APPENDIX A: PROGRESS AGAINST *FISCAL RESPONSIBILITY ACT 2005* TARGETS AND PRINCIPLES

Fiscal Target	*Progress Indicator*	*Legislative Target*	*Status*
Fiscal target:			
- **Medium term**	General government sector net financial liabilities	At or below 7.5 per cent GSP by June 2010	General government net financial liabilities estimated to be 8.5 per cent of GSP at 30 June 2010, but falling to 8 per cent by 2012.
	General government sector net debt	Maintain as share of GSP at or below level at June 2005 (0.8 per cent of GSP; originally 1 per cent)	Due to the increased capital program general government net debt is estimated to be 1.7 per cent of GSP at 30 June 2012.
- **Long term**	General government sector net financial liabilities	At or below 6 per cent of GSP by June 2015	General government net financial liabilities are estimated to be 8 per cent of GSP at 30 June 2012 and trending down towards the 2015 target.
	General government sector net debt	Maintain as share of GSP at or below level at June 2005	General government net debt estimated to be stable at 1.7 per cent of GSP at 30 June 2012.
	Total state sector unfunded super-annuation liabilities	Eliminated by 30 June 2030	On target. Employer contributions being assessed periodically to ensure full funding by 2030. Long-term funding plan recognises that gross liabilities will continue to increase, peaking in 2013, and then decline subsequently and be fully funded by 2030. Total state underlying net unfunded superannuation liabilities are estimated to be $17.8 billion in June 2009 (4.6 per cent of GSP), and $20.9 billion in June 2012 (4.6 per cent of GSP).

Progress against *Fiscal Responsibility Act 2005* Targets (cont)

Fiscal Principle	*Progress Indicator*	*Legislative Target*	*Actual/Status*
1. Keeping the Budget in surplus	Net operating result	Net operating result in surplus	Operating result projected to be in surplus in 2008-09, and to remain in surplus over forward estimates.
2. Constrained growth in net cost of services and expenses	Growth in net cost of services (NCOS) and expenses	4-year average annual growth (1) ending with the financial year prior to the Budget year; and (2) for the Budget year and forward estimates, not to exceed long-term average revenue growth	Average annual growth of the following variables for the 4-year periods ending 2007-08 and 2011-12 respectively are: • Total expenses 5.8 per cent and 4.5 per cent. • NCOS is 6.2 per cent and 4.5 per cent. • Long-term average revenue growth is 5 per cent per annum.
3. Managing public sector employee costs	Public sector employee costs	Government policy in negotiating rates of pay and conditions to be consistent with fiscal targets	Government policy is net wage costs not to exceed 2.5 per cent. Agreements concluded in 2007-08 have incorporated 2.5 per cent increases with further increases offset by employee-related savings.
4. Evaluation of capital expenditure proposals	Stability of capital project budgets	Capital expenditure proposals to be evaluated in accordance with government procurement policy requirements	Analysis of construction projects commenced before and after the introduction of procurement reforms (including Gateway Business Case Reviews and enhanced Treasury monitoring) indicate a reduction in the order of 50 per cent in cost over runs. Recently the emphasis on early stage project planning and consideration of service delivery options was increased with the introduction of mandatory Strategic Gateway reviews for projects over $10 million planned for the upcoming forward estimates period.
5. Managing State finances with a view to long-term fiscal pressures	The long-term fiscal gap	Reporting the impact of the Budget on the long-term fiscal gap	The 2008-09 Budget has a negative impact on the long-term fiscal gap, increasing the gap by 0.4 percentage points to 3.9 per cent.
6. General government net worth	General government sector net worth	At least maintain in real terms	General government net worth increased by an average 3.3 per cent per annum in real terms from June 1998 to June 2008.
7. Superannuation liabilities	Unfunded super liability of GG sector and PTE sector	Manage and fund the liability to meet the long-term target, subject to periodic review	(See long-term Fiscal Targets above).

Progress against *Fiscal Responsibility Act 2005* Targets (cont)

Fiscal Principle	*Progress Indicator*	*Legislative Target*	*Actual/Status*
8. Total asset management	Best practice asset maintenance or management policies	Progress reporting in budget papers on measures to implement this principle	Treasury receives Total Asset Management (TAM) strategies from agencies that manage 98.5 per cent of general government holdings. TAM strategies are an essential part of the capital budget process. Government uses TAM strategies to prioritise investments and forecast infrastructure requirements.
9. Prudent risk management	Financial risk management comprising total state sector net financial liabilities; contingent liabilities; and total state debt and financial assets	Progress reporting in budget papers on measures to implement this principle	Aggregate risk is managed by Treasury, TCorp and the NSW Self Insurance Corporation. Includes ongoing review of asset allocation and risk management policies and procedures of authorities subject to the *Public Authorities (Financial Arrangements) Act 1987*. Agency and project level risk identification procedures and strategies are in place or being developed through the Financial Management Framework; the Commercial Policy Framework; and Total Asset Management guidelines. The latter incorporates *Working with Government: Policy and Guidelines for Privately Financed Projects* (as updated in 2006) dealing with private sector participation in the provision of public infrastructure.
10. Tax restraint	Impact of tax policy measures	Adjustments to legislated tax rates, thresholds and bases to be made with maximum possible restraint; policies should enable predictability and stability of tax regime	Net effect of all tax policy changes since August 2005 is to reduce the NSW tax burden in 2008-09 by around $1.5 billion.