



DEPARTMENT OF
TREASURY AND FINANCE

**MONTHLY
REPORT OF
GENERAL
GOVERNMENT
FINANCES**

Statement for the Month Ended
31 January 2008

MONTHLY REPORT OF GENERAL GOVERNMENT FINANCES

JANUARY 2008

Introduction

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

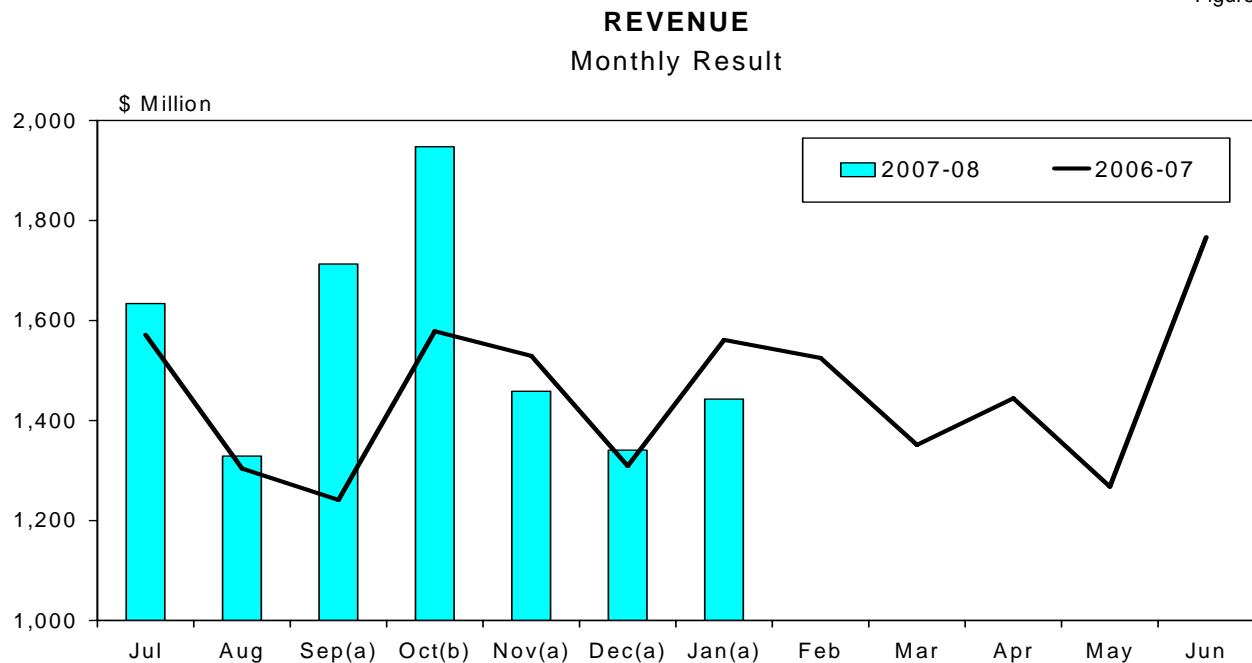
Reflecting a combination of both revenue and expense factors, the general government sector recorded a \$150 million operating deficit for the month of January 2008. This compares with the \$174 million operating surplus recorded in January 2007.

Revenue in January 2008 was \$1,443 million, down \$118 million from January 2007. The reduction in monthly revenue is attributable to:

- lower Commonwealth grants (down \$37 million), mainly due to the timing of North West Shelf petroleum royalties (down \$65 million) and GST revenue (down \$25 million), partially offset by higher grants for health and non-government schools (up \$31 million and \$25 million respectively);
- lower royalty income (down \$35 million), primarily due to lower prices and production volumes for nickel;
- lower revenue from public corporations (down \$25 million), mainly due to timing differences in the recognition of tax equivalent revenue, relative to the same period in 2006-07;
- lower 'other' revenue (down \$18 million) due to the cessation of Capital User Charge arrangements at the end of 2006-07; and
- lower taxation revenue (down \$14 million), due primarily to the earlier timing of land tax and Metropolitan Region Improvement Tax (MRIT) assessments in 2007-08 relative to 2006-07 (down \$35 million and \$16 million respectively), partially offset by the impact of wages growth on payroll tax collections (up \$19 million) and higher conveyance duty revenue (up \$28 million), mainly reflecting an increased number of high-value property transactions in the non-residential sector.

The following chart shows monthly revenue collections for the first seven months of 2007-08 relative to those recorded through 2006-07.

Figure 1



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

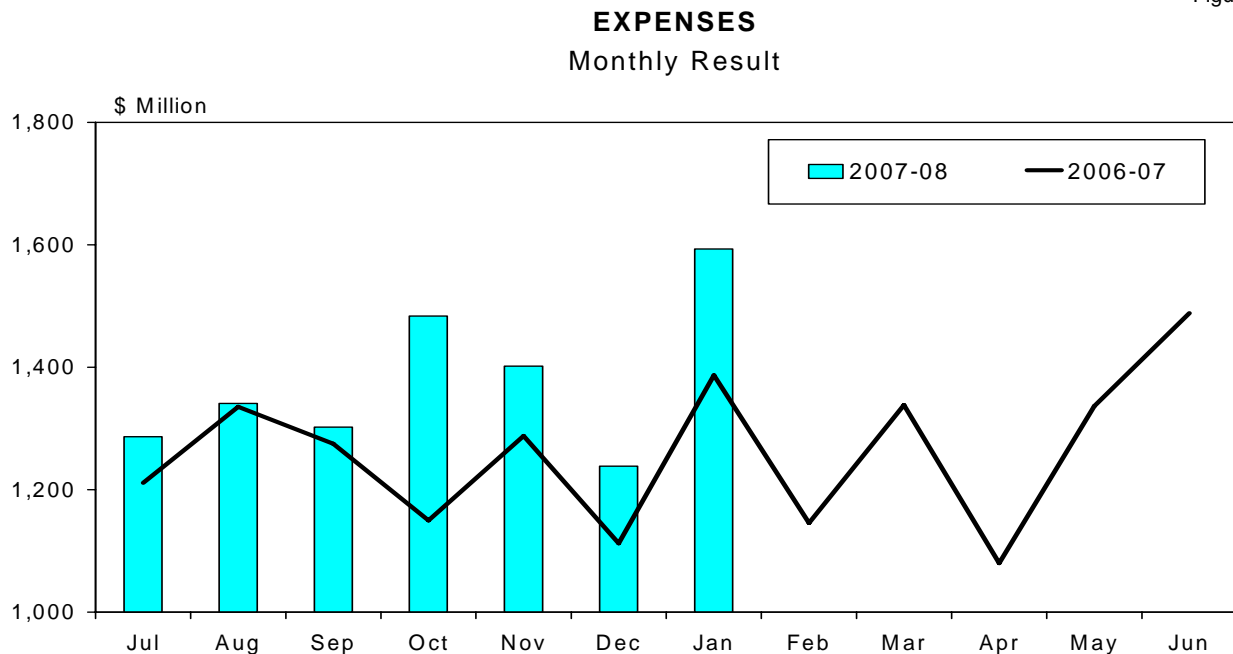
(b) Includes the impact of earlier land tax/MRIT collections in 2007-08, relative to 2006-07, and significant conveyance duty assessments.

Expenses for the month of January 2008 totalled \$1,593 million, up \$206 million from January 2007. This increase largely reflects:

- higher current and capital transfers (up \$84 million), due largely to health sector grants and the on-passing of Commonwealth grants to non-government schools;
- higher salaries and wages (up \$56 million), primarily reflecting higher wages and staff numbers in the education sector; and
- higher 'other' gross operating expenses (up \$39 million), mainly due to higher expenses in the education sector, particularly for minor works funded by the Investing in Our Schools Program.

Figure 2 shows monthly expenses relative to those recorded last year, and highlights the variability in spending patterns.

Figure 2



A cash deficit of \$211 million was recorded in January 2008, compared with a cash surplus of \$228 million in January 2007. This outcome reflects the cash impact of the factors discussed above, together with a \$54 million increase in fixed asset spending, mainly for road infrastructure.

Seven Months Ended 31 January 2008

An operating surplus of \$1,219 million was recorded for the seven months ended 31 January 2008, \$117 million lower than the \$1,336 million surplus recorded for the same period in 2006-07.

Revenue in the period totalled \$10,866 million, \$771 million (or 7.6%) higher than the first seven months of 2006-07. Representing 58.7% of the full-year projection for 2007-08, this outcome is broadly consistent with the estimate for the year presented in the December 2007 mid-year review. The major contributors to this increase were:

- higher taxation revenue (up \$566 million), due to higher conveyance duty collections (up \$236 million, mainly reflecting the impact of some unusually large assessments in October 2007), higher payroll tax collections (up \$194 million, due to stronger wages growth across the economy), higher land tax and MRIT revenue (up \$105 million, due mainly to growth in land values), higher motor vehicle taxes (up \$34 million) and higher stamp duty on insurance (up \$17 million). These increases were partially offset by the abolition of the hire of goods duty from 1 January 2007 (down \$21 million);
- higher Commonwealth grants (up \$101 million), due to higher funding for non-government schools and health, and the timing of road grants, partly offset by the timing of petroleum royalties and GST revenue noted in the monthly discussion above;
- higher sales of goods and services (up \$94 million), reflecting higher taxi licence collections and the recoup of hospital bed charges, patient fees, nursing services, and overseas student and school camp fees;

- lower 'other' revenue (down \$63 million), mainly due to the discontinuation of the Capital User Charge from 1 July 2007;
- higher dividend revenue (up \$45 million), due mainly to higher final divided declarations for 2006-07 by the Water Corporation and Synergy¹; and
- higher interest income (up \$34 million), due to higher cash balances and higher interest rates.

Expenses totalled \$9,646 million for the seven months ended 31 January 2008, \$888 million (or 10.1%) higher than the same period in 2006-07. This represents 57.8% of the annual estimate contained in the mid-year review. The increase largely reflects:

- higher salaries and wages (up \$325 million), with higher employee costs for the health, education, and law and order sectors accounting for around 72% of this increase;
- higher current and capital transfers (up \$179 million), due largely to health sector grants, the on-passing of Commonwealth grants to non-government schools, the timing of Community Service Obligation payments to the Water Corporation and Land Authority, and First Home Owner Grants (following stronger levels of activity by first home buyers in 2007-08);
- higher services and contracts expenses (up \$174 million), primarily due to higher recurrent construction and maintenance expenditure in the education and health sectors; and
- higher 'other' gross operating expenses (up \$142 million), due to timing and demand factors, particularly in the health and education sectors (which account for almost half of all general government expenses).

A cash surplus of \$457 million was recorded for the first seven months of 2007-08. This included a net cash inflow from operating activities of \$1,384 million, partially offset by net capital investment of \$926 million. Results from operating activities are broadly consistent with the same seven month period in 2006-07, while higher fixed asset spending (up \$271 million) reflects significant growth in the State's Capital Works Program for 2007-08.

Higher infrastructure investment relative to the same period in 2006-07 reflects spending on road infrastructure (particularly the New Perth-Bunbury Highway and the Karratha-Tom Price Link Road) and higher construction expenditure in the health and education sectors.

¹ Final dividends declared by the Water Corporation vary according to trends in profitability and the magnitude of any interim dividends declared through the year. Synergy's final dividend for 2006-07 was based on a full year's operations while the final dividend for 2005-06 was based on the first three months of operations, which commenced on 1 April 2006.

GENERAL GOVERNMENT
Operating Statement

	2007-08				2006-07		
	Month of Dec \$m	Month of Jan \$m	Seven Months to 31 Jan \$m	Annual Estimate ^(a) \$m	Month of Jan \$m	Seven Months to 31 Jan \$m	Actual ^(b) \$m
REVENUE							
Taxation	475	454	4,015	6,368	468	3,449	5,718
Current grants and subsidies	409	662	4,352	7,362	691	4,243	7,155
Capital grants	35	17	218	471	25	226	448
Sales of goods and services	109	121	799	1,260	115	705	1,229
Interest income	31	26	169	254	20	135	246
Revenue from public corporations							
Dividends	25	5	101	485	12	56	421
Tax equivalent payments	24	23	176	318	41	194	311
Royalty income	211	108	847	1,668	143	836	1,468
Other	23	27	188	329	45	251	453
<i>Total</i>	<i>1,341</i>	<i>1,443</i>	<i>10,866</i>	<i>18,516</i>	<i>1,561</i>	<i>10,095</i>	<i>17,451</i>
EXPENSES							
Gross operating expenses							
Salaries	551	571	3,849	6,688	515	3,524	6,182
Depreciation and amortisation	55	58	399	741	50	353	672
Superannuation	53	55	374	648	55	348	602
Services and contracts	167	145	1,058	1,988	136	884	1,663
Other	125	177	1,171	2,056	138	1,029	1,822
Nominal superannuation interest	29	29	174	316	20	173	289
Other interest	9	11	62	113	10	65	112
Current transfers	223	518	2,309	3,598	438	2,157	3,392
Capital transfers	27	29	252	536	25	225	413
<i>Total</i>	<i>1,238</i>	<i>1,593</i>	<i>9,646</i>	<i>16,685</i>	<i>1,387</i>	<i>8,758</i>	<i>15,147</i>
NET OPERATING BALANCE	103	-150	1,219	1,831	174	1,336	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 Dec \$m	Month of Jan \$m	Seven Months to 31 Jan \$m	Annual Estimate ^(a) \$m	Month of Jan \$m	Seven Months to 31 Jan \$m	Actual ^(b) \$m
RECEIPTS FROM OPERATING ACTIVITIES							
Taxes received	595	496	3,861	6,397	534	3,202	5,675
Receipts from sales of goods and services	99	119	822	1,297	133	769	1,280
Grants and subsidies received	429	656	4,515	7,765	700	4,445	7,550
Other receipts	399	304	2,026	3,743	318	1,809	3,542
<i>Total</i>	<i>1,522</i>	<i>1,575</i>	<i>11,224</i>	<i>19,202</i>	<i>1,686</i>	<i>10,225</i>	<i>18,046</i>
PAYMENTS FOR OPERATING ACTIVITIES							
Payments for goods and services	-911	-1,013	-6,809	-11,727	-837	-6,086	-10,541
Grants and subsidies paid	-384	-509	-2,359	-3,810	-437	-2,214	-3,526
Interest paid	-4	-17	-70	-116	-13	-64	-112
Other payments	-96	-78	-602	-1,071	-61	-538	-966
<i>Total</i>	<i>-1,395</i>	<i>-1,617</i>	<i>-9,840</i>	<i>-16,724</i>	<i>-1,348</i>	<i>-8,902</i>	<i>-15,145</i>
Net Cash Flow from Operating Activities	126	-42	1,384	2,477	338	1,324	2,901
INVESTMENT IN NON-FINANCIAL ASSETS							
Purchase of non-financial assets	-174	-184	-1,103	-2,385	-130	-832	-1,610
Sales of non-financial assets	86	14	177	213	20	111	169
<i>Total</i>	<i>-88</i>	<i>-170</i>	<i>-926</i>	<i>-2,172</i>	<i>-110</i>	<i>-720</i>	<i>-1,441</i>
INVESTMENT IN FINANCIAL ASSETS							
Policy purposes	-34	-29	-236	-379	-36	-1,272	-1,405
Liquidity purposes	3	-	31	-9	-	29	31
<i>Total</i>	<i>-30</i>	<i>-29</i>	<i>-204</i>	<i>-388</i>	<i>-36</i>	<i>-1,244</i>	<i>-1,374</i>
Net Cash Flow from Investing Activities	-118	-199	-1,130	-2,560	-146	-1,964	-2,815
FINANCING ACTIVITIES							
Advances received (net)	-	-	-3	-	-	-4	-4
Borrowings (net)	-97	30	-49	-35	-72	-84	-24
Deposits received (net)	-	-	-	-	5	1	-
Other financing	10	-2	30	-17	2	41	16
<i>Total</i>	<i>-87</i>	<i>28</i>	<i>-22</i>	<i>-52</i>	<i>-65</i>	<i>-47</i>	<i>-12</i>
Opening cash balance	5,058	4,979	4,535	4,535	3,647	4,462	4,462
NET INCREASE IN CASH HELD	-79	-213	231	-135	127	-688	74
Closing cash balance	4,979	4,766	4,766	4,401	3,774	3,774	4,535
<i>Net cash from operating activities and investments in non-financial assets</i>	<i>39</i>	<i>-211</i>	<i>457</i>	<i>305</i>	<i>228</i>	<i>603</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	39	-211	457	305	228	603	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 Dec \$m	Month of Jan \$m	Seven Months to 31 Jan \$m	Annual Estimate ^(a) \$m	Month of Jan \$m	Seven Months to 31 Jan \$m	Actual ^(b) \$m
TAXATION							
Taxes on employers' payroll and labour force							
<i>Payroll tax</i>	162	151	1,124	1,958	132	930	1,607
Property taxes							
<i>Land tax</i>	8	-	419	420	35	337	386
Conveyances and transfers	179	185	1,403	2,225	157	1,167	2,037
Mortgages	9	9	68	116	9	71	121
Other stamp duties	-	-	1	1	4	22	26
<i>Total stamp duties on financial and capital transactions</i>	188	195	1,472	2,342	171	1,260	2,184
Metropolitan Region Improvement Tax	-	-	77	78	16	54	65
Emergency Services Levy	1	-	103	150	-	99	137
Loan guarantee fees	1	1	8	16	3	9	14
<i>Total other property taxes</i>	2	1	187	244	19	162	217
Taxes on provision of goods and services							
Lotteries Commission	9	9	65	111	9	62	112
Less rebates	-2	-3	-15	-25	-3	-14	-24
Video lottery terminals	-	-	-	1	-	-	-
Casino tax	6	8	49	78	7	41	77
Less rebates	-4	-2	-23	-42	-3	-20	-40
TAB betting tax	3	3	22	55	5	42	69
Less rebates	-	-	-4	-6	-2	-17	-30
<i>Total taxes on gambling</i>	12	15	93	172	13	93	164
Stamp duty on insurance policies	35	20	201	341	27	184	308
Other	4	2	16	27	2	16	27
<i>Total taxes on insurance</i>	39	22	218	368	29	200	335
Taxes on use of goods and performance of activities							
Stamp duty on vehicle licences	26	32	228	395	32	221	393
Permits – oversize vehicles and loads	-	-	2	5	-	1	4
Motor vehicle recording fee	3	3	20	34	3	18	32
Motor vehicle registrations	35	36	252	430	34	227	396
<i>Total motor vehicle taxes</i>	64	71	502	864	68	468	825
Total taxation	475	454	4,015	6,368	468	3,449	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.