



DEPARTMENT OF  
TREASURY AND FINANCE

**MONTHLY  
REPORT OF  
GENERAL  
GOVERNMENT  
FINANCES**

Statement for the Month Ended  
**31 October 2008**

# MONTHLY REPORT OF GENERAL GOVERNMENT FINANCES<sup>1</sup>

## OCTOBER 2008

### *Introduction*

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

The general government sector recorded a \$17 million operating deficit for the month of October 2008, compared with a \$458 million surplus recorded in October 2007.

Revenue for the month of October 2008 totalled \$1,796 million, down \$155 million on October 2007. The decrease in monthly revenue is primarily due to:

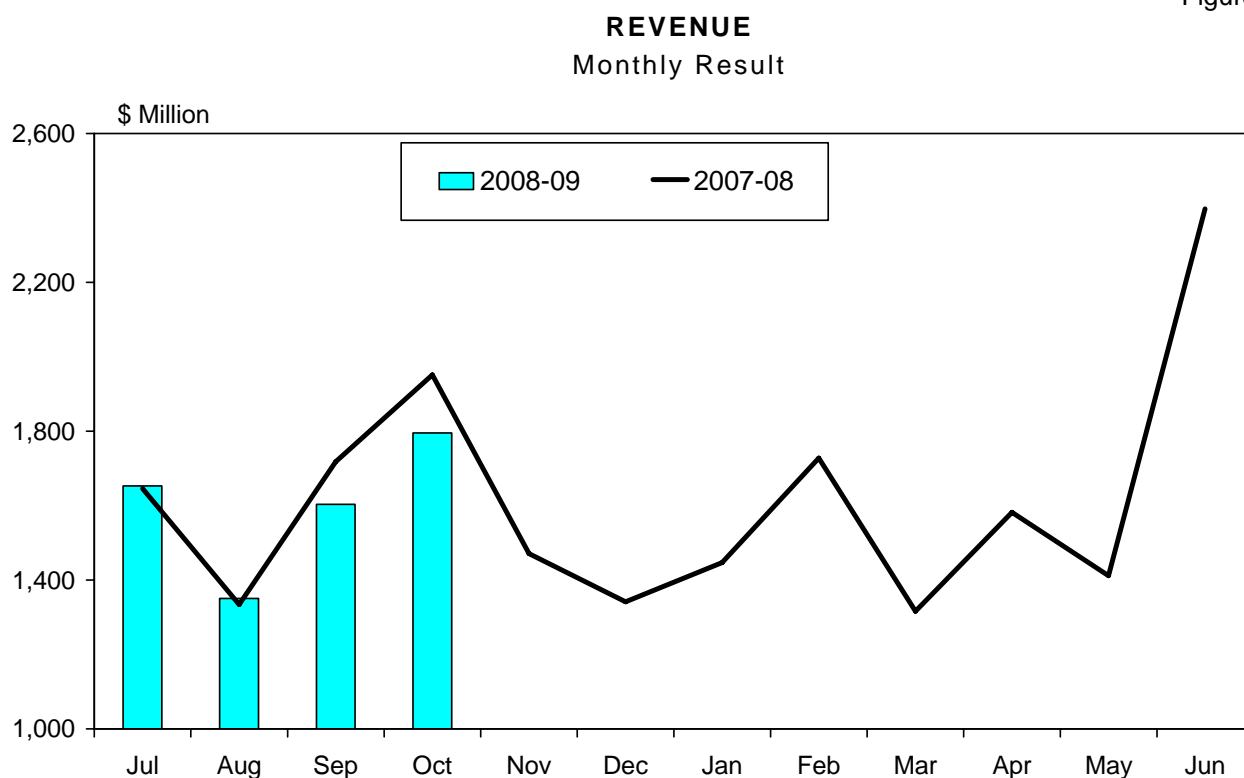
- lower taxation revenue (down \$268 million), due largely to:
  - lower transfer duty collections (down \$198 million), reflecting significant one-off assessments in October 2007 and weakness in the property market evident in previous monthly reports for the current year;
  - lower land tax and MRIT revenue (down \$69 million and \$35 million respectively), due to the delayed issue of annual assessments for 2008-09; and
  - a partially offsetting increase in payroll tax collections (up \$28 million) as a result of employment growth and wage increases across the State economy;
- higher capital grants (up \$42 million), due largely to accelerated Commonwealth funding for the New Perth-Bunbury Highway; and
- higher royalty income (up \$40 million), mainly for higher prices and volumes for iron ore, which were partially offset by the impact of a higher exchange rate (which has reduced significantly since that time and will have a more positive revenue impact in the future) and reductions in commodity prices for nickel.

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<sup>1</sup> This monthly report is consistent with the presentation of general government estimates used in the 2008-09 Budget Papers and the 2008-09 mid-year review (released on 18 December 2008). Accounting changes applying from the 2008-09 year were reflected in the 2008-09 Budget. Details of AASB 1049: *Whole of Government and General Government Sector Financial Reporting* (issued in October 2007) and how it impacts the State's financial aggregates are available in Appendix 4 of the 2008-09 Budget Paper No. 3: *Economic and Fiscal Outlook*. Comparative data from monthly reports released for 2007-08 have been adjusted to be consistent with the new presentation applicable from this year.

The following chart shows monthly revenue collections for the first four months of 2008-09 relative to monthly outcomes for 2007-08.

Figure 1



Totalling \$1,812 million, expenses in October 2008 were \$319 million higher than in October 2007.

Salaries costs accounted for \$102 million of this increase. At \$673 million for October 2008, this represents very strong growth of 17.8% relative to October 2007.

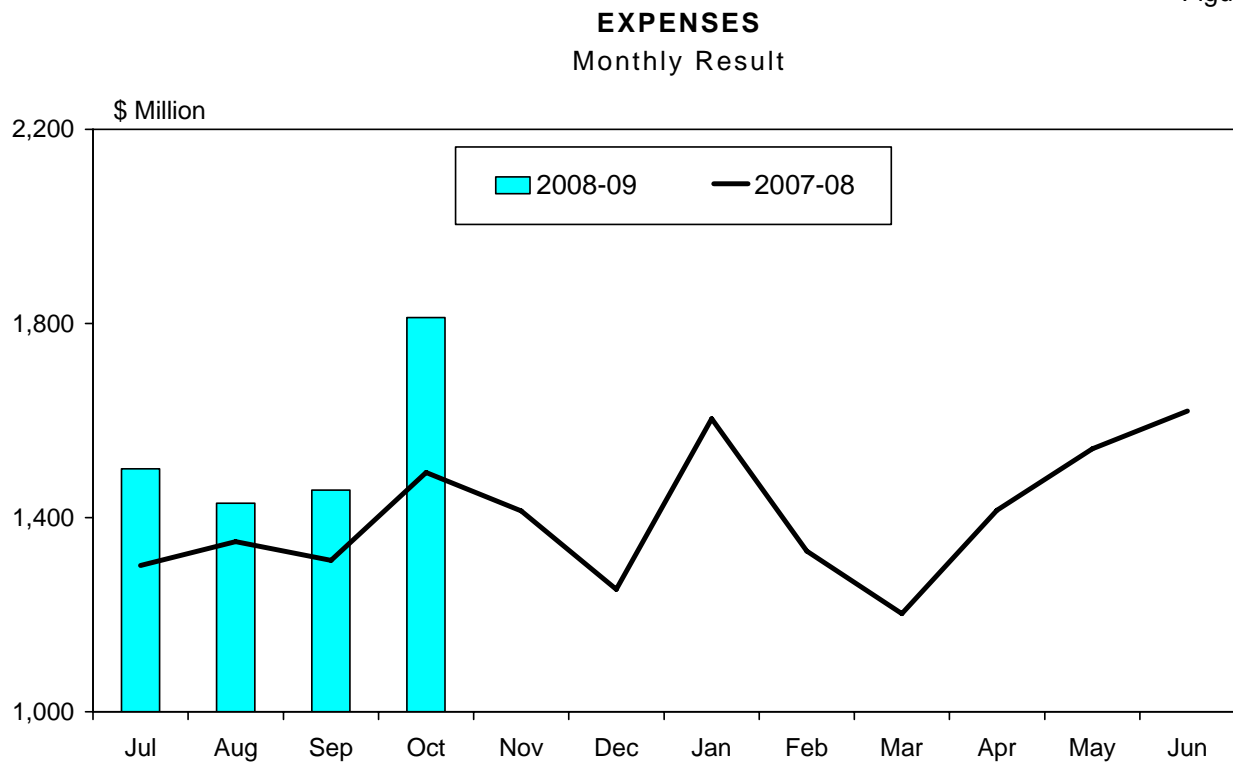
The Department of Health and the Department of Education and Training are the main drivers of this increase, with these two agencies accounting for \$55 million (or 54%) of the total increase relative to October 2007. The increase reflects the impact of growth in employee numbers, the impact of recruiting staff paid at typically higher rates (e.g. medical practitioners), and wage growth following significant Enterprise Bargaining Agreement outcomes for groups such as medical practitioners, nurses and teachers during the last twelve months.

The other major contributing factors to higher expenses in October 2008 were:

- higher current transfers (up \$114 million), due mainly to on-passing of Commonwealth grants to non-government schools, higher appropriations to the Public Transport Authority due to increased costs associated with the opening of the Mandurah railway line and feeder services, higher funding for indigenous housing and maintenance programs in remote communities, and higher Community Service Obligations to the Water Corporation;
- higher services and contract expenses (up \$40 million), mainly due to higher expensed construction and maintenance expenditure on roads, schools and hospitals and increased court security, and custodial and computing services in the justice sector; and
- higher 'other' gross operating expenses (up \$25 million), mainly reflecting the timing of purchases across the general government sector.

Figure 2 shows monthly expenses relative to those recorded last year. Monthly expenses can vary significantly from month to month, mainly due to timing issues.

Figure 2



A cash deficit of \$112 million was recorded in October 2008. This compares with a cash surplus of \$227 million in October 2007. The lower cash result reflects a \$289 million decrease in net cash flows from operating activities (reflecting the trend in the operating surplus outlined above) and higher net monthly investment in non-financial assets (up \$47 million). The higher infrastructure spend includes higher spending on road infrastructure (particularly the New Perth-Bunbury Highway) and redevelopment of sporting facilities at the AK Reserve.

#### *Four Months Ended 31 October 2008*

A general government operating surplus of \$203 million was recorded for the four months ended 31 October 2008, \$989 million lower than the \$1,192 million surplus recorded for the same period in 2007-08.

Revenue in the period totalled \$6,403 million, \$246 million (or 3.7%) lower than the same period in 2007-08. The decrease largely reflects:

- lower taxation revenue (down \$762 million), due the factors outlined in the monthly discussion above (particularly the later timing of land tax and MRIT assessments this year), as well as the abolition of mortgage duty and timing of Emergency Services Levy collections;
- higher Commonwealth recurrent grants (up \$179 million), mainly due to higher North West Shelf petroleum royalties (up \$153 million), increased funding on-passed to non-government schools (up \$26 million) and increased funding for indigenous housing (up \$22 million), partially offset by the timing of GST grants (down \$40 million); and
- higher capital grants (up \$67 million), due to accelerated Commonwealth funding for the New Perth-Bunbury Highway.

Expenses totalled \$6,200 million for the four months ended 31 October 2008, \$742 million (or 13.6%) higher than the same period in 2007-08. The increase is mainly due to similar factors noted in the monthly discussion, namely:

- higher salaries costs (up \$317 million or 14.7%), particularly in the key service sectors of health, education and law and order (which account for 75.0% of the total increase);
- higher current and capital transfers (up \$207 million), largely reflecting payments to the Housing Authority for maintenance in remote indigenous communities and for expensed construction of community housing, as well as the impact of the on-passing of higher Commonwealth non-government school grants; and
- higher services and contracts (up \$96 million), due mainly to higher recurrent construction and maintenance expenditure in the education and health sectors.

The cash deficit for the first four months of 2008-09 was \$44 million. This included a net cash inflow from operating activities of \$546 million (the cash equivalent of the operating surplus discussed above). This was more than offset by net capital investment of \$590 million. Spending on infrastructure was up \$99 million (or 17.5%) on the first four months of 2007-08, reflecting continued growth in the State's Capital Works Program for 2008-09, particularly for health projects, roads, and the AK Reserve redevelopment noted above.

## GENERAL GOVERNMENT Operating Statement

	2008-09				2007-08		
	Month of Sept \$m	Month of Oct \$m	Four Months to 31 October \$m	Annual Estimate <sup>(a)</sup> \$m	Month of October <sup>(b)</sup> \$m	Four Months to 31 October <sup>(b)</sup> \$m	Actual <sup>(b)</sup> \$m
<i>Revenue</i>							
Taxation	451	453	1,838	5,896	721	2,600	6,447
Current grants and subsidies	484	894	2,807	7,817	874	2,628	7,800
Capital grants	61	64	172	440	22	105	436
Sales of goods and services	112	133	505	1,484	133	463	1,407
Interest Income	37	32	126	208	21	90	332
Revenue from public corporations							
Dividends	37	-	37	495	-	49	512
Tax equivalent payments	22	30	109	332	27	97	368
Royalty income	366	157	685	3,037	117	503	1,680
Other	34	34	125	331	35	114	364
<b>Total revenue</b>	<b>1,603</b>	<b>1,796</b>	<b>6,403</b>	<b>20,039</b>	<b>1,951</b>	<b>6,649</b>	<b>19,345</b>
<i>Expenses</i>							
Salaries	616	673	2,471	7,383	571	2,154	6,906
Superannuation							
Concurrent costs	57	66	240	709	55	209	666
Superannuation interest cost	26	26	103	341	23	93	359
Other employee costs	24	25	94	282	22	77	276
Depreciation and amortisation	62	66	253	787	56	227	709
Services and contracts	167	208	678	2,334	168	582	1,981
Other gross operating expenses	186	194	611	1,770	169	590	1,560
Other interest	10	24	51	128	10	36	120
Current transfers	294	499	1,573	4,482	385	1,343	3,769
Capital transfers	15	31	125	638	33	148	491
<b>Total expenses</b>	<b>1,457</b>	<b>1,812</b>	<b>6,200</b>	<b>18,853</b>	<b>1,493</b>	<b>5,458</b>	<b>16,837</b>
<b>NET OPERATING BALANCE</b>	<b>147</b>	<b>-17</b>	<b>203</b>	<b>1,186</b>	<b>458</b>	<b>1,192</b>	<b>2,507</b>

(a) Consistent with the revised outturn published in the 2008-09 mid-year review, released 18 December 2008.

(b) Data for the actual for 2007-08 (contained in the 2007-08 *Annual Report on State Finances*) and for October 2007 has been adjusted in this report to the presentation format consistent with AASB 1049 for comparative purposes.

Columns may not add due to rounding.

# GENERAL GOVERNMENT

## Cash Flow Statement

	2008-09				2007-08		
	Month of Sept \$m	Month of Oct \$m	Four Months to 31 October \$m	Annual Estimate <sup>(a)</sup> \$m	Month of October <sup>(b)</sup> \$m	Four Months to 31 October <sup>(b)</sup> \$m	Actual <sup>(b)</sup> \$m
<b>OPERATING ACTIVITIES</b>							
<i>Receipts from operating activities</i>							
Taxes received	438	449	1,931	6,014	516	1,948	6,294
Grants and subsidies received	542	966	2,983	8,227	878	2,713	8,192
Receipts from sales of goods and services	149	147	582	1,533	122	481	1,505
Interest receipts	29	33	120	216	19	81	314
Dividends and tax equivalents	6	139	218	850	127	191	827
Other receipts	473	245	1,133	4,140	253	932	2,751
<i>Total receipts from operating activities</i>	<i>1,636</i>	<i>1,980</i>	<i>6,967</i>	<i>20,980</i>	<i>1,916</i>	<i>6,345</i>	<i>19,882</i>
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation	-660	-906	-2,878	-8,376	-603	-2,389	-7,684
Payments for goods and services	-397	-412	-1,656	-4,376	-432	-1,430	-4,068
Interest paid	2	-30	-55	-149	-19	-44	-112
Grants and subsidies paid	-225	-477	-1,432	-4,444	-391	-1,260	-3,844
Dividends and tax equivalents	-	-	-	-	-	-	-
Other payments	-109	-80	-399	-1,453	-108	-371	-1,114
<i>Total payments for operating activities</i>	<i>-1,389</i>	<i>-1,906</i>	<i>-6,421</i>	<i>-18,799</i>	<i>-1,553</i>	<i>-5,495</i>	<i>-16,823</i>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>247</b>	<b>74</b>	<b>546</b>	<b>2,182</b>	<b>363</b>	<b>851</b>	<b>3,060</b>
<b>INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets	-126	-198	-665	-2,743	-151	-566	-2,022
Sales of non-financial assets	16	13	75	161	15	57	244
<i>Total cash flows from investments in non-financial assets</i>	<i>-110</i>	<i>-186</i>	<i>-590</i>	<i>-2,583</i>	<i>-137</i>	<i>-509</i>	<i>-1,778</i>
<i>Cash flows from investments in financial assets</i>							
<i>Receipts from investing activities:</i>							
For policy purposes	-	-	-	-	-	-	1
For liquidity purposes	-	8	24	-	29	51	83
<i>Payments for investing activities:</i>							
For policy purposes	-8	-75	-127	-358	-39	-138	-349
For liquidity purposes	-3	-1	-5	-8	-3	-23	-1
<i>Total cash flows from investments in financial assets</i>	<i>-11</i>	<i>-68</i>	<i>-108</i>	<i>-366</i>	<i>-12</i>	<i>-110</i>	<i>-267</i>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>-122</b>	<b>-254</b>	<b>-698</b>	<b>-2,948</b>	<b>-149</b>	<b>-619</b>	<b>-2,045</b>
<b>FINANCING ACTIVITIES</b>							
<i>Receipts from financing activities</i>							
Advances received	-2	1	1	14	1	1	13
Borrowings	-4	-133	-	338	-17	4	45
Deposits received	-	-	-	-	-	-	-
Other financing receipts	6	1	6	27	-	7	54
<i>Total receipts from financing activities</i>	<i>-1</i>	<i>-131</i>	<i>8</i>	<i>379</i>	<i>-15</i>	<i>12</i>	<i>111</i>
<i>Payments for financing activities</i>							
Advances paid	2	-5	-5	-17	-4	-4	-16
Borrowings repaid	-131	12	-140	-201	-23	-80	-189
Deposits paid	-	-	-	-	-	-	-
Other financing payments	38	-5	-16	-49	-2	-4	-31
<i>Total payments for financing activities</i>	<i>-91</i>	<i>2</i>	<i>-161</i>	<i>-267</i>	<i>-29</i>	<i>-88</i>	<i>-236</i>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-92</b>	<b>-129</b>	<b>-153</b>	<b>112</b>	<b>-44</b>	<b>-76</b>	<b>-125</b>
<b>Net increase in cash and cash equivalents</b>	<b>34</b>	<b>-309</b>	<b>-305</b>	<b>-655</b>	<b>171</b>	<b>156</b>	<b>890</b>
Opening balance	4,206	4,240	4,236	4,236	3,331	3,346	3,346
Closing balance	4,240	3,931	3,931	3,581	3,501	3,501	4,236
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities	247	74	546	2,182	363	851	3,060
Net cash flows from investing in non-financial assets	-110	-186	-590	-2,583	-137	-509	-1,778
<b>Cash surplus/-deficit</b>	<b>137</b>	<b>-112</b>	<b>-44</b>	<b>-401</b>	<b>227</b>	<b>342</b>	<b>1,281</b>

(a) Consistent with the revised outturn published in the 2008-09 mid-year review, released 18 December 2008.

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**GENERAL GOVERNMENT**  
Operating Revenue

	2008-09				2007-08		
	Month of Sept \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Annual Estimate <sup>(a)</sup> \$m	Month of Oct <sup>(b)</sup> \$m	Four Months to 31 Oct <sup>(b)</sup>	Actual <sup>(b)</sup> \$m
<b>TAXATION</b>							
Taxes on employers' payroll and labour force	189	201	785	2,281	173	655	1,940
<i>Payroll tax</i>	189	201	785	2,281	173	655	1,940
Property taxes							
<i>Land tax</i>	1	-1	2	562	72	403	421
Transfer Duty	137	105	462	1,278	303	848	2,265
Landholder Duty	-	-	-	40	-	-	-
<i>Total duty on transfers</i>	137	105	462	1,318	303	848	2,265
Mortgages	-	-	4	10	9	39	108
Other stamp duties	-2	1	1	2	-	2	-
Metropolitan Region Improvement Tax	-	-	-	84	35	73	76
Emergency Services Levy	10	1	59	154	12	80	150
Loan guarantee fees	1	2	6	21	1	5	14
<i>Total other property taxes</i>	9	4	70	270	57	198	348
Taxes on provision of goods and services							
Lotteries Commission	10	10	38	121	9	37	121
Video lottery terminals	-	-	-	1	-	-	-
Casino Tax	6	9	29	81	7	27	84
TAB betting tax	-	5	10	35	-	13	30
<i>Total taxes on gambling</i>	15	24	78	237	16	77	235
Insurance Duty	30	33	130	360	25	120	342
Other	3	1	7	18	2	8	30
<i>Total taxes on insurance</i>	33	34	137	378	27	128	372
Taxes on use of goods and performance of activities							
Vehicle Licence Duty	28	38	124	340	32	132	393
Permits - Oversize Vehicles and Loads	-	-	1	4	-	1	5
Motor Vehicle recording fee	3	3	14	40	3	12	34
Motor Vehicle registrations	37	42	165	465	37	145	434
<i>Total motor vehicle taxes</i>	68	83	304	850	73	290	866
<i>Total Taxation</i>	451	453	1,838	5,896	721	2,600	6,447
<b>CURRENT GRANTS AND SUBSIDIES</b>							
General Purpose Grants							
Goods and Services Revenue:							
Grants	188	471	1,358	3,790	474	1,398	3,984
Competition Reform	-	-	-	-	-	4	4
Compensation for Condensate Excise	9	-	9	64	-	-	71
Specific Purpose Grants to the State							
Australian Health Care Agreement	94	75	337	972	88	318	971
Other health	42	32	116	339	31	109	349
Schools assistance – government schools	32	12	74	282	17	103	312
Vocational training	-	-	24	103	-	23	102
Roads	-	1	10	36	13	19	36
Other	16	29	113	331	33	72	364
Specific Purpose Grants through the State							
Schools assistance – non-government schools	3	185	333	609	170	307	603
Local government financial assistance grants	-	-	33	130	-	31	122
Local government roads	-	-	22	88	-	21	83
Other	-	-	-	14	-	-	-
Other Grants	-	-	-	-	-	-	-
North west shelf royalties	101	88	378	957	49	225	798
<i>Total Current Grants and Subsidies</i>	484	894	2,807	7,817	874	2,628	7,800

## GENERAL GOVERNMENT

### Operating Revenue – Continued

	2008-09				2007-08		
	Month of Sept \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Annual Estimate <sup>(a)</sup> \$m	Month of Oct <sup>(b)</sup> \$m	Four Months to 31 Oct <sup>(b)</sup> \$m	Actual <sup>(b)</sup> \$m
<b>CAPITAL GRANTS</b>							
Specific Purpose Grants to the State							
Roads	53	49	109	220	3	5	174
Schools assistance – government schools	3	3	12	33	3	11	32
Vocational training	-	-	5	26	1	5	26
Other	3	10	40	148	14	76	173
Specific Purpose Grants through the State							
Schools assistance – non-government schools	2	2	7	12	2	8	31
<i>Total Capital Grants</i>	<i>61</i>	<i>64</i>	<i>172</i>	<i>440</i>	<i>22</i>	<i>105</i>	<i>436</i>
<b>SALES OF GOODS AND SERVICES</b>	<b>112</b>	<b>133</b>	<b>876</b>	<b>1,484</b>	<b>193</b>	<b>558</b>	<b>1,407</b>
<b>INTEREST INCOME</b>	<b>37</b>	<b>32</b>	<b>126</b>	<b>208</b>	<b>21</b>	<b>90</b>	<b>332</b>
<b>REVENUE FROM PUBLIC CORPORATIONS</b>							
Dividends	37	-	37	495	-	49	512
Tax Equivalent Regime	22	30	109	332	27	97	368
<i>Total Revenue from Public Corporations</i>	<i>59</i>	<i>30</i>	<i>146</i>	<i>827</i>	<i>27</i>	<i>146</i>	<i>880</i>
<b>ROYALTY INCOME</b>	<b>366</b>	<b>157</b>	<b>685</b>	<b>3,037</b>	<b>117</b>	<b>503</b>	<b>1,680</b>
<b>OTHER</b>							
Lease Rentals	6	5	23	61	5	20	65
Fines	12	11	45	125	12	48	125
Revenue not elsewhere counted	17	18	57	144	19	46	174
<i>Total Other</i>	<i>34</i>	<i>34</i>	<i>125</i>	<i>331</i>	<i>35</i>	<i>114</i>	<i>364</i>
<b>GRAND TOTAL</b>	<b>1,603</b>	<b>1,796</b>	<b>6,403</b>	<b>20,039</b>	<b>1,951</b>	<b>6,649</b>	<b>19,345</b>

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