# E. PERFORMANCE AND REPORTING UNDER THE FISCAL RESPONSIBILITY ACT 2012

The *Fiscal Responsibility Act 2012* (FRA) requires the Government to report on its performance against the Act's object, targets, and principles. The FRA sets two fiscal targets and three principles to support the Government's sound financial management (see Table E.1).

The FRA's object is to maintain the State's triple-A credit ratings, in order to:

- limit the cost of government borrowing
- enable access to the broadest possible investor base for government borrowing
- maintain business and consumer confidence, thereby sustaining economic activity and employment in the State.

The State's credit rating is assessed by independent credit rating agencies, who will publish their assessment in late 2024.

*Table E.1: Performance against the FRA object, targets, and principles*

| Fiscal object, targets, and principles | Comments |
|---|---|
| **Object:** Maintain the triple-A credit rating | Fitch reaffirmed triple-A (AAA) rating in October 2023.<br>Moody's reaffirmed triple-A (Aaa) rating in October 2023.<br>In May 2024, Moody's published a new methodology to assess regional and local governments, which includes all Australian States. New South Wales's next scheduled annual review is after the 2024-25 Budget, when the State will be rated under the new methodology for the first time.<br>S&P Global maintained double-A plus (AA+) rating in November 2023.<br>S&P Global in June 2022 outlined that it was unlikely that New South Wales would regain the triple-A credit rating until the second half of the decade and with the State required to reduce debt levels. |
| **Target 1**: Annual expense growth less than long term average revenue growth (5.6 per cent) | Across the budget and forward estimates, the Government is forecasting annual expense growth to remain below the long-term revenue growth rate. Expense growth is projected to decrease to 1.4 per cent in 2024-25 from 3.5 per cent in 2023-24. |
| **Target 2:** Elimination of the State's unfunded superannuation liabilities by 2030. | In 2021, New South Wales re-anchored its superannuation liability target to 2040, freeing up fiscal capacity to address the COVID pandemic. |
| **Principle 1.** Responsible and sustainable spending, taxation, and infrastructure investment. | The State aims to align its revenue and expenditure policies with best practices. Taxation policies have been broadly stable. The infrastructure program was reviewed as part of the 2023-24 Budget. |
| **Principle 2.** Effective financial and asset management, including sound policies and processes. | The Government has actively managed the State's balance sheet, investment decisions and risk management supported by advice from the Treasury-chaired Asset and Liability Committee. See Chapter 6 Managing the State's Assets and Liabilities for more details. |
| **Principle 3.** Achieving intergenerational equity. | The *2021-22 NSW Intergenerational Report* projected that the long-term structural imbalance between revenue and expenditure growth will lead to a fiscal gap of 2.6 per cent of gross state product (GSP) by 2060-61. This assumes no change in current government policy and the continuation of economic and demographic trends.<br>At the 2023-24 Budget, the fiscal gap was projected to be 3.0 per cent of GSP by 2060-61. The measures announced in this Budget are projected to further deteriorate the fiscal gap by 0.1 percentage points to 3.1 per cent. |