

## Protected Items and Funds

**This Circular outlines arrangements for 'protected items' whereby any expenditure savings are not generally available to be reallocated to other priorities within the cluster. This Circular applies to all general government agencies.**

### Summary:

Coordinating Ministers of clusters have discretion to address expenditure pressures by reallocating resources between entities within a cluster. However, in a limited number of circumstances specific expenditure items are protected so that savings are not available to use for any other purpose.

The principal elements of the policy are:

- Budget allocation schedules identify certain protected items, such as uncontrollable expenditures, first year funding for any new policies and projects or programs with conditional approval. Any savings from these items are not generally available for reallocation in an agency to other purposes or across a cluster.
- A liability to Consolidated Fund must be recognised by a principal department for unspent protected items, unless the relevant Coordinating Minister has received specific approval from the Treasurer or Treasury under delegation to retain the funds.
- Expenditure on programs funded by the Commonwealth Government through National Agreements and National Partnerships should be accounted for in the same way as protected items.

Mark Ronsisvalle  
For Secretary

**Further Information:** Your agency's Treasury analyst  
**NSW Treasury Internet:** [www.treasury.nsw.gov.au](http://www.treasury.nsw.gov.au)

## 1. Background

Coordinating Ministers of clusters, supported by the Director-General of the Principal Department, have discretion to address expenditure pressures by re-allocating resources between entities within the cluster.

However, in a limited number of circumstances specific expenditure items are protected so that savings are not available to use for any other purposes.

## 2. Protected Items

Protected items are identified in Budget allocation schedules issued by Treasury. The final schedule for the Budget year (normally issued in June) will be the reference point for in-year monitoring and year end returns to the Consolidated Fund. Protected items may include:

- Uncontrollable expenditures

An agency may have no discretion to manage demand and cost pressures of some programs. For example, rebate and concession schemes for pensioner water and electricity charges.

- First year funding for new policies

Some new policy initiatives take longer to implement than anticipated. It is important that any under-expenditure for such items is not used for other purposes, and is available at a later date. Funding for these items may be rolled over to future years, subject to approval by the Treasurer (in consultation where necessary with the Expenditure Review Committee of Cabinet) where they do not lead to an ongoing expenditure commitment. Conditions and process for rollovers are the same as in Budget Controls – Net Cost of Services (NSW TC12/08)

- Projects or programs with conditional approval

Conditions are sometimes placed on funding approvals. This may include a pilot where an evaluation is required, programs waiting for detailed planning or a report back on proposed implementation. These conditions must be explicit in the formal approval for protected status to apply.

In addition, expenditure on programs funded by the Commonwealth Government through National Agreements and National Partnerships, or their precursors, are accounted for the same way as protected items, although not identified as protected items in the Budget allocation schedules. The National Agreements and National Partnerships are identified on the National Agreements and National Partnerships allocation schedule.

Minor amounts will generally not be protected. It would be unlikely that any item below \$2 million per annum would require protection. However in some instances, such as specific Cabinet approvals, funds managed by an agency to fund an approved cross-agency program, or individual amounts of funding provided pursuant to overarching interjurisdictional agreements, it will be necessary for Treasury to protect smaller amounts.

### **3. Accounting for under expenditure of protected items**

The general principle is that any under-expenditure of protected items is not available for reallocation in an agency to another purpose or across agencies in a cluster.

The Coordinating Minister of a cluster may, however, seek an approval to reallocate or rollover protected items. The Treasurer will consider the proposal in consultation with the Expenditure Review Committee of Cabinet, where necessary.

If it becomes clear that expenditure for a protected item will be less than the budgeted amount, this should be reflected in the monthly forecast and the final recurrent Consolidated Fund drawdown calculation for the year.

Protected items and Commonwealth National Agreements and National Partnerships funding which is not spent within the year will result in a liability to the Consolidated Fund. This is a requirement under section 23 (1) of the *Public Finance and Audit Act 1983*.

NSW Treasury Circular TC 12/07, *2011-12 Financial Accounting Arrangements for the Crown Entity*, provides instructions on calculating and reporting the Liability to Consolidated Fund. In attachment C of the Circular, principal departments are required to identify the liability to Consolidated Fund separately for protected items and Commonwealth funding.

Where the protected item is in an agency that is grant funded by the principal agency in a cluster, the liability to Consolidated Fund should be brought to account in the financial statements of the principal department.