D. PERFORMANCE AND REPORTING UNDER THE FISCAL RESPONSIBILITY ACT

The *Fiscal Responsibility Act 2012* (FRA) requires the budget to include a report on performance against the FRA's object, targets and principles and an explanation of any departures with a plan to restore compliance.

This table reports on the object, targets and principles of the FRA.

Table D.1: Performance and reporting under the Fiscal Responsibility Act 2012

Object	**Status**
The object of the FRA is to maintain the State's triple-A credit rating	New South Wales' triple-A credit ratings were reaffirmed by international credit rating agencies Moody's and Standard and Poor's in 2016.
Targets	**Status**
Hold expense growth below long-run revenue growth	Historical long-term average annual revenue growth was estimated at 5.6 per cent in the *2011-12 Long-Term Fiscal Pressures Report*. This amount is prescribed in regulations under the FRA. The *2016 NSW Intergenerational Report* reported that historical long-run growth in revenue has been 5.7 per cent. Over the four years of the 2017-18 Budget, expense growth is projected to average 2.8 per cent per annum. Expense growth is highest in 2017-18 at 5.0 percent.
Eliminate the State's unfunded superannuation liabilities by 2030	The most recent triennial actuarial review of superannuation liabilities was completed as at 30 June 2015. It reported that based on the current Crown funding plan, the liabilities were on track to be fully funded by 2030, in line with the legislated target date. Treasury in conjunction with the SAS Trustee Corporation (STC) is reviewing the funding plan on an ongoing basis to ensure that it remains on track, taking into account current and future State market conditions and outlook and the Government's risk tolerances. Further discussion on unfunded superannuation liabilities can be found in Chapter 7 of this Budget Statement.
Principles	**Status**
Responsible and sustainable spending, taxation and infrastructure investment	The 2017-18 Budget delivers low average expense growth over the budget and forward estimates that is below long-term average revenue growth. These outcomes will deliver significant budget surpluses that can fund the Government's large infrastructure spending program in a sustainable way. Taxation policies remain stable and predictable.
Effective financial and asset management	Since coming to office a key objective of the Government has been to improve the financial and asset management of the State. A significant program of reform, initially informed by the Commission of Audit reviews of the State's finances and public sector management, has seen: Expenses brought under control • heightened accountability of ministers and agency CEOs in maintaining their expenses to budget • clear and monitored targets for portfolio saving and labour cost caps, reducing expense growth and delivering operating surpluses to help manage debt and fund infrastructure • a program of rolling efficiency audits across clusters and agencies

Table D.1: Performance and reporting under the Fiscal Responsibility Act 2012 (cont)

Principles	Status
	Contestability and service delivery strengthened • increased private sector provision of public services and introduction of contestability in the delivery of public services • the launch of a new Commissioning and Contestability Policy which puts the customer at the centre of service delivery • establishment of a Data Analytics Centre to facilitate customer focus and quicker decision making by Government Infrastructure undergoing unprecedented and innovatively-funded expansion • establishment of Infrastructure NSW to guide decision-making on infrastructure investment priorities on the basis of the best economic and social outcomes, supported by comprehensively modernised Treasury cost benefit guidelines • creation of Restart NSW and Rebuild NSW to capture net divestment proceeds and windfall revenue proceeds, and redirect them to infrastructure development • divestment of assets that are not core to the delivery of public services (including the State's electricity network, its principal port assets, and the Land and Property (LPI) service), with the net proceeds recycled to fund new infrastructure • better use of existing infrastructure, including the legislation of a modernized framework for the transport system – the Transport Asset Holding Entity (TAHE) Financial management enhanced • an active and integrated approach to the management of cash, financial investments and debt, via a whole of state approach to balance sheet and financial risk management • establishment of a new Asset and Liability Committee, which draws upon the technical and financial market expertise of New South Wales Treasury Corporation and the private sector by including representatives of these groups as members • creation of the Financial Management Transformation program to modernise the State's financial management systems • consolidation under the New South Wales Treasury Corporation (TCorp) of financial management for all core State financial services including Insurance & Care NSW (icare) and the Long Service Corporation (LSC).
Achieving intergenerational equity	Funding infrastructure from operating surpluses and asset recycling reduces the burden of debt repayments passed on to future generations. The effect of government policies on intergenerational equity is assessed by the impact of Government measures on the long-term fiscal gap from one budget to the next. As required under the FRA, the five-yearly *2016 Intergenerational Report*[1] (the Report) gives a detailed assessment of prospects 40 years ahead. The Report projects that NSW residents in 2055-56 will have significantly higher average life expectancies and much higher average per capita incomes than today. While projecting a larger fiscal gap (3.4 per cent of GDP, compared to 2.8 per cent of GDP in the previous study), the Report highlights ways to close the gap by strengthening the economy, delivering better services and infrastructure and building a more sustainable revenue base. The measures in this Budget (leading to slightly lower revenue, and small increases in both expenses and capital expenditure) are estimated to have increased the fiscal gap from 3.4 per cent to 3.5 per cent by 2055-56 as discussed in Chapter 2 of this Budget Statement. The Government's success in maintaining operating surpluses indicates that the current generation is funding the cost of its services.

Against all these criteria, performance in 2016-17 and the strategy and measures in this Budget comply with the requirements of the FRA. There are no departures from the object, target and principles in this Budget.

[1] The 2016 Intergenerational Report was included as Budget Paper No.5 in the 2016-17 Budget.