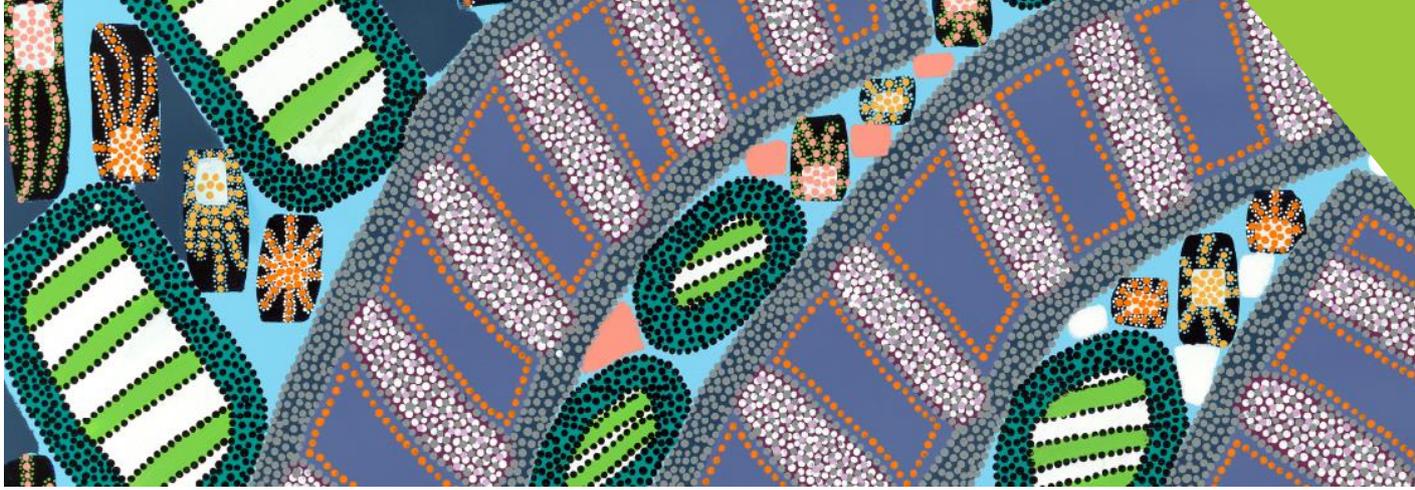


NSW Treasury Policy and Guidelines: Parameter and Technical Adjustments and New Policy Proposals (Measures)



Acknowledgement of Country

NSW Treasury acknowledges that Aboriginal and Torres Strait Islander peoples are the First Peoples and Traditional Custodians of Australia, and the oldest continuing culture in human history.

We pay respect to Elders past and present and commit to respecting the lands we walk on, and the communities we walk with.

We celebrate the deep and enduring connection of Aboriginal and Torres Strait Islander peoples to Country and acknowledge their continuing custodianship of the land, seas and sky.

We acknowledge the ongoing stewardship of Aboriginal and Torres Strait Islander peoples, and the important contribution they make to our communities and economies.

We reflect on the continuing impact of government policies and practices, and recognise our responsibility to work together with and for Aboriginal and Torres Strait Islander peoples, families and communities, towards improved economic, social and cultural outcomes.

Artwork: 'Regeneration' by Josie Rose 2020

Key information

Treasury Policy and Guidelines (TPG) is relevant to?	<input type="checkbox"/> Government Sector Finance Agencies <input checked="" type="checkbox"/> General Government Sector <input type="checkbox"/> Public non-financial corporation <input type="checkbox"/> Public financial corporation <input type="checkbox"/> State Owned Corporations <input type="checkbox"/> Other
	<input type="checkbox"/> Executive agencies related to Departments
	<input type="checkbox"/> Subsidiaries of the NSW Government established under the Corporations Act 2001
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Document contains

- MANDATORY POLICY** compliance set out by NSW Treasury.
- RECOMMENDED POLICY** reflecting best practice standards.
- GUIDANCE/ADDITIONAL INFORMATION** to provide clarity or explain requirements in detail.

Revision history

Document version number	Approval Date	Author	Approver	Description
1.0	07/12/21	Budget Strategy Division	Michael Pratt, Secretary, NSW Treasury	Transition circular TC14/28 to the Treasury Policy and Guidance template. Other various enhancements made, including requirement to link proposals to outcomes and performance, provision of common Parameter and Technical Adjustment (PTA) examples, and various other clarifications regarding PTA proposals.

Parameter and Technical Adjustments and New Policy Proposals (Measures)

Purpose

This guidance assists agencies to understand which classification to use when submitting budget proposals for Expenditure Review Committee (ERC) or Treasurer consideration.

All budget proposals require classification into either of the following:

- Parameter and Technical Adjustment (PTA); or
- New Policy Proposal (NPP).

It is important to understand the difference prior to lodgement. There may not be an opportunity to resubmit a proposal as a new policy if it is not approved as meeting the classification of a PTA.

Background

The goal of the PTA policy is to assist the continued delivery of initiatives and legal requirements when:

- there is an existing program, service or project;
- there has been (or is expected to be) an event outside the control of the agency that directly impacts the program, service, or project
- there are clear obligations or legal requirements that mean the Government is unable to consider scaled back service levels as an option to remain within the original scope
- ERC or Treasurer approval is required for adjustment (e.g. budget, timing).

This policy paper also provides case studies on common PTA scenarios. Common instances include:

- changes in demand to a previously approved program where service delivery discretion does not exist
- major changes in underlying costs, which are outside agency control
- revenue adjustments due to factors outside agency control.

The policy is clear that satisfaction of criteria itself does not flow through to automatic approval. It merely enables the option to proceed to the Treasurer or ERC for consideration alongside other competing resource priorities of Government.

Where proposals do not fall within the classification of a PTA, they can be submitted for consideration under the category of a NPP. These include *discretionary* changes to existing programs (see following pages) or new initiatives.

All NPP submissions and most PTA submissions (i.e. parameter adjustments) will need to outline their impact on both funding and performance metrics, in line with Outcome Budgeting. Some PTAs (mainly technical adjustments) may not have an impact on performance but nonetheless this can be explicitly mentioned in the project rationale.

Parameter and Technical Adjustments

Mandatory

- PTA submissions should demonstrate how the proposal will impact the performance of a State Outcome(s) or its program(s), where appropriate.

Recommendations

- Prior to lodgement, agencies should consider the PTA criteria and confirm the classification of their proposed submissions with their Treasury analyst.

Guidance

Parameter and Technical Adjustments (PTAs) are changes to the budget of an existing program or service, in response to external factors. They enable continued implementation of initiatives and legal requirements when:

- it is an existing program, service or project;
- there has been (or is expected to be) an event outside the control of the agency;
- there are obligations or legal requirements to meet and a change in service provision is not possible, and
- ERC or Treasurer approval is required (e.g. budget, timing).

PTA submissions should demonstrate how the proposal will impact the performance of a State Outcome(s) or its program(s), where appropriate. This information will help to support the merits of a PTA submission. It will not be used to determine whether a proposal qualifies as a PTA; the criteria above should be used instead.

While many PTA submissions will seek additional funding, it is expected that PTA submissions will also be made where an agency experiences or anticipates there will be a reduction in costs. This will assist with offsetting the overall financial impact of PTA submissions and will be viewed favourably in the assessment phase.

Prior to lodgement, agencies should consider the PTA criteria and confirm the classification of their proposed submissions with their Treasury analyst. Proposals confirmed to meet the PTA criteria can be progressed for consideration by the Treasurer or ERC, however, are not guaranteed to be approved. PTA proposals will be weighed up against other competing demands and fiscal capacity.

As a general principle, submissions should not be lodged outside of the Budget development period – unless previously agreed with Treasury. If in doubt, please consult your Treasury analyst.

The below sections outline the different types of parameter and technical adjustments.

1. Recurrent Parameter Adjustments

Consideration will be given to the following:

- changes in demand to a previously approved program where service delivery discretion under current government policy does not exist.
- major changes in the net cost or timing of an existing level of service provision, which are outside agency control.
- revenue adjustments due to factors outside the control of an agency.

Table 1: Examples of Recurrent Parameter Adjustments that do and do not meet the criteria

Meets the criteria	Does not meet the criteria
✓ Increases in the number of children attending Government schools, where there is a legislated requirement to provide public schooling for all school-aged citizens	* Changes in service demand, where service delivery discretion exists under current government policy, despite any potential for adverse outcomes (e.g. additional demand for public transport services)
✓ Increase in the number of pensioners seeking water rate concessions, where the Government has committed to providing rebates to all eligible individuals	* Increase in the value of concessions provided under an existing program where increases were not previously approved by the Government
✓ Cost of consumables differing due to changes in indexation factors or an increase in material/labour costs, where discretion to not incur these costs does not exist. Please note that changes in escalation parameters are generally reviewed and adjusted as part of Treasury's annual escalation process	* Refurbishment or upgrade of an existing asset or additional maintenance funding for new or existing assets (including where the original business case did not provide for ongoing costs)
✓ Revenue adjustments caused by changes in economic factors (not discretionary pricing)	* Continuation of a previously approved program or function beyond its original sunset date
✓ Increase in licensing or subscription costs that are critical to an agency's operations	* An increase to an agency's base funding to meet any funding gap shortfalls or to reverse a previously applied saving

2. Recurrent Technical Adjustments

Consideration will be given to the following:

- accounting driven adjustments that result in changes to revenues and expenses.
- adjustments to payment profiles between years for an existing program where there is no impact on total cost over the full period¹.
- revised estimates of expenses, revenues, assets or liabilities as advised by actuaries (e.g. workers compensation or defined benefit and accumulation superannuation transition).
- Commonwealth funding re-profiling which does not require any additional agency funding (that is, no matching requirements).
- transfers of functions between agencies resulting in no overall budget impact.

¹ Note: specific provisions apply for adjustments involving underspends in the current year. Please refer to the Treasury policy on carry forwards.

Table 2: Examples of Recurrent Technical Adjustments that do and do not meet the criteria

Meets the criteria	Does not meet the criteria
✓ Expenditure now capitalised/expensed or changes in depreciation due to reassessment of asset lives or asset revaluations, or changes in revenue recognition policy	✗ Funding for revised operations and maintenance costs of an existing asset, where no obligation to maintain the asset to a particular standard exists
✓ Timing adjustments to National Partnerships or National Agreement revenues and/or expenses	✗ Commonwealth funding changes that result in a request for new agency funding, such as matching requirements
✓ A change in discount rate used to value leases which will impact the accounting entries for the same lease	✗ Leasing additional premises and requiring additional funding to meet the new lease costs

3. Capital Parameter Adjustments

Consideration will be given to the following:

- for an approved capital project, price and input cost variations beyond the control of the agency but not related to changes in project scope.

Table 3: Examples of Capital Parameter Adjustments that do and do not meet the criteria

Meets the criteria	Does not meet the criteria
✓ Increases in material costs for a capital project which are above escalation and agreed contingencies	✗ Expanding the scope of an approved capital project such as adding an additional level to the construction of a building
✓ Transfer of funding between approved capital projects within an agency or cluster, with an overall net nil financial impact	✗ Upgrade to an agency's ICT systems to mitigate potential risks

4. Capital Technical Adjustments

Consideration will be given to the following:

- timing adjustments or profile changes between years for an approved capital program where there is no impact on total cost over the full period².
- linked changes in revenues and expenditure with a neutral or positive Budget impact across the forward estimates that do not affect project scope (e.g. Commonwealth funding adjustments).
- transfers of functions between agencies resulting in no overall budget impact.
- reclassification of expenditure between recurrent and capital, or other reclassifications of a similar nature that require Treasurer or ERC approval.

Table 4: Examples of Capital Technical Adjustments that do and do not meet the criteria

Meets the criteria	Does not meet the criteria
✓ Revised capital expenditure profiles to align with the latest expenditure profile of a project, following project progression ²	✗ An extension of a capital upgrade, above already approved parameters
✓ Timing adjustment to National Partnership revenues and associated capital expenditure	✗ Commonwealth funding changes that result in a request for new agency funding, such as matching requirements

² Note: specific provisions apply for adjustments involving underspends in the current year. Please refer to the Treasury policy on carry forwards.

New Policy Proposals (Measures)

Mandatory

- All new policy proposal submissions must be supported by relevant evidence and assurance requirements (e.g. business case, cost-benefit analysis, gateway review).
- New policy proposal submissions should demonstrate how the proposal will impact the performance of a State Outcome(s) or its program(s).

Recommendations

- Agencies should consult with their Treasury analyst early on their new policy proposal submissions.

Guidance

A New Policy Proposal (NPP) constitutes a decision by Government that involves a new initiative or discretionary change to existing policy. All proposals that do not constitute PTAs are to be considered NPPs.

NPP submissions should demonstrate how the proposals will impact the performance of a State Outcome(s) or its program(s).

1. Recurrent New Policy Proposals (Measures)

- A new program that requires funding from the Consolidated Fund or requires approval for a budget adjustment.
- An enhancement of an existing program through an increase in scope, coverage or service levels, including continuation of time limited programs.
- Maintenance or improvement to the performance of a State Outcome/program, outside of the PTA criteria above. This includes requests for additional baseline budget funding.

2. Capital New Policy Proposals (Measures)

- A new project that requires funding from the Consolidated Fund or requires approval for a budget adjustment.
- This includes all new projects regardless of whether they are accommodated within or outside of an agency's approved capital budget.
- Scope changes to an approved work-in-progress, which require additional funding or have a negative impact upon a budget aggregate.
- Any recurrent costs associated with capital NPPs must be included for consideration in the project submission (e.g. depreciation and maintenance).