

[Act 1995 No 83]



New South Wales

General Government Debt Elimination Bill 1995

Explanatory note

This explanatory note relates to this Bill as introduced into Parliament.*
This Bill is cognate with the *Appropriation Bill 1995*.

Overview of Bill

The objects of this Bill are:

- (a) to set out fiscal targets and fiscal principles for the State,
- (b) to make it a goal for the Government to pursue its policy objectives in accordance with those fiscal targets and fiscal principles, and
- (c) to provide for reports on departures from those fiscal principles to be prepared by the Treasurer, and
- (d) to deal with the budget coverage, presentation and contents, and
- (e) to provide for various financial statements to be released publicly by the Treasurer during each financial year.

* Amended in committee—see table at end of volume.

Outline of provisions

Part 1 Preliminary

Clause 1 sets out the name (also called the short title) of the proposed Act.

Clause 2 provides that the proposed Act will commence on a day or days to be proclaimed.

Clause 3 states the objects of the proposed Act set out above and that the proposed Act applies in respect of the State budget.

Clause 4 defines certain terms used in the proposed Act. In particular, **general government sector** means those New South Wales agencies or activities listed or described as part of the general government sector by the Australian Bureau of Statistics in accordance with international statistics conventions. The agencies or activities comprising the **public trading enterprise sector** are determined in a similar way. The Treasurer may determine from time to time that an agency or activity is to be treated or not treated as part of the general government sector or public trading enterprise sector for any or all of the purposes of the proposed Act and is to table in Parliament any such determination, together with an explanation as to the reasons why it was made.

Part 2 Fiscal targets

Clause 5 states that, for the purposes of the proposed Act, the fiscal targets are those set out in the proposed Part. The fiscal targets are to be achieved in the context of maintaining prudent, commercially sound debt levels for the agencies or activities comprising the public trading enterprise sector.

Clause 6 sets out the short term fiscal target, which is to achieve a sustainable surplus budget within 3 years after the end of the financial year in which the proposed Act commences.

Clause 7 sets out the medium term fiscal target, which is to reduce, by 30 June 2005, the level of general government sector net debt to a sustainable level, that is, a level at which the budget can absorb the full impact of an economic cycle without the need for significant corrective action on the revenue or expenditure side.

Clause 8 sets out the long term fiscal target, which is to eliminate net debt for the general government sector by 30 June 2020.

Part 3 Fiscal principles

Clause 9 states that, for the purposes of the proposed Act, the fiscal principles are as set out in the proposed Part.

Clause 10 states that the Government should aim to follow its policy objectives in accordance with the fiscal principles. Those principles may be departed from in the presentation and implementation of the budget, but the departure is to be temporary and the Treasurer is to report on the departure in the budget papers.

Clause 11 sets out fiscal principle No 1—that the budget should be framed *so* as to achieve a fiscal result consistent with the fiscal targets.

Clause 12 sets out fiscal principle No 2—that the general government sector net worth should at least be maintained in real terms.

Clause 13 sets out fiscal principle No 3—that accruing employer superannuation liabilities for the general government sector and the public trading enterprise sector should be fully funded and the funding of accrued unfunded employer superannuation liabilities for those sectors should be phased in so as eventually to eliminate any unfunded liabilities.

Clause 14 sets out fiscal principle No 4—that the long-lived physical assets of general government sector agencies should be properly maintained. Each general government sector agency is to produce and keep up to date an asset maintenance plan for those assets in accordance with the directions of the Treasurer.

Clause 15 sets out fiscal principle No 5—that growth in net cost of services and in budget outlays (both current and capital) should be kept at or below the growth in inflation and population, but within a 3 to 5 year time frame for capital outlays so as to allow for the potential impact from year to year of large capital projects.

Clause 16 sets out fiscal principle No 6—that management of net debt should be on the basis of sound risk management principles and a prudent limit should be placed on the level of financial risk for overall financial assets and liabilities. Each general government sector agency is to produce and keep up to date a risk management plan in accordance with the directions of the Treasurer.

Clause 17 sets out fiscal principle No 7—that the level of taxes should be restrained to the maximum possible extent and policies should be pursued that are consistent with a reasonable degree of predictability about the level and stability of tax rates for future years.

Part 4 Budget coverage, presentation and contents

Clause 18 provides that the budget is to be presented on a basis that covers the general government sector.

Clause 19 requires the budget to be presented according to government finance statistics principles and on an accrual basis according to specified standards and principles. The Treasurer is to include a report of any departures from those standards and principles in the budget papers.

Clause 20 requires the budget papers for a financial year to be tabled in the Legislative Assembly before the end of the previous financial year (or as soon as possible afterwards if the Legislative Assembly is not sitting at that time). This requirement operates in relation to the budget papers for the 1996-1997 financial year and financial years after that.

Clause 21 requires the Treasurer to include in the budget papers a budget policy statement containing specified matters.

Clause 22 requires the budget papers to include certain information.

Part 5 Within-year reporting requirements

Clause 23 requires the Treasurer to release publicly a monthly statement setting out the budget result, on the basis of government finance statistics principles, from the beginning of the financial year to the end of the relevant month.

Clause 24 requires the Treasurer to release publicly a statement in February of each year from and including 1996 containing certain information on economic and budget projections.

Clause 25 requires the Treasurer to release publicly a consolidated financial statement for the first 6 months and the last 6 months of each financial year.

Part 6 Miscellaneous

Clause 26 enables the Treasurer to determine when requirements of proposed Parts 4 and 5 take effect. The clause does not apply to the requirements of clauses 20 and 24, which contain their own provisions as to timing.

Clause 27 provides that the proposed Act does not place on any person any obligation enforceable in a court of law or administrative review body.

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Clause 28 states that the proposed Act does not affect any of the provisions of the *Public Finance and Audit Act 1983*.

Clause 29 requires the Treasurer to review the Act as soon as possible after 5 years from the date of assent and to table a report of the review in Parliament.