



DEPARTMENT OF
TREASURY AND FINANCE

**MONTHLY
REPORT OF
GENERAL
GOVERNMENT
FINANCES**

Statement for the Month Ended
31 October 2007

MONTHLY REPORT OF GENERAL GOVERNMENT FINANCES

OCTOBER 2007

Introduction

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

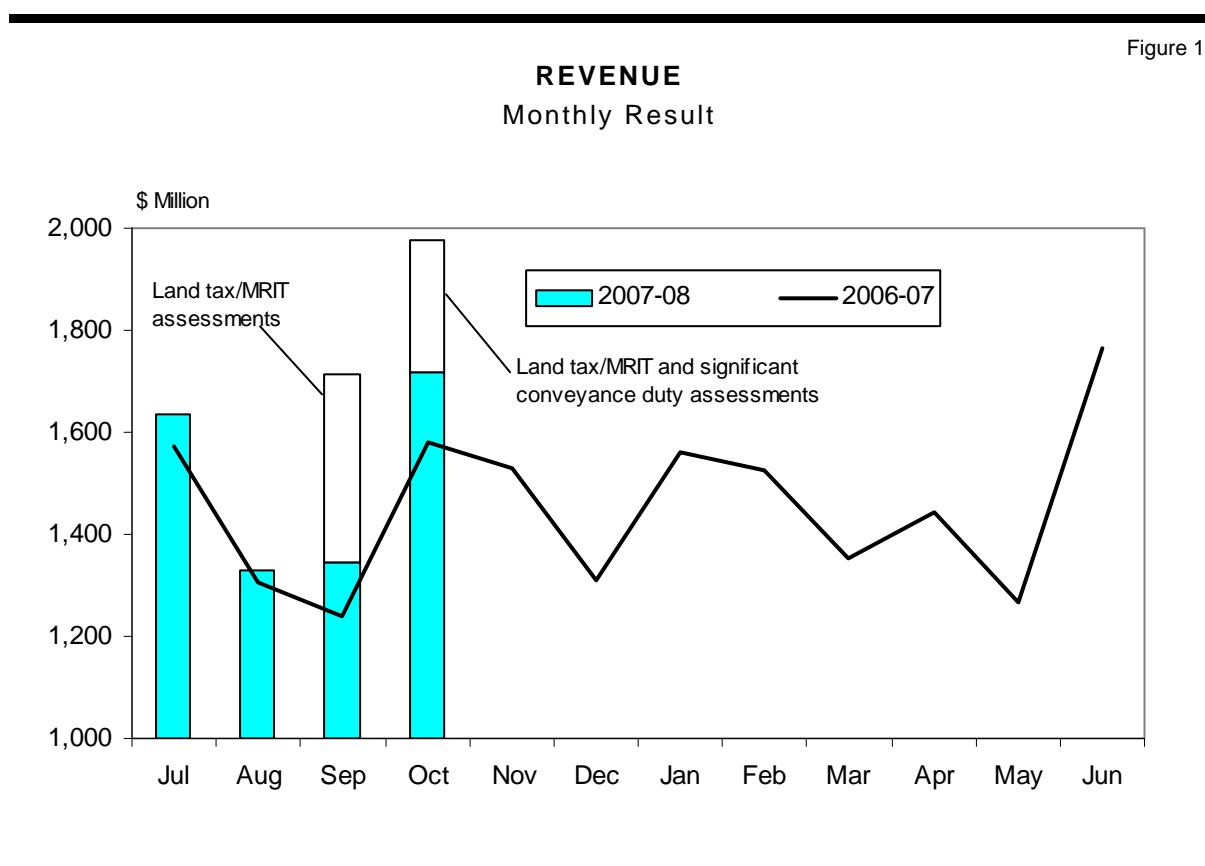
Month of October 2007

The general government sector recorded a \$464 million operating surplus for the month of October 2007, broadly similar to the \$429 million surplus recorded in October 2006.

Revenue in October 2007 was \$1,948 million, up \$369 million from October 2006. The increase in monthly revenue is primarily attributable to:

- higher taxation revenue (up \$318 million), which includes very strong conveyance duty revenue (up a total of \$159 million) driven by a number of significant assessments in October 2007, the earlier issue of land tax and Metropolitan Region Improvement Tax (MRIT) assessments in 2007-08 relative to 2006-07 (up \$106 million), and the impact of wages and employment growth on payroll tax (up \$41 million);
- higher sales of goods and services (up \$46 million), reflecting the timing and demand for goods and services across the sector;
- higher Commonwealth funding (up \$36 million), primarily due to increased non-government school grants; and
- lower tax equivalent revenue from public corporations (down \$28 million), due mainly to the implementation of a lower tax instalment rate applying to the Water Corporation from March 2007.

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

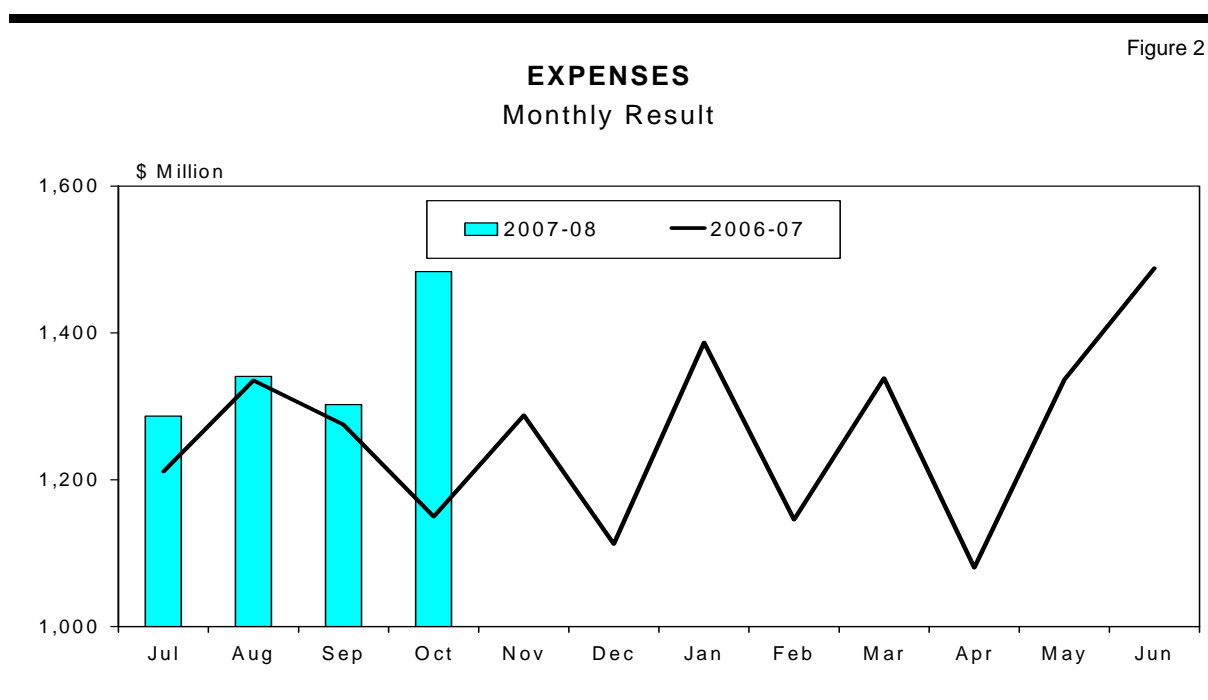


Expenses for the month of October 2007 totalled \$1,484 million, up \$334 million from the \$1,150 million recorded in October 2006. This increase largely reflects:

- higher 'other' gross operating expenses (up \$159 million), mainly due to the unusually lower monthly outcome in October 2006¹;
- higher salaries and wages (up \$72 million), largely reflecting higher employee costs for the health, education, and law and order sectors;
- higher current and capital transfers (up \$71 million), due mainly to health sector grants, the on-passing of Commonwealth grants to non-government schools, and higher First Home Owner Grant payments (reflecting higher levels of activity in this sector of the property market); and
- higher services and contract expenses (up \$24 million), primarily due to higher expensed construction and maintenance costs for the education and health sectors.

¹ Which was impacted by an accounting change to Department of Housing and Works data as well as significant timing issues, as disclosed in the October 2006 report.

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



A cash surplus of \$227 million was recorded in October 2007, compared with a cash surplus of \$336 million in October 2006. This outcome largely reflects the cash impact of the factors discussed above.

Four Months Ended 31 October 2007

A surplus of \$1,210 million was recorded for the four months ended 31 October 2007, \$486 million higher than the \$724 million surplus recorded for the same period in 2006-07. Adjusting for the impact of earlier issuance of land tax and MRIT assessment this year, the surplus for the first four months of 2007-08 was \$736 million.

Revenue in the period totalled \$6,623 million, \$928 million (or 16.3%) higher than the first four months of 2006-07. The major contributors to this increase were:

- higher taxation revenue (up \$781 million), including substantial effect of timing of land tax and MRIT assessments in 2007-08 (up \$401 million and \$73 million respectively), and higher conveyance duty (up \$164 million) and payroll tax (up \$123 million) reflecting the factors noted in the monthly discussion;
- higher Commonwealth grants (up \$87 million), mainly due to higher tied grants, with increased funding for public education and health (up \$44 million) and non-government schools (up \$42 million);
- higher sales of goods and services (up \$57 million), reflecting the timing and demand for goods and services across the sector.
- higher royalty income (up \$36 million), due primarily to higher commodity prices, particularly for nickel and iron ore, which have been partially offset by the impact of the higher exchange rate;
- higher dividend revenue (up \$25 million), due to higher Water Corporation dividends, primarily as a result of higher than expected developers' contributions revenue;

- lower tax equivalent revenue from public corporations (down \$42 million), due mainly to the implementation of the lower tax instalment rate for the Water Corporation (discussed earlier); and
- lower 'other' income (down \$26 million), due largely to the abolition of the Capital User Charge from 1 July 2007 (previously collected from the Public Transport Authority).

Expenses totalled \$5,413 million for the four months ended 31 October 2007, \$442 million (or 8.9%) higher than the same period in 2006-07. This increase largely reflects:

- higher salaries and wages (up \$173 million), reflecting the factors discussed in the monthly results above;
- higher services and contracts (up \$87 million), due mainly to expensed construction work in the education and health sectors;
- higher 'other' gross operating expenses (up \$65 million), primarily reflecting timing issues and demand factors; and
- higher transfers, mainly grants (up \$89 million), due largely to the factors discussed in the monthly discussion above.

A cash surplus of \$342 million was recorded during the first four months of 2007-08. This included a net cash inflow from operating activities of \$851 million (similar to the same period the previous year), partially offset by net capital investment of \$509 million (up \$105 million on the first four months of 2006-07). The higher infrastructure spend relative to the same period in 2005-06 is due largely to work on the Perth Arena and a number of road projects including the New Perth - Bunbury Highway.

GENERAL GOVERNMENT

Operating Statement

	2007-08				2006-07		
	Month of Sept \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Annual Estimate ^(a) \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Actual ^(b) \$m
REVENUE							
Taxation	869	713	2,562	6,368	395	1,781	5,718
Current grants and subsidies	400	874	2,628	7,362	827	2,533	7,155
Capital grants	26	28	124	471	39	132	448
Sales of goods and services	102	133	463	1,260	87	406	1,229
Interest income	21	21	90	254	17	80	246
Revenue from public corporations							
Dividends	49	-	49	485	-	24	421
Tax equivalent payments	16	27	97	318	55	139	311
Royalty income	211	116	497	1,668	120	461	1,468
Other	19	35	114	329	39	140	453
<i>Total</i>	<i>1,713</i>	<i>1,948</i>	<i>6,623</i>	<i>18,516</i>	<i>1,579</i>	<i>5,695</i>	<i>17,451</i>
EXPENSES							
Gross operating expenses							
Salaries	518	571	2,154	6,688	499	1,981	6,182
Depreciation and amortisation	56	56	227	741	52	200	672
Superannuation	50	55	209	648	49	193	602
Services and contracts	165	168	582	1,988	144	495	1,663
Other	180	191	667	2,056	32	602	1,822
Nominal superannuation interest	23	23	93	316	25	102	289
Other interest	7	10	36	113	10	40	112
Current transfers	277	376	1,298	3,598	312	1,239	3,392
Capital transfers	25	33	148	536	26	119	413
<i>Total</i>	<i>1,302</i>	<i>1,484</i>	<i>5,413</i>	<i>16,685</i>	<i>1,150</i>	<i>4,971</i>	<i>15,147</i>
NET OPERATING BALANCE	411	464	1,210	1,831	429	724	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 Sept \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Annual Estimate ^(a) \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Actual ^(b) \$m
RECEIPTS FROM OPERATING ACTIVITIES							
Taxes received	481	510	1,923	6,397	401	1,719	5,675
Receipts from sales of goods and services	100	122	481	1,297	101	437	1,280
Grants and subsidies received	417	878	2,713	7,765	849	2,641	7,550
Other receipts	306	398	1,196	3,743	338	1,038	3,542
<i>Total</i>	<i>1,303</i>	<i>1,908</i>	<i>6,312</i>	<i>19,202</i>	<i>1,689</i>	<i>5,835</i>	<i>18,046</i>
PAYMENTS FOR OPERATING ACTIVITIES							
Payments for goods and services	-899	-1,035	-3,819	-11,727	-825	-3,454	-10,541
Grants and subsidies paid	-221	-385	-1,235	-3,810	-308	-1,161	-3,526
Interest paid	-1	-19	-44	-116	-14	-40	-112
Other payments	-88	-106	-363	-1,071	-74	-326	-966
<i>Total</i>	<i>-1,210</i>	<i>-1,544</i>	<i>-5,461</i>	<i>-16,724</i>	<i>-1,222</i>	<i>-4,981</i>	<i>-15,145</i>
Net Cash Flow from Operating Activities	93	363	851	2,477	467	854	2,901
INVESTMENT IN NON-FINANCIAL ASSETS							
Purchase of non-financial assets	-118	-151	-566	-2,385	-141	-455	-1,610
Sales of non-financial assets	10	15	57	213	9	51	169
<i>Total</i>	<i>-108</i>	<i>-137</i>	<i>-509</i>	<i>-2,172</i>	<i>-132</i>	<i>-404</i>	<i>-1,441</i>
INVESTMENT IN FINANCIAL ASSETS							
Policy purposes	-28	-39	-138	-379	-66	-1,181	-1,405
Liquidity purposes	21	26	28	-9	12	13	31
<i>Total</i>	<i>-7</i>	<i>-12</i>	<i>-110</i>	<i>-388</i>	<i>-55</i>	<i>-1,168</i>	<i>-1,374</i>
Net Cash Flow from Investing Activities	-115	-149	-619	-2,560	-186	-1,572	-2,815
FINANCING ACTIVITIES							
Advances received (net)	-	-3	-3	-	-	-4	-4
Borrowings (net)	112	-39	-76	-35	-63	-99	-24
Deposits received (net)	-	-	-	-	-2	-6	-
Other financing	12	-2	2	-17	-	33	16
<i>Total</i>	<i>124</i>	<i>-44</i>	<i>-76</i>	<i>-52</i>	<i>-65</i>	<i>-76</i>	<i>-12</i>
Opening cash balance	4,418	4,520	4,535	4,535	3,450	4,462	4,462
NET INCREASE IN CASH HELD	102	171	156	-135	217	-795	74
Closing cash balance	4,520	4,691	4,691	4,401	3,667	3,667	4,535
<i>Net cash from operating activities and investments in non-financial assets</i>	<i>-15</i>	<i>227</i>	<i>342</i>	<i>305</i>	<i>336</i>	<i>449</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	-15	227	342	305	336	449	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 Sept \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Annual Estimate ^(a) \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Actual ^(b) \$m
TAXATION							
Taxes on employers' payroll and labour force							
<i>Payroll tax</i>	159	173	654	1,958	132	531	1,607
Property taxes							
<i>Land tax</i>	330	71	401	420	-	-	386
Conveyances and transfers	181	302	838	2,225	143	684	2,037
Mortgages	9	9	39	116	9	44	121
Other stamp duties	-	-	2	1	2	12	26
<i>Total stamp duties on financial and capital transactions</i>	191	311	878	2,342	154	740	2,184
Metropolitan Region Improvement Tax							
Emergency Services Levy	34	12	80	150	1	70	137
Loan guarantee fees	1	1	5	16	2	4	14
<i>Total other property taxes</i>	73	48	157	244	2	74	217
Taxes on provision of goods and services							
Lotteries Commission	9	9	37	111	9	34	112
Less rebates	-2	-2	-8	-25	-2	-8	-24
Video lottery terminals	-	-	-	1	-	-	-
Casino tax	7	7	27	78	7	23	77
Less rebates	-4	-3	-13	-42	-1	-10	-40
TAB betting tax	5	-	13	55	5	21	69
Less rebates	-	-	-3	-6	-2	-9	-30
<i>Total taxes on gambling</i>	15	10	53	172	17	51	164
Stamp duty on insurance policies							
Other	2	2	8	27	2	7	27
<i>Total taxes on insurance</i>	33	27	128	368	25	118	335
Taxes on use of goods and performance of activities							
Stamp duty on vehicle licences	33	32	132	395	31	124	393
Permits – oversize vehicles and loads	-	-	1	5	-	1	4
Motor vehicle recording fee	3	3	12	34	2	10	32
Motor vehicle registrations	33	37	145	430	31	131	396
<i>Total motor vehicle taxes</i>	68	73	290	864	65	266	825
Total taxation	869	713	2,562	6,368	395	1,781	5,718

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

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