



DEPARTMENT OF
TREASURY AND FINANCE

**MONTHLY
REPORT OF
GENERAL
GOVERNMENT
FINANCES**

Statement for the Month Ended
31 May 2008

MONTHLY REPORT OF GENERAL GOVERNMENT FINANCES

MAY 2008

Introduction

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

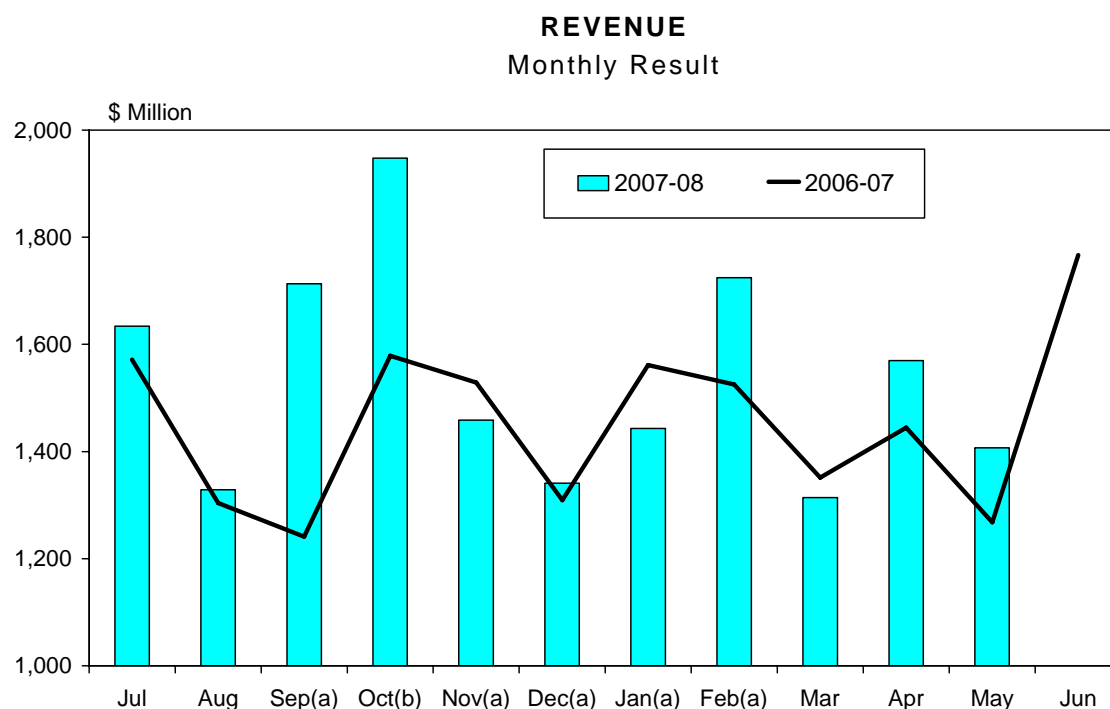
The general government sector recorded a \$125 million operating deficit for the month of May 2008, an increase of \$57 million from the \$68 million deficit recorded in May 2007. In broad terms, this is consistent with the acceleration of spending as year-end approaches.

Revenue for the month of May 2008 totalled \$1,407 million, up \$139 million on May 2007. The increase in monthly revenue is primarily due to:

- higher Commonwealth recurrent grants (up \$42 million), mainly due to higher North West Shelf petroleum royalties (up \$23 million, largely due to higher oil prices) and higher specific purpose grants, particularly those for government schools (up \$14 million);
- higher sales of goods and services (up \$36 million), reflecting increases in the volume and demand for goods and services across the sector that have been evident throughout the monthly results this year; and
- higher royalty revenue (up \$27 million), due largely to timing of nickel royalties.

The following chart shows monthly revenue collections for the first eleven months of 2007-08 relative to those recorded through 2006-07, demonstrating volatility in the timing of revenue.

Figure 1



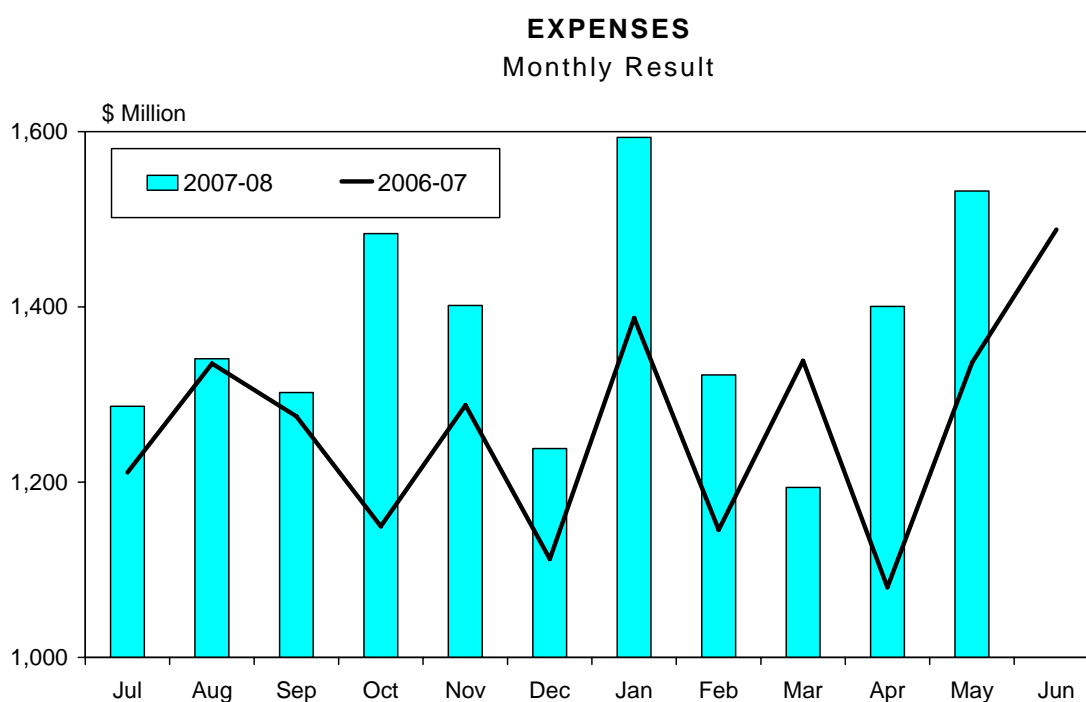
(a) Includes the impact of earlier land tax/MRIT collections in 2007-08, relative to 2006-07.

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

Totalling \$1,532 million, expenses in May 2008 were \$196 million higher than in May 2007. The major contributing factors to this increase were:

- higher salaries and wages (up \$81 million), due mainly to higher wages and staff numbers in the education and health sectors;
- higher current transfers (up \$54 million), due mainly to the timing of a range of grants across the sector (particularly those received by the Department of Agriculture and Food and the Department of Health);
- higher 'other' gross operating expenses (up \$39 million), mainly reflecting the timing of purchases across the general government sector; and
- higher services and contract expenses (up \$22 million), primarily due to higher construction and maintenance expenditure in the education and health sectors.

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



A cash deficit of \$308 million was recorded in May 2008. This compares with a cash deficit of \$187 million in May 2007. The lower cash result reflects a \$70 million decrease in net cash flows from operating activities and higher net monthly investment in non-financial assets (up \$50 million). Monthly infrastructure spending increased due to increased outlays on road infrastructure (particularly the New Perth-Bunbury Highway and the Karratha-Tom Price Link Road).

Eleven Months Ended 31 May 2008

An operating surplus of \$1,785 million was recorded for the eleven months ended 31 May 2008, \$240 million lower than the \$2,025 million surplus recorded for the same period in 2006-07.

Revenue in the period totalled \$16,881 million, \$1,197 million (or 7.6%) higher than the same period in 2006-07. Year-to-date revenue collections are broadly on track with the estimates published in the 2008-09 Budget, representing 90.0% of the full-year projection for 2007-08. The higher year-to-date result largely reflects:

- higher taxation revenue (up \$562 million), primarily due to higher payroll tax collections (up \$309 million, due to the strength of wages and employment growth across the economy) and higher conveyance duty (up \$152 million, mainly reflecting the impact of very large commercial assessments, particularly in October 2007), higher motor vehicle taxes (up \$41 million), higher land tax and Metropolitan Region Improvement Tax revenue (up \$34 million and \$11 million respectively), partly offset by the abolition of the hire of goods duty (down \$24 million);
- higher Commonwealth grants (up \$446 million), mainly due to increased funding for public health, indigenous housing and non-government schools, as well as higher North West Shelf petroleum royalties, higher GST grants and timing of road grants; and
- higher sales of goods and services (up \$174 million), reflecting increased fees for services in the health and education sectors, and higher collections of taxi licence fees.

Expenses totalled \$15,096 million for the eleven months ended 31 May 2008, \$1,437 million (or 10.5%) higher than the same period in 2006-07. This represents 91.0% of the annual estimate contained in the 2008-09 Budget. The increase is mainly due to:

- higher salaries and wages (up \$629 million), with higher employee costs for the health, education, and law and order sectors accounting for around 79% of this increase;
- higher services and contracts expenses (up \$265 million), primarily due to higher recurrent construction and maintenance expenditure in the education and health sectors;
- higher 'other' gross operating expenses (up \$212 million), reflecting increases in direct patient support costs, higher school maintenance costs and timing differences associated with day-to-day purchases across the sector; and
- higher current and capital transfers (up \$167 million), due largely to the on-passing of grants to the Housing Authority and non-government schools, increased funding for public health, disability services and indigenous housing, higher First Home Owner Grants and increased Community Service Obligation payments (mainly to the Water Corporation), partially offset by the lower appropriation funding to the Public Transport Authority due to the cessation of the Capital User Charge from 1 July 2007.

The cash surplus for the first eleven months of 2007-08 was \$896 million. This included a net cash inflow from operating activities of \$2,410 million, partially offset by net capital investment of \$1,514 million. Capital expenditure was up \$381 million (or 28.0%) on the first eleven months of 2006-07, reflecting the significant growth in the State's Capital Works Program for 2007-08, particularly for roads, health and education infrastructure projects.

GENERAL GOVERNMENT

Operating Statement

	2007-08				2006-07		
	Month of April \$m	Month of May \$m	Eleven Months to 31 May \$m	Annual Estimate ^(a) \$m	Month of May \$m	Eleven Months to 31 May \$m	Actual ^(b) \$m
REVENUE							
Taxation	432	419	5,770	6,399	407	5,208	5,718
Current grants and subsidies	707	682	7,087	7,480	640	6,745	7,155
Capital grants	164	46	506	455	53	402	448
Sales of goods and services	82	121	1,253	1,272	85	1,079	1,229
Interest income	29	28	281	256	21	218	246
Revenue from public corporations							
Dividends	8	-	115	491	-	84	421
Tax equivalent payments	23	28	311	328	18	304	311
Royalty income	101	50	1,257	1,731	23	1,230	1,468
Other	25	34	301	345	22	413	453
<i>Total</i>	<i>1,570</i>	<i>1,407</i>	<i>16,881</i>	<i>18,757</i>	<i>1,268</i>	<i>15,684</i>	<i>17,451</i>
EXPENSES							
Gross operating expenses							
Salaries	636	635	6,220	6,797	554	5,591	6,182
Depreciation and amortisation	59	66	642	740	64	570	672
Superannuation	62	62	604	666	54	545	602
Services and contracts	174	171	1,702	1,966	149	1,437	1,663
Other	163	191	1,782	1,953	152	1,570	1,822
Nominal superannuation interest	29	29	288	316	20	255	289
Other interest	9	6	95	109	9	97	112
Current transfers	238	326	3,342	3,556	272	3,120	3,392
Capital transfers	32	47	420	492	62	475	413
<i>Total</i>	<i>1,401</i>	<i>1,532</i>	<i>15,096</i>	<i>16,596</i>	<i>1,336</i>	<i>13,659</i>	<i>15,147</i>
Net Operating Balance	169	-125	1,785	2,161	-68	2,025	2,303

(a) The estimated actuals for 2007-08 published in the 2008-09 Budget, were presented on a basis consistent with accounting standard AASB 1049: *Whole of Government and General Government Sector Financial Reporting*, released in October 2007. The new standard applies to all periods from 1 July 2008. The estimated outturn data for 2007-08 published in the 2008-09 Budget have been adjusted in this report to the presentation format consistent with the 2007-08 Budget for comparative purposes.

(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 April	Month of May \$m	Eleven Months to 31 May \$m	Annual Estimate ^(a) \$m	Month of May \$m	Eleven Months to 31 May \$m	Actual ^(b) \$m
RECEIPTS FROM OPERATING ACTIVITIES							
Taxes received	424	427	5,671	6,440	435	5,049	5,675
Receipts from sales of goods and services	110	102	1,300	1,289	124	1,214	1,280
Grants and subsidies received	875	707	7,518	7,865	656	7,069	7,550
Other receipts	286	202	3,026	3,726	183	2,792	3,542
<i>Total</i>	<i>1,695</i>	<i>1,438</i>	<i>17,516</i>	<i>19,320</i>	<i>1,398</i>	<i>16,123</i>	<i>18,046</i>
PAYMENTS FOR OPERATING ACTIVITIES							
Payments for goods and services	-1,034	-1,140	-10,711	-11,712	-1,076	-9,633	-10,541
Grants and subsidies paid	-238	-311	-3,315	-3,728	-275	-3,117	-3,526
Interest paid	-17	-1	-81	-113	-6	-89	-112
Other payments	-88	-111	-999	-1,082	-96	-834	-966
<i>Total</i>	<i>-1,377</i>	<i>-1,563</i>	<i>-15,106</i>	<i>-16,635</i>	<i>-1,453</i>	<i>-13,673</i>	<i>-15,145</i>
Net Cash Flow from Operating Activities	318	-125	2,410	2,684	-55	2,450	2,901
INVESTMENT IN NON-FINANCIAL ASSETS							
Purchase of non-financial assets	-151	-198	-1,740	-2,040	-143	-1,359	-1,610
Sales of non-financial assets	18	15	226	212	10	151	169
<i>Total</i>	<i>-133</i>	<i>-183</i>	<i>-1,514</i>	<i>-1,828</i>	<i>-133</i>	<i>-1,208</i>	<i>-1,441</i>
INVESTMENT IN FINANCIAL ASSETS							
Policy purposes	-30	-4	-288	-378	-27	-1,366	-1,405
Liquidity purposes	5	2	71	-8	-	29	31
<i>Total</i>	<i>-25</i>	<i>-2</i>	<i>-217</i>	<i>-386</i>	<i>-27</i>	<i>-1,337</i>	<i>-1,374</i>
Net Cash Flow from Investing Activities	-158	-185	-1,731	-2,214	-159	-2,545	-2,815
FINANCING ACTIVITIES							
Advances received (net)	-	-	-3	-	-	-4	-4
Borrowings (net)	-4	45	-70	78	54	-33	-24
Deposits received (net)	-	-	-	-	-	-	-
Other financing	4	8	41	-18	2	51	16
<i>Total</i>	<i>-</i>	<i>53</i>	<i>-32</i>	<i>60</i>	<i>56</i>	<i>14</i>	<i>-12</i>
<i>Opening cash balance</i>	<i>5,279</i>	<i>5,440</i>	<i>4,535</i>	<i>4,535</i>	<i>4,538</i>	<i>4,462</i>	<i>4,462</i>
NET INCREASE IN CASH HELD	160	-258	647	530	-158	-81	74
<i>Closing cash balance</i>	<i>5,440</i>	<i>5,182</i>	<i>5,182</i>	<i>5,065</i>	<i>4,380</i>	<i>4,380</i>	<i>4,535</i>
<i>Net cash from operating activities and investments in non-financial assets</i>	<i>186</i>	<i>-308</i>	<i>896</i>	<i>857</i>	<i>-187</i>	<i>1,242</i>	<i>1,460</i>
<i>Less finance leases and similar arrangements</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>198</i>	<i>-</i>	<i>-</i>	<i>-</i>
Cash surplus	186	-308	896	659	-187	1,242	1,460

(a) The estimated actuals for 2007-08 published in the 2008-09 Budget, were presented on a basis consistent with accounting standard AASB 1049: *Whole of Government and General Government Sector Financial Reporting*, released in October 2007. The new standard applies to all periods from 1 July 2008. The estimated outturn data for 2007-08 published in the 2008-09 Budget have been adjusted in this report to the presentation format consistent with the 2007-08 Budget for comparative purposes.

(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 April \$m	Month of May \$m	Eleven Months to 31 May \$m	Annual Estimate ^(a) \$m	Month of May \$m	Eleven Months to 31 May \$m	Actual ^(b) \$m
TAXATION							
Taxes on employers' payroll and labour force							
<i>Payroll tax</i>	166	172	1,778	1,958	139	1,469	1,607
Property taxes							
<i>Land tax</i>	-	-1	417	415	-2	383	386
Conveyances and transfers	139	121	1,974	2,267	162	1,822	2,037
Mortgages	9	8	101	116	11	109	121
Other stamp duties	-	-	-3	-2	-1	25	26
<i>Total stamp duties on financial and capital transactions</i>	148	129	2,071	2,381	172	1,956	2,184
Metropolitan Region Improvement Tax	-	-	76	78	-	65	65
Emergency Services Levy	-	-	137	150	-	127	137
Loan guarantee fees	1	-	12	16	1	13	14
<i>Total other property taxes</i>	1	-	225	244	1	205	217
Taxes on provision of goods and services							
Lotteries Commission	9	9	102	111	9	97	112
Less rebates	-4	-	-21	-25	-4	-22	-24
Video lottery terminals	-	-	-	1	-	-	-
Casino tax	10	10	80	78	1	62	77
Less rebates	-6	-6	-39	-42	-4	-35	-40
TAB betting tax	2	3	32	32	5	65	69
Less rebates	-	-	-5	-6	-5	-28	-30
<i>Total taxes on gambling</i>	11	16	149	148	1	139	164
Stamp duty on insurance policies	29	25	311	353	16	283	308
Other	2	2	28	27	2	23	27
<i>Total taxes on insurance</i>	31	27	339	379	18	306	335
Taxes on use of goods and performance of activities							
Stamp duty on vehicle licences	33	33	359	396	38	358	393
Permits – oversize vehicles and loads	-	-	3	4	-	2	4
Motor vehicle recording fee	3	3	31	34	3	29	32
Motor vehicle registrations	38	38	398	439	37	360	396
<i>Total motor vehicle taxes</i>	74	74	790	873	78	749	825
Total taxation	432	419	5,770	6,399	407	5,208	5,718

(a) The estimated actuals for 2007-08 published in the 2008-09 Budget, were presented on a basis consistent with accounting standard AASB 1049: *Whole of Government and General Government Sector Financial Reporting*, released in October 2007. The new standard applies to all periods from 1 July 2008. The estimated outturn data for 2007-08 published in the 2008-09 Budget have been adjusted in this report to the presentation format consistent with the 2007-08 Budget for comparative purposes.

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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.