

## CHARTER OF FISCAL RESPONSIBILITY

The *Financial Accountability Act 2009* requires the Treasurer to prepare and table in the Legislative Assembly a Charter of Fiscal Responsibility giving details of the Government's fiscal objectives and the fiscal principles that support those objectives. The Treasurer must report regularly to the Legislative Assembly on progress the Government has made against the outcomes stated in the Charter.

In accordance with its 2015 election commitment, the Queensland Government directed Queensland Treasury to undertake a Review of the State's Finances. The Review reported on:

1. The State's current fiscal position, including any relevant historical context and relative to peers.
2. The sustainability of the State's fiscal position, including:
  - the appropriateness of various operating statement and balance sheet measures of State fiscal performance and sustainability; and
  - an assessment of the key drivers and likely direction of those measures based on medium term modelling work to be undertaken by Treasury.
3. The veracity of the current forward estimates, including:
  - adequacy of existing provisions on a "no policy change" basis;
  - identification of any material outstanding funding issues requiring resolution; and
  - identification of any unallocated funding that may be available for other priorities, including debt repayment.
4. Based on the above findings, policies and actions required to support implementation of the Government's five fiscal principles and related commitments.

Following consideration of the Review, the Government is establishing the fiscal principles that are detailed below.

### PRINCIPLE 1

#### **Target ongoing reductions in Queensland's relative debt burden, as measured by the General Government debt to revenue ratio**

The Government has consistently identified a primary focus is on managing the debt of the General Government sector, which must be serviced from General Government revenues such as taxes (either state or federal), charges and royalties. In contrast, the debt of Government owned businesses is serviced from the operating cashflows of these businesses.

In managing General Government debt, a debt to revenue ratio is a key measure of the sustainability of a jurisdiction's debt levels. With Queensland's General Government debt to revenue ratio currently higher than that of other jurisdictions, it is important to seek ongoing reductions in the ratio to continue to improve the State's fiscal sustainability.

## **PRINCIPLE 2**

### **Target net operating surpluses that ensure any new capital investment in the General Government sector is funded primarily through recurrent revenues rather than borrowing**

Consistent with the position in other states and territories, the Queensland Government considers that the net operating balance is the appropriate primary measure of the State's annual operating position.

Further, the Government recognises that the size of the operating surplus must be large enough that recurrent revenues, rather than borrowings, are the primary funding source for capital investment in the General Government sector.

## **PRINCIPLE 3**

### **The capital program will be managed to ensure a consistent flow of works to support jobs and the economy and reduce the risk of backlogs emerging**

The State's capital program supports service delivery, primarily in education, health, transport and community services.

The Government will ensure that the capital program is managed to meet anticipated demand whilst also providing jobs and support to the Queensland economy.

## **PRINCIPLE 4**

### **Maintain competitive taxation by ensuring that General Government sector own-source revenue remains at or below 8.5% of nominal gross state product, on average, across the forward estimates**

Government has a clear role in providing an economic environment that supports business and jobs growth and does not place undue strain on households. A business taxation environment that imposes lower costs on business is critical to support growth in employment and productive capacity. The Government will maintain a competitive tax environment for business.

## **PRINCIPLE 5**

### **Target full funding of long term liabilities such as superannuation and WorkCover in accordance with actuarial advice**

Consistent with the long-standing practice of successive governments, the Queensland Government is committed to ensuring that the State sets aside assets, on an actuarially determined basis, to meet long term liabilities such as superannuation and WorkCover.