



DEPARTMENT OF
TREASURY AND FINANCE

**MONTHLY
REPORT OF
GENERAL
GOVERNMENT
FINANCES**

Statement for the Month Ended
30 November 2007

MONTHLY REPORT OF GENERAL GOVERNMENT FINANCES

NOVEMBER 2007

Introduction

This report provides a summary of the Western Australian general government sector's finances for the month of November 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 November 2007

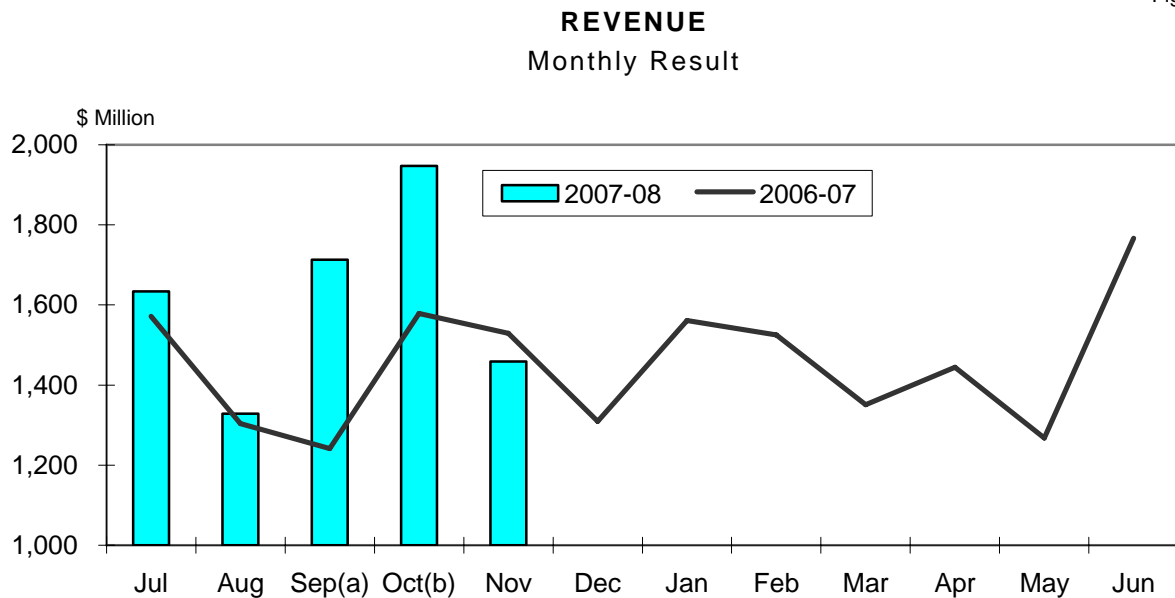
The general government sector recorded a \$57 million operating surplus for the month of November 2007, \$184 million lower than the \$241 million surplus recorded in November 2006.

Revenue in November 2007 was \$1,459 million, down \$70 million from November 2006. The decrease in monthly revenue is attributable to:

- lower taxation revenue (down \$227 million), due primarily to the timing of land tax and Metropolitan Region Improvement Tax (MRIT) assessments in 2007-08 relative to 2006-07 (down \$269 million and \$27 million respectively), partially offset by the impact of wages growth on payroll tax (up \$27 million), and higher conveyance duty collections (up \$31 million);
- higher Commonwealth funding (up \$86 million), mainly due to the timing of a range of tied grants and changes in the GST payment profile;
- higher revenue from public corporations (up \$40 million), due to the timing of the final dividend declaration for 2006-07 by Synergy, and a change in tax instalment arrangements for the Water Corporation; and
- higher sales of goods and services (up \$23 million), reflecting the timing and demand for goods and services across the sector.

The following chart shows monthly revenue for the first five 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.

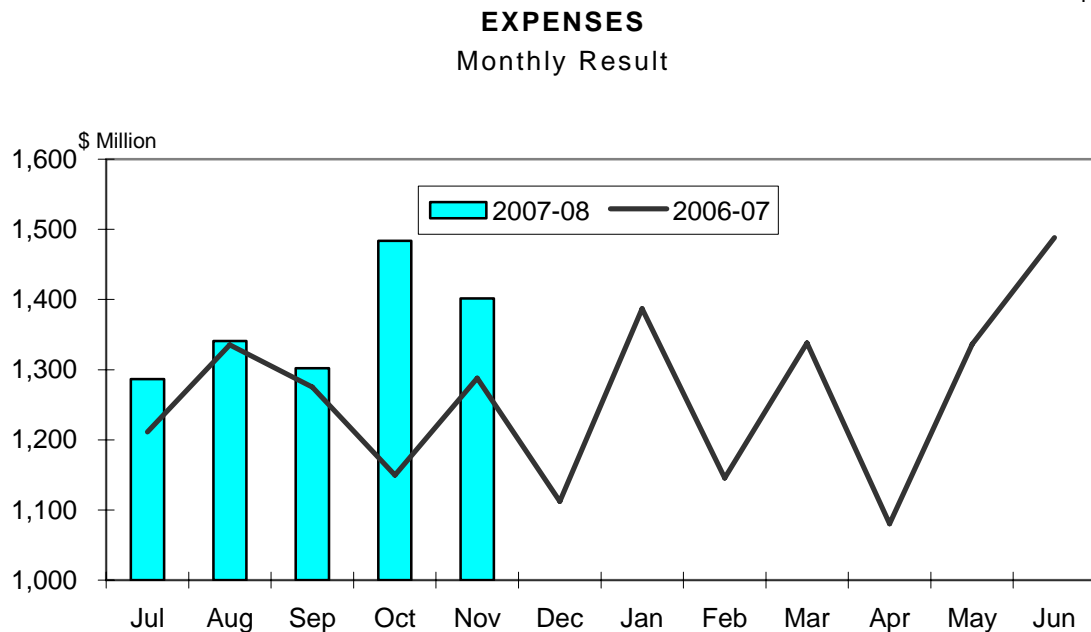
(b) Includes the impact of earlier land tax/MRIT collections in 2007-08, relative to 2006-07, and significant conveyance duty assessments.

Expenses for the month of November 2007 totalled \$1,402 million, up \$114 million from the \$1,288 million recorded in November 2006. This increase largely reflects:

- higher salaries and wages (up \$41 million), mainly attributable to higher employee costs and staff numbers in the health sector;
- higher 'other' gross operating expenses (up \$37 million), mainly due to higher maintenance and minor works costs in the education sector ; and
- higher services and contract expenses (up \$29 million), primarily due to higher expensed construction and maintenance costs by the education and health sectors.

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

Figure 2



A cash surplus of \$288 million was recorded in November 2007, compared with a cash deficit of \$132 million in November 2006. This outcome reflects the cash impact of the factors discussed above, together with a \$58 million increase in spending on infrastructure. Spending on road infrastructure such as the New Perth – Bunbury Highway largely explains the higher fixed asset expenditure in November 2007.

Five Months Ended 30 November 2007

A surplus of \$1,267 million was recorded for the five months ended 30 November 2007, \$302 million higher than the \$965 million surplus recorded for the same period in 2006-07.

Revenue in the period totalled \$8,082 million, \$858 million (or 11.9%) higher than the first five months of 2006-07. This represents almost 44% of the 2007-08 full-year projection. The major contributors to this increase were:

- higher taxation revenue (up \$554 million), due to higher land tax and MRIT revenue (up \$179 million), higher conveyance duty collections (up \$185 million, mainly reflecting the impact of some unusually large assessments in October 2007), higher payroll tax collections (up \$149 million) and higher motor vehicle taxes (up \$33 million), partially offset by the impact of the abolition of the duty on the hire of goods from 1 January 2007;
- higher Commonwealth grants (up \$174 million), due to higher funding for public education and health, as well as the timing issues noted earlier, and higher year-to-date receipts of non-government schools funding (on-passed through the State);
- higher sales of goods and services (up \$80 million), due to the recoup of spending such as bed charges, patient fees, nursing services, overseas student and school camp fees, etc. by the health and education sectors;

- higher royalty income¹ (up \$49 million), due primarily to higher commodity prices, particularly for nickel, diamonds and iron ore, which have been partially offset by the impact of a higher exchange rate;
- higher dividend revenue (up \$46 million), due mainly to the impact of higher than expected developers' contributions to the Water Corporation; and
- lower tax equivalent revenue from public corporations (down \$22 million), due mainly to the implementation of changes in tax instalment arrangements for the Water Corporation (noted earlier).

Expenses totalled \$6,815 million for the five months ended 30 November 2007, \$556 million (or 8.9%) higher than the same period in 2006-07. This represents 41% of the annual projection. The increase largely reflects:

- higher salaries and wages (up \$214 million), with higher employee costs for the health, education and law and order sectors significant in this increase;
- higher services and contracts (up \$115 million), due mainly to expensed construction work by the Department of Housing and Works on behalf of the education and health sectors;
- higher 'other' gross operating expenses (up \$102 million), primarily due to higher patient support costs in the health sector and higher school support costs in the education sector; and
- higher transfers, mainly grants (up \$86 million), due largely to health sector grants, the on-passing of Commonwealth grants to non-government schools and First Home Owner Grants.

A cash surplus of \$342 million was recorded during the first five months of 2007-08. This included a net cash inflow from operating activities of \$851 million, partially offset by net capital investment of \$509 million. These results are broadly consistent with the same five month period in 2006-07.

¹ Excluding North West Shelf royalties which are received as grants from the Commonwealth.

GENERAL GOVERNMENT

Operating Statement

	2007-08				2006-07		
	Month of Oct \$m	Month of Nov \$m	Five Months to 30 Nov \$m	Annual Estimate ^(a) \$m	Month of Nov \$m	Five Months to 30 Nov \$m	Actual ^(b) \$m
REVENUE							
Taxation	713	525	3,086	6,368	752	2,532	5,718
Current grants and subsidies	874	653	3,281	7,362	567	3,100	7,155
Capital grants	28	42	166	471	42	173	448
Sales of goods and services	133	106	569	1,260	83	489	1,229
Interest income	21	23	112	254	18	98	246
Revenue from public corporations							
Dividends	-	22	71	485	1	25	421
Tax equivalent payments	27	32	129	318	13	151	311
Royalty income	116	32	529	1,668	19	480	1,468
Other	35	25	139	329	35	175	453
<i>Total</i>	<i>1,948</i>	<i>1,459</i>	<i>8,082</i>	<i>18,516</i>	<i>1,529</i>	<i>7,224</i>	<i>17,451</i>
EXPENSES							
Gross operating expenses							
Salaries	571	573	2,727	6,688	532	2,513	6,182
Depreciation and amortisation	56	59	286	741	51	251	672
Superannuation	55	56	265	648	52	245	602
Services and contracts	168	164	745	1,988	135	630	1,663
Other	191	203	870	2,056	166	768	1,822
Nominal superannuation interest	23	23	116	316	25	127	289
Other interest	10	7	42	113	7	47	112
Current transfers	376	270	1,569	3,598	272	1,511	3,392
Capital transfers	33	47	195	536	48	167	413
<i>Total</i>	<i>1,484</i>	<i>1,402</i>	<i>6,815</i>	<i>16,685</i>	<i>1,288</i>	<i>6,259</i>	<i>15,147</i>
NET OPERATING BALANCE	464	57	1,267	1,831	241	965	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 Oct \$m	Month of Nov \$m	Five Months to 30 Nov \$m	Annual Estimate ^(a) \$m	Month of Nov \$m	Five Months to 30 Nov \$m	Actual ^(b) \$m
RECEIPTS FROM OPERATING ACTIVITIES							
Taxes received	510	847	2,770	6,397	405	2,124	5,675
Receipts from sales of goods and services	122	123	604	1,297	92	529	1,280
Grants and subsidies received	878	718	3,430	7,765	620	3,260	7,550
Other receipts	398	127	1,323	3,743	123	1,162	3,542
<i>Total</i>	<i>1,908</i>	<i>1,815</i>	<i>8,127</i>	<i>19,202</i>	<i>1,241</i>	<i>7,076</i>	<i>18,046</i>
PAYMENTS FOR OPERATING ACTIVITIES							
Payments for goods and services	-1,035	-1,066	-4,885	-11,727	-930	-4,384	-10,541
Grants and subsidies paid	-385	-231	-1,235	-3,810	-254	-1,416	-3,526
Interest paid	-19	-5	-44	-116	-5	-44	-112
Other payments	-106	-65	-363	-1,071	-78	-404	-966
<i>Total</i>	<i>-1,544</i>	<i>-1,367</i>	<i>-5,461</i>	<i>-16,724</i>	<i>-1,267</i>	<i>-6,248</i>	<i>-15,145</i>
Net Cash Flow from Operating Activities	363	448	851	2,477	-26	828	2,901
INVESTMENT IN NON-FINANCIAL ASSETS							
Purchase of non-financial assets	-151	-180	-566	-2,385	-122	-578	-1,610
Sales of non-financial assets	15	19	57	213	16	67	169
<i>Total</i>	<i>-137</i>	<i>-160</i>	<i>-509</i>	<i>-2,172</i>	<i>-106</i>	<i>-511</i>	<i>-1,441</i>
INVESTMENT IN FINANCIAL ASSETS							
Policy purposes	-39	-34	-138	-379	-33	-1,214	-1,405
Liquidity purposes	26	-	28	-9	16	29	31
<i>Total</i>	<i>-12</i>	<i>-34</i>	<i>-110</i>	<i>-388</i>	<i>-17</i>	<i>-1,185</i>	<i>-1,374</i>
Net Cash Flow from Investing Activities	-149	-194	-619	-2,560	-123	-1,696	-2,815
FINANCING ACTIVITIES							
Advances received (net)	-3	-	-3	-	-	-	-4
Borrowings (net)	-39	94	-76	-35	49	49	-24
Deposits received (net)	-	-	-	-	5	-1	-
Other financing	-2	20	2	-17	4	36	16
<i>Total</i>	<i>-44</i>	<i>114</i>	<i>-76</i>	<i>-52</i>	<i>58</i>	<i>-18</i>	<i>-12</i>
Opening cash balance	4,520	4,691	4,535	4,535	3,667	4,462	4,462
NET INCREASE IN CASH HELD	171	367	156	-135	-91	-886	74
Closing cash balance	4,691	5,058	4,691	4,401	3,576	3,576	4,535
<i>Net cash from operating activities and investments in non-financial assets</i>	<i>227</i>	<i>288</i>	<i>342</i>	<i>305</i>	<i>-132</i>	<i>317</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	227	288	342	305	-132	317	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 Oct \$m	Month of Nov \$m	Five Months to 30 Nov \$m	Annual Estimate ^(a) \$m	Month of Nov \$m	Five Months to 30 Nov \$m	Actual ^(b) \$m
TAXATION							
Taxes on employers' payroll and labour force							
Payroll tax	173	157	810	1,958	130	661	1,607
Property taxes							
Land tax	71	10	411	420	279	279	386
Conveyances and transfers	302	201	1,039	2,225	170	854	2,037
Mortgages	9	11	49	116	9	53	121
Other stamp duties	-	-	1	1	3	16	26
<i>Total stamp duties on financial and capital transactions</i>	311	212	1,090	2,342	182	923	2,184
Metropolitan Region Improvement Tax	35	3	77	78	30	30	65
Emergency Services Levy	12	22	102	150	24	93	137
Loan guarantee fees	1	1	3	16	1	5	14
<i>Total other property taxes</i>	48	26	184	244	55	129	217
Taxes on provision of goods and services							
Lotteries Commission	9	9	46	111	9	43	112
Less rebates	-2	-2	-10	-25	-2	-10	-24
Video lottery terminals	-	-	-	1	-	-	-
Casino tax	7	7	35	78	6	28	77
Less rebates	-3	-4	-17	-42	-4	-14	-40
TAB betting tax	-	3	16	55	5	27	69
Less rebates	-	-	-4	-6	-3	-12	-30
<i>Total taxes on gambling</i>	10	13	66	172	11	62	164
Stamp duty on insurance policies	25	26	146	341	24	136	308
Other	2	2	10	27	2	9	27
<i>Total taxes on insurance</i>	27	28	157	368	26	145	335
Taxes on use of goods and performance of activities							
Stamp duty on vehicle licences	32	38	170	395	33	157	393
Permits – oversize vehicles and loads	-	1	2	5	-	1	4
Motor vehicle recording fee	3	3	14	34	3	13	32
Motor vehicle registrations	37	36	181	430	32	163	396
<i>Total motor vehicle taxes</i>	73	78	367	864	68	334	825
Total taxation	713	525	3,086	6,368	752	2,532	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.

Columns may not add due to rounding.

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