

General Government Debt Elimination Act 1995

No 83

[1995-83]



New South Wales

Status Information

Currency of version

Repealed version for 23 August 2002 to 30 June 2005 (accessed 28 July 2024 at 4:35)

Legislation on this site is usually updated within 3 working days after a change to the legislation.

Provisions in force

The provisions displayed in this version of the legislation have all commenced.

Notes—

- **Repeal**

The Act was repealed by sec 23 of the [Fiscal Responsibility Act 2005 No 41](#) with effect from 1.7.2005.

Authorisation

This version of the legislation is compiled and maintained in a database of legislation by the Parliamentary Counsel's Office and published on the NSW legislation website, and is certified as the form of that legislation that is correct under section 45C of the [Interpretation Act 1987](#).

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Contents

Long title	4
Part 1 Preliminary	4
1 Name of Act	4
2 Commencement	4
3 Purpose, objects and application of Act	4
4 Definitions and other general provisions	5
Part 2 Fiscal targets	5
5 Fiscal targets	5
6 Short term fiscal target	6
7 Medium term fiscal target	6
8 Long term fiscal targets	6
Part 3 Fiscal principles	6
9 Fiscal principles	6
10 Application of fiscal principles	6
11 Fiscal principle No 1—adherence to fiscal targets	7
12 Fiscal principle No 2—maintaining or increasing general government sector net worth	7
13 Fiscal principle No 3—funding employer superannuation liabilities	7
14 Fiscal principle No 4—asset maintenance	7
15 Fiscal principle No 5—constrained growth in net cost of services and expenses	7
16 Fiscal principle No 6—prudent risk management	8

17 Fiscal principle No 7—tax restraint	8
Parts 4, 5 (Repealed)	9
Part 6 Miscellaneous	9
26 (Repealed)	9
27 Effect of Act	9
28 Acts not affected by this Act.....	9
29 Review of Act.....	10
30 Further review of Act	10

General Government Debt Elimination Act 1995 No 83



New South Wales

An Act with respect to fiscal targets and principles; and for other purposes.

Part 1 Preliminary

1 Name of Act

This Act is the *General Government Debt Elimination Act 1995*.

2 Commencement

This Act commences on a day or days to be appointed by proclamation.

3 Purpose, objects and application of Act

- (1) The purpose of this Act is to provide the framework for the conduct of New South Wales fiscal policy, with a view to maintaining financial results that are fiscally sustainable in the medium and long term.

Note—

Fiscal sustainability requires that the Government be able to manage financial risks and financial shocks in future periods without having to introduce significant and economically or socially destabilising expenditure or revenue adjustments in those future periods. What is considered consistent with fiscal sustainability will vary depending on the strength and outlook for the economy, the structure of expenditure and revenue of the budget, the outlook for the State's credit rating, demographic and social trends that will affect the budget, and the nature of financial risks faced by the Government at any given time.

- (2) The following principles are to be employed in meeting the purpose of this Act:
 - (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,
 - (c) to provide for reports on departures from those fiscal principles to be prepared by the Treasurer.
- (3) This Act applies to and in respect of the State budget.

4 Definitions and other general provisions

(1) In this Act:

budget papers means the budget papers of the Government tabled in Parliament in connection with annual Appropriation Bills.

financial asset means an asset that is in the form of cash or an asset that can be readily converted to cash.

general government sector means New South Wales agencies or activities listed or described as part of the general government sector by the Australian Bureau of Statistics (which are listed or described in accordance with international statistics conventions).

government finance statistics principles means Australian Bureau of Statistics principles for the presentation of government finances (which are based on international statistics conventions).

net cost of services means the total cost of services less any revenue retained by agencies involved in the provision of the services.

net debt means gross debt, valued on a current capital basis, less financial assets.

net worth means net assets as indicated in the audited financial statements tabled annually in Parliament for agencies or activities comprised in the general government sector (which are determined on the basis of total assets less total liabilities).

public trading enterprise sector means New South Wales agencies or activities listed or described as part of the public trading enterprise sector by the Australian Bureau of Statistics (which are listed or described in accordance with international statistics conventions).

(2) A reference in the definitions of **general government sector** and **public trading enterprise sector** in subsection (1) to agencies or activities listed or described by the Australian Bureau of Statistics is a reference to agencies or activities listed or described by the Bureau for the purposes of the preparation of government finance statistics.

(3) Notes included in this Act do not form part of this Act.

Part 2 Fiscal targets

5 Fiscal targets

(1) For the purposes of this Act, the fiscal targets are as set out in this Part.

(2) The fiscal targets comprise:

- (a) the short term fiscal target, and
- (b) the medium term fiscal target, and
- (c) the long term fiscal target.

(3) 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.

6 Short term fiscal target

The short term fiscal target is to achieve a sustainable surplus budget, defined in accordance with government finance statistics principles, for the general government sector within 3 years after the end of the financial year in which this Act commences.

7 Medium term fiscal target

The medium term fiscal target 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) having regard to the following:

- (a) the structure of expenditure and revenue of the budget,
- (b) the outlook for the State's credit rating, keeping as an objective the achievement of the highest rating possible as judged by internationally recognised rating authorities,
- (c) exposure to budget risks,
- (d) demographic and social trends that will impact on the budget.

8 Long term fiscal targets

The long term fiscal targets are:

- (a) to eliminate net debt for the general government sector by 30 June 2020, and
- (b) to eliminate total state sector unfunded superannuation liabilities by 30 June 2030.

Part 3 Fiscal principles

9 Fiscal principles

For the purposes of this Act, the fiscal principles are as set out in this Part.

10 Application of fiscal principles

(1) The fiscal principles relate to sound financial management, and accordingly the Government should aim to pursue its policy objectives in accordance with those

principles.

- (2) Those principles may be departed from in the presentation and implementation of the budget, but any departure should be temporary.
- (3) The Treasurer is to include in the budget papers a statement containing the following:
 - (a) the reasons for the departure,
 - (b) the approach to be taken to enable a return to the principles,
 - (c) the time frame within which a return to the principles should occur.
- (4) Within 3 months of the commencement of this section, the Treasurer is to table in each House of Parliament a comprehensive financial management framework for the State's finances prepared in accordance with international public sector best practice.

11 Fiscal principle No 1—adherence to fiscal targets

Fiscal principle No 1 is that the budget should be framed so as to achieve a fiscal result for the general government sector consistent with the fiscal targets.

12 Fiscal principle No 2—maintaining or increasing general government sector net worth

Fiscal principle No 2 is that general government sector net worth should at least be maintained in real terms.

13 Fiscal principle No 3—funding employer superannuation liabilities

- (1) Fiscal principle No 3 is that employer superannuation liabilities are to be managed and funded so as to eliminate total state sector unfunded superannuation liabilities by 30 June 2030 and that the manner of management and funding of these liabilities is to be subject to periodic review.
- (2) Measures taken to implement this fiscal principle are to be identified and subject to progress reports in the budget papers.

14 Fiscal principle No 4—asset maintenance

- (1) Fiscal principle No 4 is that the use of best practice asset maintenance and management policies is to be adopted in the general government sector.
- (2) Measures taken to implement this fiscal principle are to be identified and subject to progress reports in the budget papers.

15 Fiscal principle No 5—constrained growth in net cost of services and expenses

- (1) Fiscal principle No 5 is that growth in net cost of services and expenses of the general government sector is to be managed in accordance with the objective of prudently managing State finances, allowing for (among other things) fluctuations in the

external economy and the factors specified in section 7.

- (2) For the purposes of this section, the average annual growth in net cost of services and expenses of the general government sector on a Government Finance Statistics basis is to be calculated for:
 - (a) the 4-year period ending with, and inclusive of, the budget year, and
 - (b) the 4-year budget and forward estimates period commencing with the budget year.
- (3) For each of the 4-year periods referred to in subsection (2), the average annual growth in net cost of services and expenses is to be kept at or below the estimated or projected annual growth in gross state product (at current prices) for the same periods.
- (4) The projected growth in net cost of services and expenses for a budget year and each year of the forward estimates period is to be reported in the annual budget papers.
- (5) In this section, **gross state product** means the total market value of goods and services produced in New South Wales within a given period, as calculated and reported by the Australian Bureau of Statistics or as projected by the Treasury.

16 Fiscal principle No 6—prudent risk management

- (1) Fiscal principle No 6 is that financial risk is to be managed prudently on the basis of sound risk management principles.
- (2) For the purposes of this section, the management of financial risk comprises the following:
 - (a) maintaining total state sector net financial liabilities at prudent levels,
 - (b) managing risks associated with contingent liabilities,
 - (c) managing risks associated with the total state sector's debt and financial assets, including commercial risks arising from the ownership of public non-financial corporations.
- (3) Measures taken to implement this fiscal principle are to be identified and subject to progress reports in the budget papers.

17 Fiscal principle No 7—tax restraint

- (1) Fiscal principle No 7 is that any adjustments to legislated tax rates, thresholds and bases are to be made with the maximum possible restraint having regard to the effect of these adjustments on the overall level of tax revenue, and policies should be pursued that are consistent with a reasonable degree of predictability and stability of tax rates, thresholds and bases for future years.

- (2) In determining what may be reasonable for the purposes of this section, the Government is to take into account (among other things) the same factors as are specified in section 7.
- (3) The estimated impact of proposed tax policy changes in the year of implementation and, where different, in a full year, is to be reported in the budget papers.

Parts 4, 5

18-25 (Repealed)

Part 6 Miscellaneous

26 (Repealed)

27 Effect of Act

- (1) Nothing in this Act places on any person any obligation enforceable in a court of law or administrative review body.
- (2) Without limiting subsection (1), a failure to comply with a provision of this Act:
 - (a) does not prevent the introduction of any Bill in, or the passage of a Bill through, a House of Parliament or prevent assent being given to any Bill, and
 - (b) does not affect the validity of any legislation, and
 - (c) does not affect the validity of any action taken by any public official or agency, and
 - (d) does not expose any person to civil or criminal liability.
- (3) Accordingly, no court or administrative review body has jurisdiction or power to consider any question involving compliance or non-compliance with this Act.

28 Acts not affected by this Act

This Act does not affect the provisions of any of the following Acts:

Annual Reports (Departments) Act 1985

Annual Reports (Statutory Bodies) Act 1984

Public Authorities (Financial Arrangements) Act 1987

Public Finance and Audit Act 1983

State Owned Corporations Act 1989

Note—

Within-year reporting requirements are contained in sections 6 and 8 of the *Public Finance and Audit Act 1983*.

29 Review of Act

- (1) The Treasurer is to review this Act to determine whether the policy objectives of the Act remain valid and whether the terms of the Act remain appropriate for securing those objectives.
- (2) The review is to be undertaken as soon as possible after the period of 5 years from the date of assent to this Act.
- (3) A report of the outcome of the review is to be tabled in each House of Parliament within 12 months after the end of the period of 5 years.

30 Further review of Act

- (1) As soon as possible after the period of 5 years from completion of the review under section 29, the Treasurer is to review this Act to determine whether the policy objectives of the Act remain valid and whether the terms of the Act remain appropriate for securing those objectives.
- (2) A report of the outcome of the review is to be tabled in each House of Parliament within 12 months after the end of the period of 5 years.
- (3) If a House of Parliament is not sitting when the Treasurer seeks to present the report in accordance with subsection (2), the Treasurer is to present the report to the Clerk of the House concerned to be dealt with in accordance with section 63C of the *Public Finance and Audit Act 1983*.