

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

<i>Fiscal Target</i>	<i>Progress Indicator</i>	<i>Legislative Target</i>	<i>Status</i>
Fiscal target:			
- Medium term	General government sector net financial liabilities	At or below 7.5% GSP by June 2010	General government net financial liabilities estimated to decline from 8.4 per cent of GSP in June 2006 to 7.5 per cent of GSP at 30 June 2011.
	General government sector net debt	Maintain as share of GSP at or below level at June 2005 (0.8 per cent of GSP)	General government net debt estimated to be 1.8 per cent of GSP at 30 June 2011.
- Long term	General government sector net financial liabilities	At or below 6% of GSP by June 2015	On 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 1.8 per cent of GSP at 30 June 2011.
	Total state sector unfunded superannuation 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 \$16.0 billion in June 2007 (4.7 per cent of GSP), and \$16.9 billion in June 2011 (4 per cent of GSP).

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

<i>Fiscal Principle</i>	<i>Progress Indicator</i>	<i>Legislative Target</i>	<i>Actual/Status</i>
1. Keeping the Budget in Surplus	Net Operating Result	Net Operating Result in surplus	Operating result projected to be in surplus in 2007-08, 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 2006-07 and 2010-11 respectively are: <ul style="list-style-type: none"> • Total expenses 6.5 per cent and 3.5 per cent. • NCOS is 6.4 per cent and 4.0 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	Current wage agreements of 4 per cent per annum to 2008. Government policy in future is net wage costs not to exceed 2.5 per cent.
4. Evaluation of capital expenditure proposals	Stability of capital project budgets	Capital expenditure proposals to be evaluated in accordance with government procurement policy requirements	Preliminary 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 large projects.
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 2007-08 Budget has no impact on the long-term fiscal gap.
6. General government net worth	General government sector net worth	At least maintain in real terms	General government net worth increased by an average 5 per cent per annum in real terms from June 1997 to June 2007.
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)

<i>Fiscal Principle</i>	<i>Progress Indicator</i>	<i>Legislative Target</i>	<i>Actual/Status</i>
8. Total asset management	Best practice asset maintenance or management policies	Progress reporting in budget papers on measures to implement this principle	<p>Treasury receives Total Asset Management (TAM) plans from agencies responsible for 96 per cent of general government asset holdings.</p> <p>Recent changes to TAM plans will make the TAM plans the agencies' capital funding bid for the current budget year as well as being the instrument for agencies to indicate to Government their longer term asset requirements. These changes will not only help Government to forecast infrastructure requirements and prioritise investments, it will also improve TAM planning and the linkage between physical assets and service delivery.</p>
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	<p>Aggregate risk is managed by Treasury, TCorp and the NSW Self Insurance Corporation.</p> <p>Includes ongoing review of asset allocation and risk management policies and procedures of authorities subject to the <i>Public Authorities (Financial Arrangements) Act 1987</i>.</p> <p>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.</p> <p>The latter incorporates <i>Working with Government: Policy and Guidelines for Privately Financed Projects</i> (as updated in 2006) dealing with private sector participation in the provision of public infrastructure.</p>
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 1999-00 is to reduce the NSW tax burden in 2007-08 by around \$1.4 billion per annum.