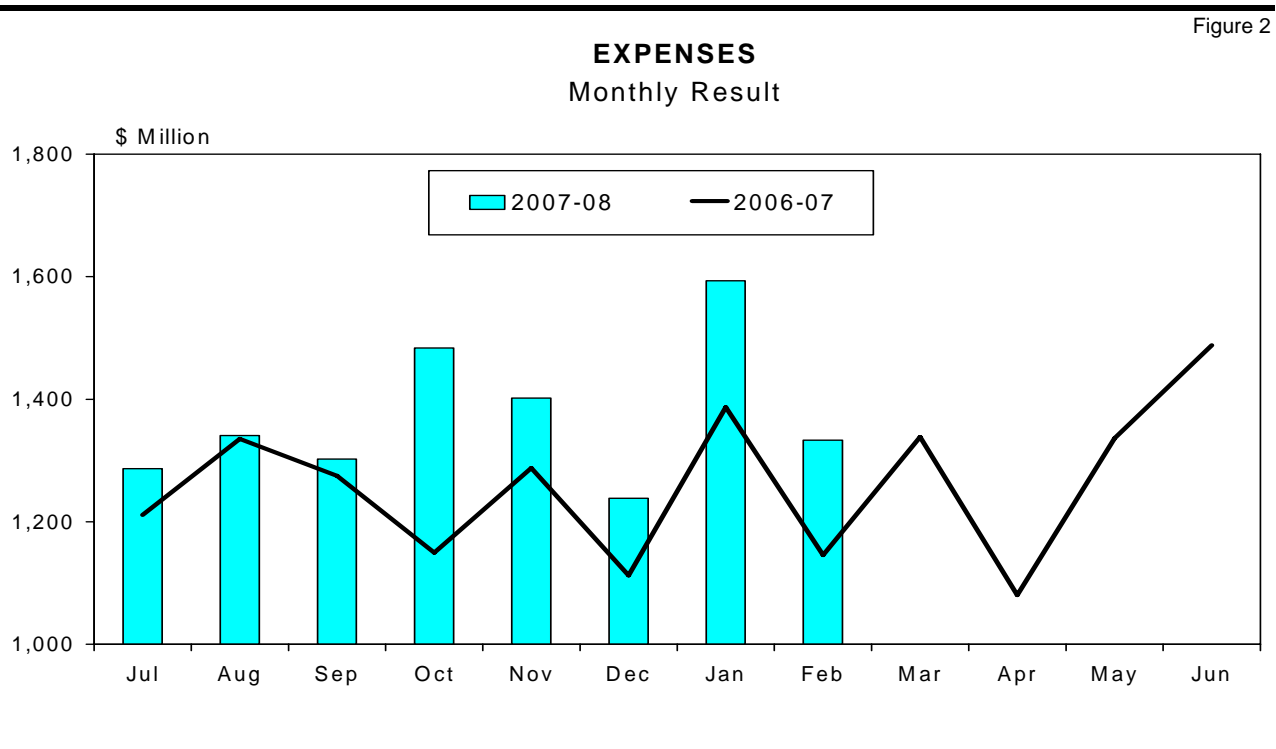
(a) Includes the impact of earlier land tax/MRIT collections in 2007-08, relative to 2006-07.

(b) Includes the impact of earlier land tax/MRIT collections in 2007-08, relative to 2006-07, and significant conveyance duty assessments.

Totalling \$1,322 million, expenses in February 2008 were \$176 million higher than in February 2007. The major contributing factors to this increase were:

- higher salaries and wages (up \$83 million), due mainly to higher wages and staff numbers in the health and education sectors;
- higher services and contract expenses (up \$50 million), primarily due to higher maintenance expenditure on road works;
- higher current and capital transfers (up \$47 million), due mainly to the timing of a range of grants across the sector, higher payments associated with the increase in the Bond Assistance Scheme (announced in the 2007-08 Budget), and the on-passing of Commonwealth grants to non-government schools; and
- lower 'other' gross operating expenses (down \$34 million), mainly reflecting the timing of purchases across the general government sector.

Figure 2 shows monthly expenses relative to those recorded last year. Spending patterns typically fluctuate due to timing issues through the year.



A cash surplus of \$393 million was recorded in February 2008. This compares with a cash surplus of \$295 million in February 2007. The higher cash result includes a \$111 million increase in net cash flows from operating activities (reflecting the factors discussed above), partly offset by higher investment in non-financial assets, particularly in the education sector.

Eight Months Ended 29 February 2008

An operating surplus of \$1,621 million was recorded for the eight months ended 29 February 2008, \$95 million lower than the \$1,716 million surplus recorded for the same period in 2006-07.

Revenue in the period totalled \$12,590 million, \$970 million (or 8.3%) higher than the same period in 2006-07. Year-to-date revenue collections are broadly on track with the estimates published in the mid-year review, representing 68.0% of the full-year projection for 2007-08. The major contributors to this increase were:

- higher taxation revenue (up \$577 million), primarily due to higher conveyance duty (up \$263 million, mainly reflecting the impact of some unusually large assessments in October 2007) and higher payroll tax collections (up \$231 million, due to the strength of wages and employment growth across the economy);
- higher Commonwealth grants (up \$237 million), mainly due to higher funding for health and non-government schools, higher North West Shelf petroleum royalties, and the timing of road grants;
- higher sales of goods and services (up \$128 million), reflecting increased recoups in the health and education sectors, and higher collections of taxi licence fees;
- lower 'other' revenue (down \$71 million), due largely to the discontinuation of the Capital User Charge from 1 July 2007;
- higher dividend revenue (up \$44 million), due mainly to higher final divided declarations for 2006-07 by the Water Corporation and Synergy (which were declared and recognised as revenue in 2007-08); and
- higher interest income (up \$41 million), reflecting higher cash holdings and upward movements in interest rates over the past year.

Year-to-date expenses (\$10,969 million) represent 65.7% of the annual estimate contained in the mid-year review, and are up \$1,065 million (or 10.8%) on the same period in 2006-07. The increase is mainly due to:

- higher salaries and wages (up \$408 million), with higher employee costs for the health, education, and law and order sectors accounting for around 74% of this increase;
- higher current and capital transfers (up \$226 million), due in large part to the on-passing of grants to the Housing Authority and non-government schools, higher First Home Owner Grants, higher health sector grants and State payments for public housing, and increased Community Service Obligation payments to the Water Corporation and Land Authority;
- higher services and contracts expenses (up \$224 million), primarily due to higher recurrent construction and maintenance expenditure in the education and health sectors; and
- higher 'other' gross operating expenses (up \$108 million), reflecting increases in direct patient support costs, higher school maintenance costs and timing differences associated with day-to-day purchases across the sector.

The cash surplus for the first eight months of 2007-08 was \$850 million, broadly similar to the cash surplus for the same period the previous year (\$898 million). This included a net cash inflow from operating activities of \$1,889 million, partially offset by net capital investment of \$1,040 million. Capital expenditure was up \$297 million (or 31.5%) on the first eight months of 2006-07, reflecting the significant growth in the State's Capital Works Program for 2007-08, particularly in roads, health and education infrastructure.

GENERAL GOVERNMENT
Operating Statement

	2007-08				2006-07		
	Month of Jan \$m	Month of Feb \$m	Eight Months to 29 Feb \$m	Annual Estimate ^(a) \$m	Month of Feb \$m	Eight Months to 28 Feb \$m	Actual ^(b) \$m
REVENUE							
Taxation	454	505	4,520	6,368	494	3,943	5,718
Current grants and subsidies	662	925	5,276	7,362	799	5,042	7,155
Capital grants	17	52	270	471	41	267	448
Sales of goods and services	121	126	926	1,260	93	798	1,229
Interest income	26	25	194	254	18	153	246
Revenue from public corporations							
Dividends	5	-	101	485	-	57	421
Tax equivalent payments	23	37	213	318	22	216	311
Royalty income	108	25	872	1,668	20	856	1,468
Other	27	30	218	329	38	289	453
<i>Total</i>	<i>1,443</i>	<i>1,724</i>	<i>12,590</i>	<i>18,516</i>	<i>1,525</i>	<i>11,620</i>	<i>17,451</i>
EXPENSES							
Gross operating expenses							
Salaries	571	562	4,411	6,688	479	4,003	6,182
Depreciation and amortisation	58	59	458	741	54	407	672
Superannuation	55	55	428	648	42	390	602
Services and contracts	145	172	1,230	1,988	122	1,006	1,663
Other	177	82	1,253	2,056	116	1,145	1,822
Nominal superannuation interest	29	29	202	316	20	194	289
Other interest	11	11	72	113	6	72	112
Current transfers	518	296	2,605	3,598	263	2,420	3,392
Capital transfers	29	58	309	536	44	268	413
<i>Total</i>	<i>1,593</i>	<i>1,322</i>	<i>10,969</i>	<i>16,685</i>	<i>1,146</i>	<i>9,904</i>	<i>15,147</i>
NET OPERATING BALANCE	-150	402	1,621	1,831	380	1,716	2,303

(a) Annual estimate published in the 2007-08 *Government Mid-year Financial Projections Statement*, released 27 December 2007.

(b) Consistent with final audited data contained in 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 Jan \$m	Month of Feb \$m	Eight Months to 29 Feb \$m	Annual Estimate ^(a) \$m	Month of Feb \$m	Eight Months to 28 Feb \$m	Actual ^(b) \$m
RECEIPTS FROM OPERATING ACTIVITIES							
Taxes received	496	454	4,314	6,397	422	3,625	5,675
Receipts from sales of goods and services	119	136	957	1,297	105	875	1,280
Grants and subsidies received	656	969	5,484	7,765	846	5,291	7,550
Other receipts	304	190	2,215	3,743	127	1,936	3,542
<i>Total</i>	<i>1,575</i>	<i>1,748</i>	<i>12,971</i>	<i>19,202</i>	<i>1,502</i>	<i>11,727</i>	<i>18,046</i>
PAYMENTS FOR OPERATING ACTIVITIES							
Payments for goods and services	-1,013	-874	-7,683	-11,727	-803	-6,888	-10,541
Grants and subsidies paid	-509	-272	-2,632	-3,810	-234	-2,448	-3,526
Interest paid	-17	-4	-74	-116	-5	-69	-112
Other payments	-78	-91	-693	-1,071	-64	-603	-966
<i>Total</i>	<i>-1,617</i>	<i>-1,242</i>	<i>-11,082</i>	<i>-16,724</i>	<i>-1,106</i>	<i>-10,008</i>	<i>-15,145</i>
Net Cash Flow from Operating Activities	-42	506	1,889	2,477	395	1,719	2,901
INVESTMENT IN NON-FINANCIAL ASSETS							
Purchase of non-financial assets	-184	-137	-1,240	-2,385	-111	-943	-1,610
Sales of non-financial assets	14	23	200	213	11	122	169
<i>Total</i>	<i>-170</i>	<i>-113</i>	<i>-1,040</i>	<i>-2,172</i>	<i>-100</i>	<i>-821</i>	<i>-1,441</i>
INVESTMENT IN FINANCIAL ASSETS							
Policy purposes	-29	-7	-243	-379	-18	-1,291	-1,405
Liquidity purposes	-	-	31	-9	-	29	31
<i>Total</i>	<i>-29</i>	<i>-7</i>	<i>-212</i>	<i>-388</i>	<i>-18</i>	<i>-1,262</i>	<i>-1,374</i>
Net Cash Flow from Investing Activities	-199	-121	-1,251	-2,560	-118	-2,083	-2,815
FINANCING ACTIVITIES							
Advances received (net)	-	-	-3	-	-	-4	-4
Borrowings (net)	30	-63	-112	-35	-152	-236	-24
Deposits received (net)	-	-	-	-	-	1	-
Other financing	-2	-1	29	-17	3	44	16
<i>Total</i>	<i>28</i>	<i>-64</i>	<i>-86</i>	<i>-52</i>	<i>-149</i>	<i>-196</i>	<i>-12</i>
Opening cash balance	4,979	4,766	4,535	4,535	3,774	4,462	4,462
NET INCREASE IN CASH HELD	-213	321	552	-135	128	-560	74
Closing cash balance	4,766	5,087	5,087	4,401	3,902	3,902	4,535
<i>Net cash from operating activities and investments in non-financial assets</i>	<i>-211</i>	<i>393</i>	<i>850</i>	<i>305</i>	<i>295</i>	<i>898</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	-211	393	850	305	295	898	1,460

(a) Annual estimate published in the 2007-08 *Government Mid-year Financial Projections Statement*, released 27 December 2007.

(b) Consistent with final audited data contained in 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 Jan \$m	Month of Feb \$m	Eight Months to 29 Feb \$m	Annual Estimate ^(a) \$m	Month of Feb \$m	Eight Months to 28 Feb \$m	Actual ^(b) \$m
TAXATION							
Taxes on employers' payroll and labour force							
<i>Payroll tax</i>	151	166	1,290	1,958	130	1,059	1,607
Property taxes							
<i>Land tax</i>	-	-	419	420	51	388	386
Conveyances and transfers	185	182	1,585	2,225	155	1,322	2,037
Mortgages	9	8	76	116	9	80	121
Other stamp duties	-	-	1	1	2	24	26
<i>Total stamp duties on financial and capital transactions</i>	195	190	1,662	2,342	165	1,426	2,184
Metropolitan Region Improvement Tax	-	-	77	78	13	67	65
Emergency Services Levy	-	34	136	150	28	127	137
Loan guarantee fees	1	1	9	16	1	10	14
<i>Total other property taxes</i>	1	35	222	244	42	204	217
Taxes on provision of goods and services							
Lotteries Commission	9	9	74	111	9	70	112
Less rebates	-3	-	-15	-25	-2	-16	-24
Video lottery terminals	-	-	-	1	-	-	-
Casino tax	8	5	54	78	7	48	77
Less rebates	-2	-5	-28	-42	-3	-23	-40
TAB betting tax	3	3	24	55	5	47	69
Less rebates	-	-	-4	-6	-3	-20	-30
<i>Total taxes on gambling</i>	15	12	105	172	13	106	164
Stamp duty on insurance policies	20	27	228	341	25	209	308
Other	2	2	19	27	2	18	27
<i>Total taxes on insurance</i>	22	29	247	368	27	227	335
Taxes on use of goods and performance of activities							
Stamp duty on vehicle licences	32	33	262	395	33	254	393
Permits – oversize vehicles and loads	-	-	3	5	-	2	4
Motor vehicle recording fee	3	3	23	34	2	21	32
Motor vehicle registrations	36	35	287	430	30	257	396
<i>Total motor vehicle taxes</i>	71	72	574	864	65	533	825
Total taxation	454	505	4,520	6,368	494	3,943	5,718

(a) Annual estimate published in the 2007-08 *Government Mid-year Financial Projections Statement*, released 27 December 2007.

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

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Further information or enquiries related to this report may be obtained from the Senior Communications Officer at patricia.dcruze@dtf.wa.gov.au.