NSW Treasury

Consolidated Budget Management Guidance

May 2025

Acknowledgement of Country

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

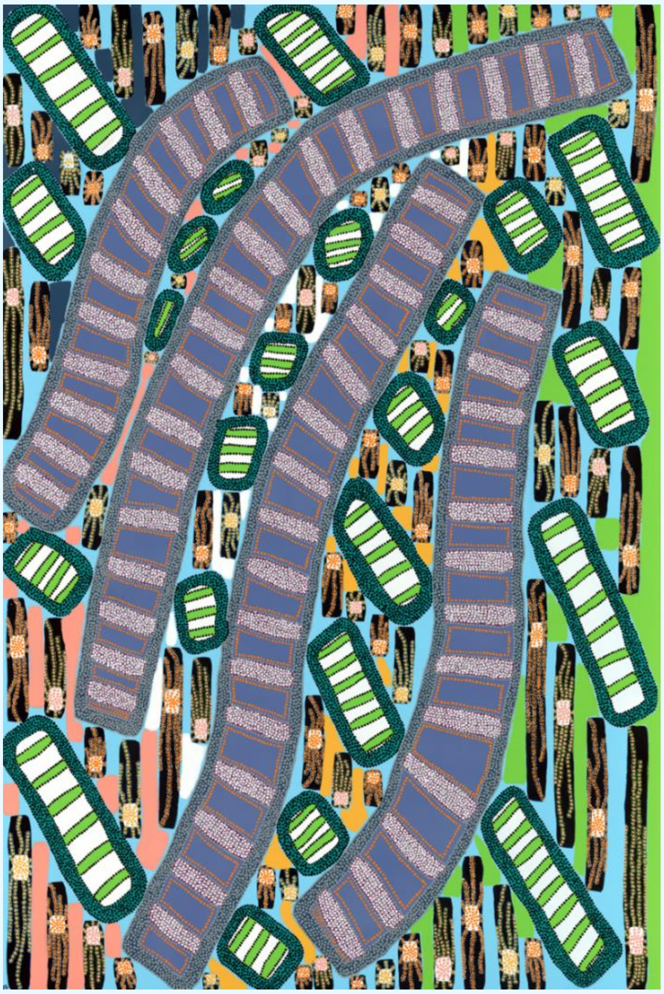
We pay respect to Elders past and present and commit to respecting the lands we walk on, and the communities we walk with.

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



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1

Introduction

1 Introduction

1.1 Secretary's foreword

The NSW public sector supports governments to implement their policy priorities, deliver public services and improve the lives for all the people of New South Wales.

NSW Treasury provides governments with financial and economic advice, including on how to efficiently and effectively allocate limited resources to meet objectives and deliver outcomes.

Regardless of our roles, all public servants have a responsibility to appropriately manage public resources.

NSW Treasury provides a range of frameworks, policies, tools and guidance to help ensure public resources are used efficiently and effectively and are improving outcomes for current and future generations.

This Consolidated Budget Management Guidance aims to bring together important information that underpins strong budget, performance and financial management and make it accessible to all public servants, not just finance professionals.

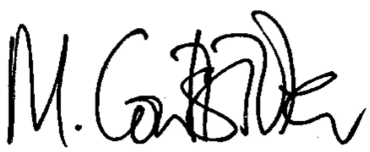
It sets out expectations for the management of budgets alongside key legislation, policies and processes across the end-to-end budget cycle.

We'll review the document regularly to ensure it remains current and incorporate new policies and processes as approved by government.

I encourage you to read and use this guidance to support your day-to-day activities and to build capability within your teams.

And as always, please contact NSW Treasury if you need support or further information.

With my best regards,



Michael Coutts-Trotter
Secretary, NSW Treasury

1.2 Overview

1.2.1 Objective

The NSW Government is committed to responsible budgeting, underpinned by fiscal discipline, integrity, accountability and transparency in financial management. Research by the Organisation for Economic Co-Operation and Development (OECD) suggests that responsible budgeting benefits citizens by driving efficiency, greater accountability, and high standards of integrity in the use of public funds. These practices enhance trust in public institutions and allow for a more effective allocation of resources to achieve improved fiscal outcomes.[1]

In New South Wales, responsible budgeting ensures that:

- government resources are effectively targeted and used efficiently
- the State's fiscal position is sustainable, and that debt levels and debt servicing costs remain manageable
- the current and future needs of the people of New South Wales are balanced
- fiscal risks are proactively and appropriately managed
- the State is more resilient to withstand external pressures and shocks.

All ministers and senior decision-makers play a key role in embedding practices that promote strong budget and financial management to realise these benefits.

The NSW Consolidated Budget Management Guidance (the guidance) outlines key requirements and expectations relating to strong budget and financial management in New South Wales, including the expenditure of public money, financial and performance reporting, and information sharing.

The guidance supports ministers and senior decision-makers, particularly those in non-finance specific roles to meet their obligations under the *Government Sector Finance Act 2018 (GSF Act)* and supports the delivery of the government's fiscal objectives.

The guidance also supports a culture of integrity, transparency and accountability in regards to the use of public resources, as well as an evidence-based process to deliver on the government's strategic priorities.

This document consolidates existing policies and guidance for senior decision-makers. It contains details of official guidelines and does not introduce new policies. This guidance should be read in conjunction with existing NSW Treasury policies, detailed operational guidance and communications which will be issued to the sector throughout the year.

[1] https://read.oecd-ilibrary.org/governance/oecd-budget-transparency-toolkit_9789264282070-en#page5

1.2.2 A vision for strong budget and financial management

The NSW Government has endorsed six principles to underpin this guidance. These principles outline the Government's expectations for strong budget and financial management and support senior decision-makers to understand their obligations.

General government sector (GGS) agencies are required to follow these principles. Entities classified as public financial corporations (PFCs) or public non-financial corporations (PNFCs), including state owned corporations (SOCs), are encouraged to follow these principles where applicable and appropriate.

1. Government resources are to be managed effectively, efficiently, and economically.

All public sector employees are stewards of public resources on behalf of the people of New South Wales. Managing these resources effectively, efficiently, and economically is crucial to achieving value, improving outcomes and building trust with the public.

Senior decision-makers are expected to consider the benefits, risks, and the financial impact on both current and future generations. The practical application of this principle includes:

- developing and maintaining policies and procedures regarding budget, financial, asset and liability management, and maintaining effective risk management procedures
- ensuring the integrity and alignment of financial and non-financial performance information
- complying with all government-wide budget and financial management policies and processes to ensure the efficient management of government resources, including compliance with the GSF Act.

2. The sector is responsible for supporting the delivery of the Government's fiscal objectives.

A state's fiscal strategy acts as a compass for the budget. It is a critical component of responsible budgeting by ensuring sustainable spending, taxation and investment. The strategy also guides government decisions to ensure resources are effectively allocated and risks are appropriately managed.

To support this, the public sector must accommodate and consider the government's fiscal objectives through:

- the day-to-day management of budgets, ensuring the cost of delivering services and programs are within approved budgets and sustainable over the short, medium and long-term
- the annual budget process, ensuring that prioritisation of existing budgets has occurred prior to seeking new funding, and that new funding proposals are evidence-based and ensure the highest value of public money
- expenditure reviews and the delivery of any other request by the Expenditure Review Committee (ERC) to reduce or manage costs.

3. Information is accurate and transparent to support performance management and resource allocation.

Accuracy and transparency of financial and non-financial information is a core enabler of strong budget and financial management. Transparency supports an effective accountability framework and ensures that decisions are supported by a comprehensive and shared set of information.

Accuracy and transparency of financial and non-financial information applies to:

- the breakdown and allocation of approved budgets and forecasts across an agency's activities
- the performance of existing budgets, services and programs, and the key factors driving the performance
- requests for new funding, which must include appropriate information and evidence to support an investment decision, regardless of whether the investment is for a new or existing activity.

The government's core budgeting and financial management system, Prime, is the source of truth for advising the government on financial allocations and performance. Information presented in Prime must be accurate, reflect information held within agencies, and align with reporting provided by agencies to their Ministers.

The Treasurer (as authorised under the GSF Act) or ERC, may request detailed financial and non-financial information at any time to support performance management and resource allocation decisions. Agencies must have systems and processes in place to readily provide more detailed information than what is available in Prime.

4. Budgets are to be managed holistically to deliver outcomes and meet pressures.

Pressures and risks associated with existing services and programs must be proactively managed at the agency level and within approved budget allocations. The management of these pressures is enabled through the high degree of autonomy and flexibility that agencies have to manage their budgets. These two elements allow agency budgets to be viewed holistically and resources to be prioritised to deliver on outcomes and priorities.

The proactive management of pressures and risks may encompass:

- the balancing of underspends and overspends across the agency
- reprioritising funds from activities where outcomes can be achieved at a lower cost
- identifying and discontinuing services or programs that offer low value or duplicate other services or programs provided elsewhere
- considering where an activity can be delayed and funding reallocated, if the pressure is a one-off cost
- applying policy levers to reduce the cost of delivery of a service or program.

Government consideration may be required for any policy changes that are required to manage a pressure or risk. This applies when proposals are inconsistent with government's decisions, pose reputational risks to government, or significantly impact service delivery. Limitations to an agency's ability to flexibly manage their budget include where funding is protected under the Protected Items policy, or when expenditure is required to be reduced as part of a government commitment.

5. Agencies must collaborate to drive efficiencies and achieve outcomes.

Collaboration and cooperation enable public sector organisations to achieve common objectives. Effective collaboration supports the government to meet its priorities and fiscal objectives by ensuring that resources are fully utilised where possible, spending is targeted effectively, and opportunities to reduce costs are proactively identified.

As such, the government expects that ministers and the sector collaborate to achieve shared government outcomes, including participating in and driving reform through the NSW Outcome Networks. Outcome Networks have been established to better support cross-sector collaboration on outcomes where input from multiple agencies is needed for successful delivery. They provide central coordination and ensure effort, resources, and investment are aligned. There are currently 28 NSW Outcomes covering government activities and services.

This expectation extends to the operation of departments and affiliated entities. That is, they must maintain practices and identify opportunities that create efficiencies and streamline information, including shared services and coordination in relation to whole-of-government processes and reporting.

6. Financial and non-financial performance is everyone's responsibility.

Financial and non-financial performance and accountability must be embedded at all levels of government. Alongside transparency, accountability is a critical component of a budget model that embeds flexibility and a high degree of autonomy.

While there are differing levels of accountability, each public sector employee is responsible for delivering on the government's priorities. This includes, but is not limited to:

- operating within approved budgets and any other financial control set by government, including savings targets
- delivering services and programs in line with budget, milestones and timeframes as set by government
- meeting stated policy objectives and performance metrics.

Performance metrics for delivery against these priorities, including budget management, must be appropriately cascaded through the sector.

2

Budget management and governance

2 Budget management and governance

This section provides an overview of the key legislation and frameworks that underpin budget management and governance in New South Wales.

It seeks to support senior decision-makers to better understand these obligations and their application to the operation of agency budgets and functions.

An understanding of these obligations and requirements is crucial to operationalising the six principles – as outlined in Part One – to support the government's commitment to responsible budgeting and financial management.

Contents

No	Section	Focus areas
2.1	Budget governance	• Fiscal objectives, and how fiscal objectives drive the overarching budget strategy. • The legal authority to spend. • Budget controls, including the process for setting and amending budget controls.
2.2	Use of government resources	• The management of government money through the *Government Sector Finance Act 2018.* • Audit, and the role of the Auditor General.
2.3	Financial monitoring and reporting	• The legislated financial monitoring and reporting framework. • Agency requirements for legislated financial reporting i.e. projections, actuals and audited financial statements. • Non-legislated reporting requirements i.e. First Nations expenditure, program data and cutting waste savings.
2.4	Non-financial performance monitoring and reporting	• The Performance and Wellbeing Framework. • Agency requirements for non-financial reporting.

2.1 Budget governance

Key points
• The State's fiscal strategy sets the direction for the budget process and guides the allocation of resources. • A legal authority via an appropriation is required to spend public funds from the Consolidated Fund. • In addition to the appropriation limit, agency budgets are managed and tracked by three budget controls – Net Cost of Services, Labour Expense Cap, and Capital Expenditure Authorisation Limit. • The annual budget process is the primary means to set appropriations and adjust budget controls. • Ministers must report to the Treasurer on any budget control breaches.

2.1.1 Fiscal objectives

The State's fiscal strategy acts as the compass for the budget process, guiding decisions on how to allocate resources effectively. It serves three critical functions:

1. setting clear priorities
2. promoting transparency and accountability
3. enabling informed decision-making.

Table 2.1: Critical functions of a fiscal strategy

Setting clear priorities	Includes the setting of short-term and long-term fiscal objectives for the State's fiscal sustainability, such as operating and debt position objectives. The budget process then translates these objectives into the State's capacity to fund service delivery and infrastructure investment over the budget and forward estimates. The budget process can then prioritise initiatives that align with the strategy.
Promoting transparency and accountability	A clear fiscal strategy allows the public and the Parliament to understand the government's financial direction and set the broad measurement by which the government is going to hold itself accountable for its investment decisions.
Enabling informed decision-making	The fiscal strategy provides a framework for evaluating the financial impact of proposed policies and programs. The budget process can then focus on prioritising initiatives that deliver the most value for the allocated funds, while balancing considerations of policy effectiveness and service delivery requirements.

Most jurisdictions in Australia articulate their fiscal strategy through several broad fiscal principles that are enshrined in legislation. The strategy informs fiscal rules or targets that the government publishes in budget papers and annual reports. It considers the State's position in the economic cycle, and the fiscal position and outlook.

In New South Wales, the government's fiscal strategy is underpinned by legislation, including the *Fiscal Responsibility Act 2012* (FRA). The FRA sets out an objective of maintaining the State's triple-A credit rating.

The State's fiscal position has significantly weakened since 2019-20, following the combination of high levels of recurrent spending and infrastructure investment, and revenue volatility. These impacts have left limited buffers to support the State in the event of a future shock.

It is necessary for a government to ensure its fiscal policy settings are sustainable into the foreseeable future. Fiscal stability underpins the continued delivery of essential services and investment in infrastructure for the people of New South Wales and supports the State's economy during an economic shock.

To enable the fiscally sustainable delivery of the government's policies and broader economic goals, the NSW Government introduced two fiscal principles in the 2023-24 Budget. These two principles are intended to stabilise the State's fiscal position, to avoid entrenching an ongoing or structural operating deficit and slowly reduce the State's annual new borrowing requirements.

These are:

1. returning to a sustainable operating position.
2. stabilising and then maintaining a sustainable debt position.

In practice, these principles help guide the government's financial decision-making, including:

- the operation of the Expenditure Review Committee (ERC)
- the annual budget process, which seeks to invest in priority areas and manage risks, while maintaining a fiscal position in-line with the FRA
- budget monitoring, including NSW Treasury policies that relate to the accuracy of, and amendments to, agency budgets.

2.1.2 Legal authority to spend

All ministers, accountable authorities (i.e. the head of an agency or secretary) and government officers must ensure expenditure is authorised, with the appropriate legal authority and under valid delegation.

The *Constitution Act 1902* (NSW) states that "all public moneys... collected, received or held by any person for or on behalf of the State shall form one Consolidated Fund" unless another Act allows for it.

To withdraw money from the Consolidated Fund, a legal authority is required through an appropriation. This is underpinned by the constitutional principle that the executive government's expenditure of public funds must be authorised by Parliament.

In New South Wales, there are broadly three types of appropriations (outlined in Table 2.2 below).

Table 2.2: Types of appropriations in New South Wales

Annual appropriation	Provides ministers the authority to spend public money for the services of departments or agencies under the authority of the annual Appropriation Act.
Standing appropriation	Appropriations established under legislation other than the GSF Act or annual Appropriation Acts. They typically provide ongoing appropriations from the Consolidated Fund, for example, the *Parliamentary Remuneration Act 1989*.
Deemed appropriation	Relates to certain types of own source receipts under the GSF Act and provides a mechanism for the legally compliant expenditure of own source receipts. See Section 4.7 of the GSF Act.

Specific Acts of Parliament may also provide for public monies to be held in other forms of statutory funds, such as a Special Deposit Account. The legal expenditure of these funds is enabled under Section 4.15 of the GSF Act.

For general government sector (GGS) agencies, the two most common legal mechanisms are the annual Appropriation Acts and deemed appropriation.

Each year, two Annual Appropriation Bills are prepared (a primary bill and a Parliament bill) and tabled alongside the Budget. The objective of these Bills is to legally authorise spending of money from the Consolidated Fund as required during the financial year for services of the government. Following approval by Parliament, the Appropriation Acts commence from 1 July and lapse after a 12-month period. The Treasurer is the responsible minister for the Appropriation Acts.

Under current practice, the appropriations are allocated to a Coordinating Minister for the purposes of departments of the public service and various Special Offices. Coordinating Ministers provide delegations and funding distributions to a group of affiliated entities. The amounts that each of these entities are allocated are determined as part of the annual budget process.

Table 2.3 sets out the departments and Special Offices for which ministers receive direct appropriations. The Legislature receives a separate, direct appropriation under the annual Appropriation (Parliament) Act.

Table 2.3: Departments and Special Offices for which ministers receive direct appropriations

Departments	Special Offices
The Cabinet Office	Independent Commission Against Corruption
Department of Communities and Justice	Independent Pricing and Regulatory Tribunal
Department of Climate Change, Energy, the Environment and Water	Judicial Commission of New South Wales
Department of Customer Service	Law Enforcement Conduct Commission
Department of Education	New South Wales Electoral Commission
Department of Planning, Housing and Infrastructure	Office of the Children's Guardian
Ministry of Health	Office of the Director of Public Prosecutions
Department of Creative Industries, Tourism, Hospitality and Sport	Office of the Ombudsman
The Premier's Department	
Department of Primary Industries and Regional Development	
Department of Transport	
NSW Treasury	

Under the GSF Act, deemed appropriations provide a mechanism for the legally compliant expenditure of an agency's own source receipts (i.e. revenue). When an agency receives an own source receipt, the lead minister for the agency (which is the Coordinating Minister) is "deemed" to have been given an appropriation:

- for an amount equal to the own source receipt, and
- for the purposes defined at Section 4.7(2) GSF Act.

This deeming means that there is a formal legal authority for the receiving agency to spend the own source receipts. Financial delegations must be put in place to authorise spending of annual appropriations and deemed appropriation under the authority of the Coordinating Minister. Appropriations are a legal limit on the Coordinating Minister's authority to spend and cannot be exceeded.

Where appropriate, the department may balance unspent appropriation across its affiliated entities. This could occur in such circumstances where there is a material pressure associated with an existing service, or a new spending decision has been made in-year.

In certain circumstances, the Treasurer may approve a variation to an appropriation limit. Those circumstances are:

- transfer of functions between agencies
- transfer of appropriation from the savings of another agency
- variations of annual appropriations for Commonwealth Grants
- exigencies of government, for urgent and unforeseen expenditures e.g. natural disasters (with approval of the Governor)
- allocation of special appropriations.

Parliament may also pass a Supplementary Appropriation Act authorising additional expenditure. However, practice in New South Wales is that only one appropriation Act is considered each year.

Departments, Special Offices, and any agency receiving any kind of appropriation are required to complete a summary of compliance at the end of the financial year to certify that appropriation limits were adhered to.

2.1.3 Budget controls

Alongside the appropriation limit, there are three budget controls that have been endorsed by government to manage and track performance of agency budgets.

These controls are a core part of the financial management framework and provide government with an effective tool to control how funds are used, including targeting specific types of expenditure. The three controls are:

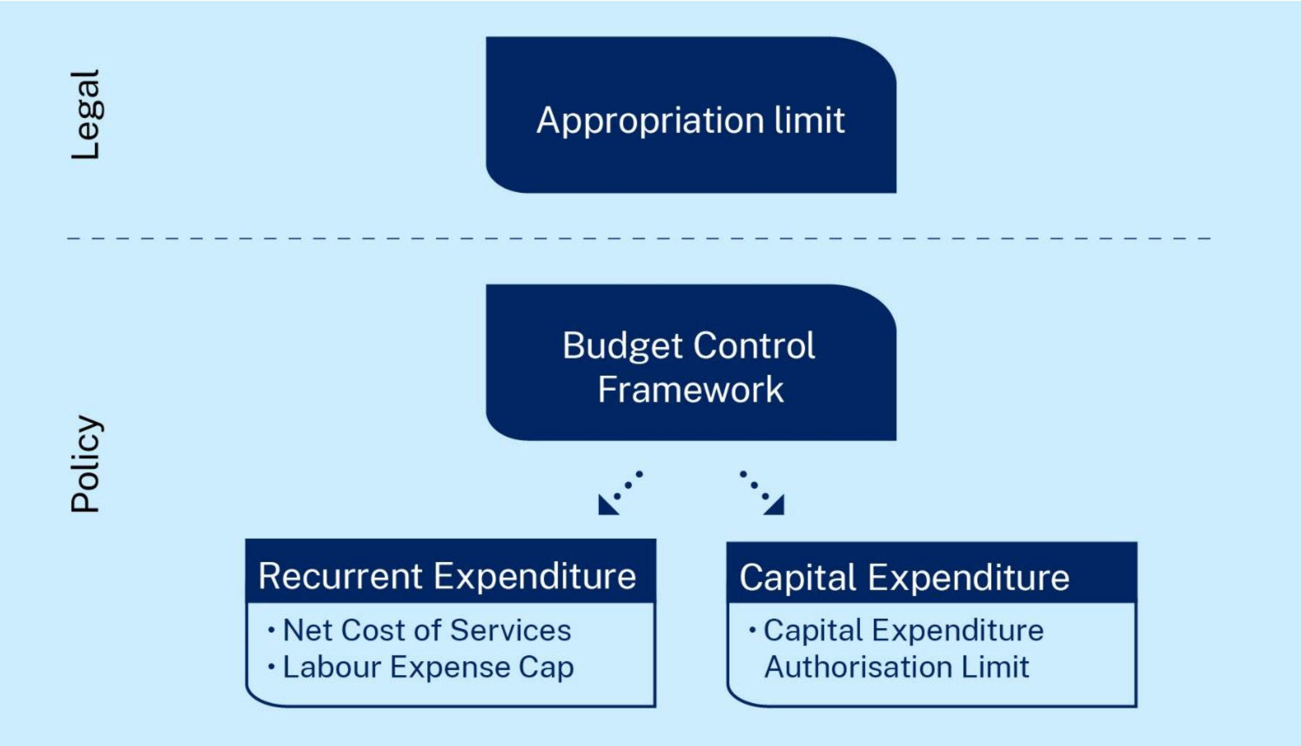
- **Net Cost of Services limit (NCOS):** the net cost by which an agency can operate in within any year when accounting for expenses and revenues
- **Labour Expense Cap (LEC)**: a ceiling on the total of employee related and contractor expenses that can be incurred in any year
- **Capital Expenditure Authorisation Limit (CEAL):** a ceiling on the total capital expenditure that can be incurred in any year.

All controls apply to the current year, forward estimates, and planning years. Budget controls do not have a tolerance level for breaches. That is, agencies are required to operate within those set limits.

The primary means for setting and adjusting budget controls is through the annual budget process. Agencies are expected to manage risks and pressures within their original budget allocations. However, where an adjustment to an agency's budget control limit is required, this must be approved by the ERC, the Treasurer or NSW Treasury via delegation. Any request to increase control limits outside of the budget process will only be considered in exceptional circumstances.

However, to manage in-year pressures associated with existing services or programs, a minister may approve a net neutral transfer of budget controls between affiliated entities, where there is alignment with a single minister's policy responsibility, or impacted ministers agree.

Figure 2.1: Management of agency budgets



In addition to the above, a minister may also approve variances to existing capital projects of up to +/- 10 per cent of the original approved estimated total cost (ETC) and initiate new major capital work projects with an ETC of less than $5 million. The following conditions apply to that approval:

- the minister can only make such changes for capital projects to be delivered by agencies that they are responsible for
- the expenditure in each year for all capital projects can be met from within the annual capital expenditure authorisation limits for the agency
- no major project will be delayed by more than a year from the approved completion date
- all associated recurrent costs in future years can be met from within existing net cost of services limits
- NSW Treasury is consulted prior to the minister's approval of a new major capital work project, to ensure offsetting savings are available within the capital program.

Variations to Tier 1 projects (as defined by Infrastructure NSW's *Infrastructure Investor Assurance Framework*) will require approval in the budget process or from the Treasurer in exceptional circumstances.

An agency may request to move unspent budget controls from the current financial year into future financial years, in accordance with the *TPG22-05: Carry Forwards Policy*.

In the event that an agency breaches a budget control at the end of the financial year, the responsible minister is required to formally notify the Treasurer in writing. The correspondence must include details of the breach and actions that are being undertaken to manage risks into the future.

If the breach is material or at risk of becoming structural, additional mitigating actions may be requested. Ministers and agencies may also be required to report back to the ERC on these mitigating actions to ensure compliance with budget controls in future years.

Further information can be found in *TPG24-35: Budget Control Framework*.

Agencies should note that, while not a formal budget control, the NSW Government has made a commitment to reducing expenditure across a range of expense categories. Agencies are expected to implement strategies to manage expenditure within their approved budgets across these categories. This includes the following recurrent expense categories:

- Non-frontline labour hire and other contractors
- Consultants
- Travel
- Advertising
- Legal

Expenditure in these categories is closely tracked against approved budgets and 2022-23 expenditure. Any adjustments to expenditure in these categories should be supported by an explicit decision of government. Agencies are required to report on progress towards reducing expenditure under these categories, which is detailed further in *Section - 2.3 Financial monitoring and reporting*.

2.2 Use of government resources

Key points
• The *Government Sector Finance Act 2018* (GSF Act) establishes a principle-based framework for the use and management of public money. • The GSF Act covers a range of activities including financial reporting, financial delegations, and financial services arrangements for agencies, and articulates roles and responsibilities across the public sector. • The Audit Office of NSW is legislated to provide a range of audit activities, including financial and performance audits.

2.2.1 The management of government money

The management of public money is a crucial government function which aims to maximise public resources towards the greatest benefit. The GSF Act establishes a principle-based framework for the NSW public sector to guide the use and management of public money.

The GSF Act covers a range of activities relating to financial management for the public sector. This includes specific rules relating to:

- expenditure of money from the Consolidated Fund and the Special Deposits accounts
- financial and annual reporting by individual agencies, which is further outlined in *Section 2.3 - Financial monitoring and reporting*
- financial delegations
- financial services and arrangements, including banking, borrowing and investments
- gifting of government property
- statutory act of grace payments.

The GSF Act sets the requirement for all public sector agencies to establish effective policies for risk management, financial management and integrity of performance information. It is also critical in driving governance structures across the sector by defining roles and responsibilities.

Table 2.4: Summary of GSF Act responsibilities by role

Role	Key responsibilities in the GSF Act
Treasurer	The Treasurer may give written directions (Treasurer's Directions) with respect to the principles, practices, arrangements and procedures to be applied to or followed by GSF agencies for the purpose of promoting compliance with the provisions of the GSF Act. A person or entity to whom the Treasurer's directions apply, must comply with the provision.
Minister	All ministers have responsibilities and powers in relation to financial management under the GSF Act, including: • responsibility to ensure expenditure of money is done legally • access to relevant agency financial and non-financial information • the power to set terms and conditions on delegations to expend from an appropriation • delegating certain functions, in the manner, and to the extent they see fit, in accordance with Division 9.2 of the GSF Act.
Accountable authority	The main roles and responsibilities of an accountable authority include: • ensure expenditure of their GSF agency is done legally, and under valid delegation • develop and maintain policies and procedures regarding financial management • establish and maintain effective risk management procedures • ensure the integrity of financial and performance information • ensure the agency is compliant with the GSF Act. An accountable authority may perform functions, such as authorising expenditure on behalf of the State, as a delegate.
Government officer	A government officer should be guided by the values and principles of the GSF Act: • accountability: take reasonable care so that use of government resources and related money is efficient, effective and prudent • integrity: place public interest over private interest and not use their position or information improperly • transparency: ensure that any real or perceived conflicts of interest are effectively avoided, managed and disclosed. A government officer may perform functions, such as authorising expenditure on behalf of the State, as a delegate. All government officers must ensure expenditure is done legally, and under valid delegation.

2.2.2 Audit

Audit activities are a critical function that ensure the government is held to account for its use of public resources. Annual financial statements are audited, to provide an independent opinion as to whether the financial statements are prepared in accordance with relevant standards, laws, regulations and government directions. In New South Wales, this function is undertaken by the Auditor-General of NSW, supported by the Audit Office of NSW.

The Auditor-General and Audit Office of NSW also conduct their own program of performance and other audit engagements, which provides an opinion about the efficiency, effectiveness, economy and/or compliance of an agency or program. The Auditor-General's forward agenda of these types of Audits is available on the Audit Office of NSW's website.

The *Government Sector Audit Act 1983* establishes the Auditor-General as an independent and statutory officer of Parliament, responsible for providing independent audit and audit-related services. The Audit Office of NSW, which is also established under the Act, is responsible for conducting audits of NSW Government entities and reporting the outcomes to Parliament.

2.2.3 Grants management

The *Grants Administration Guide* provides principles-based guidance and includes mandatory requirements for ministers, officials and ministerial staff. Compliance with the Guide is a legal requirement under the GSF Act. The Guide provides an overview of the grants administration process, overarching principles that apply to all NSW Government grants, and mandatory requirements that must be complied with when administering grants.

2.3 Financial monitoring and reporting

Key points

- The GSF Act sets out the NSW Government's financial monitoring and reporting framework.
- Agencies are required to support NSW Treasury to deliver legislated consolidated reporting through the provision of financial data, including actual spend to date, projections and forward estimates.
- The NSW Government has mandated additional financial reporting requirements which must be adhered to, including the tracking of savings and First Nations expenditure.
- Accountable authorities and chief financial officers are responsible for the provision of timely and accurate data.

2.3.1 Financial monitoring and reporting framework

Financial monitoring and reporting for the NSW Government involves the structured and comprehensive recording of financial activities and transactions conducted by public sector agencies. This process ensures that all financial information, including income, expenditures, assets and liabilities are accurately captured and presented in accordance with accounting standards and legislation.

The primary objective of financial reporting is to provide transparency and accountability, enabling stakeholders — including citizens, policymakers, and oversight bodies — to assess the financial health and performance of government agencies and the overall financial performance of the State.

The NSW Government's financial monitoring and reporting framework is governed by requirements set out in the GSF Act.

Figure 2.2: Reporting requirements outlined in the GSF Act

The requirements, as set out in Parts 4 and 7 of the GSF Act are summarised below:

- **Budget** – the budget papers are to be tabled in Parliament alongside the Bills for the Appropriation Act. The budget papers present budget aggregates for the general government sector (GGS) for a six-year period – the annual budget period for which the budget relates, the two years prior and the three forward years after. The papers include financial statements, details of material policy measures, a statement of risks, and four-year forecasts or projections of economic variables.
- **Monthly General Government Sector Reporting** – the Treasurer is to publicly release a consolidated monthly statement for the GGS, which is to outline the actual operating position and cash flow of the sector.
- **Half-Yearly Review** – a half-yearly review must be released by 31 December each year (except in a year immediately preceding an election). The publication must contain updated projections from the original budget for the current annual reporting year, revised forward estimates and the latest economic projections. The half-yearly review also details any government decisions impacting on the budget aggregates since the Budget.
- **Agency Annual Reports** – reporting agencies are to prepare annual reports which include financial statements, information concerning the performance of the agency and any other information that may be prescribed by legislation or a Treasurer's Direction. The annual report must be tabled by the responsible minister in Parliament no later than five months after the end of the annual reporting period.
- **Consolidated State Financial Statements (or the Total State Sector Accounts)** – after the end of each reporting period, the Treasurer is to prepare consolidated Total State Sector statements and consolidated General Government Sector statements as at the period end 30 June. The statements must be prepared in accordance with Australian Accounting Standards and are to be audited by the Auditor-General.

2.3.2 Agency requirements for legislated financial reporting

All general government sector (GGS) agencies, public financial corporations (PFCs) and public non-financial corporations (PNFCs) are required to deliver on the legislated reporting requirements as outlined in the GSF Act, including supporting the Treasurer to deliver on consolidated sector reporting.

To enable the delivery of consolidated sector reporting, agencies are required to submit specific types of data to NSW Treasury – actuals, projections, forward estimates, planning years, and audited financial data – at specific periods. This data is to be supported by all relevant information regarding the factors that are driving any movements and variations to enable comprehensive briefings to government on the State's financial position.

The integrity of consolidated reporting relies on the standard of the data provided by agencies. As such, it is critical that this data is accurate, reflects information held within an agency and is supported by robust internal forecasting, governance processes and systems.

The provision of financial data and statements ensure transparency and accountability regarding financial performance and position, including the way that public resources have been applied during a reporting period and how an agency has met their strategic objectives.

Further detail on each type of data is outlined in Table 5. All requirements apply to GGS agencies, PFCs, and PNFCs unless otherwise specified.

Ultimately, accountability for the quality and accuracy of data provided to NSW Treasury (via Prime) rests with the accountable authority and chief financial officer.

Table 2.5: Agency requirements to support legislated reporting

Type	Frequency	Description
Actuals	Monthly	• The actual financial position for the year to date. • Provides real-time evaluation of operational management against the budget and provides year-to-date balance sheet management. • The requirement to submit monthly actuals applies to GGS agencies only. PNFCs and PFCs must provide actuals at Period 9 as part of mandatory early close procedures and at Period 12 for end of year reporting.
Projections	Quarterly and ahead of major publications, unless otherwise requested	• Details what agencies expect to spend within the financial year against their original budget. • Assesses agency operations within set budgets. • Informs borrowing costs required by the State. • Allows government to consider in-year resource allocation adjustments. • PNFCs and PFCs must provide projections at Period 4 as part of the half-yearly review process and Period 10 as part of the budget process.
Forward estimates[2]	Ahead of major publications	• Estimated annual financial position of the three years following the budget year. • Should reflect existing policy parameters within approved budgets. • Agencies are required to formally review this data at certain periods aligned to the publication of the half-yearly review and budget.
End of year actual position	End of year	• Agencies submit data, audited financial statements and related information to NSW Treasury. • Enables the Treasurer to prepare the Total State Sector accounts.
Annual reporting	End of the financial year	• Agencies prepare, have audited, table and publish financial statements in accordance with the GSF Act, GSF Regulations, Treasurer's Directions and Australian Accounting Standards. • Agencies prepare and publish annual reporting information, including the audited financial statements, and submit them to their responsible minister for tabling in Parliament.

[2] Agencies are also required to submit planning years data, which is the six years following the forward estimates. Planning years data must be reviewed by agencies at certain periods aligned to the publication of the half-yearly review and budget. Although it is not required for legislated financial reporting, planning years data supports the NSW Government's medium-term fiscal planning.

2.3.3 Non-legislated reporting requirements

In addition to the legislated requirements detailed above, agencies must also adhere to additional expenditure reporting requirements as requested by government. While these are not legislated, they play a critical role in supporting the government's policy and fiscal objectives.

As such, agencies are responsible for complying with the requirements and ensuring that reporting is underpinned by accuracy and accountability of data.

The additional reporting is divided into two overarching categories:

1. **Targeted expenditure reporting** – this includes below entity level data which may be used to support whole-of-sector reporting.
2. **Ministerial reporting** – this encompasses reporting that provides ministerial line of sight and accountability for financial performance.

To assist agencies in meeting these required reporting requirements, NSW Treasury publishes detailed guidance throughout the year.

Table 2.6: Targeted expenditure reporting requirements for general government sector agencies

Requirement	Description
Program data	Agencies are required to maintain and report on the breakdown of financial information by programs. Agency programs are a grouping of activities, functions, tasks, or projects undertaken by an individual agency that contribute to a common outcome. Refer to *Section 2.4 – Non-financial performance monitoring and reporting* for further information.
First Nations expenditure	Agencies are required to report to NSW Treasury on First Nations expenditure to meet the NSW Government's requirements under the National Agreement on Closing the Gap. This reporting currently captures two categories of expenditure (1) targeted First Nations expenditure; and (2) non-targeted First Nations expenditure. Collecting both targeted and non-targeted expenditure data enables the NSW Government to continue to build a holistic evidence base of First Nations expenditure across New South Wales.
Cutting Waste Election Commitments and Comprehensive Expenditure Review Measures	The NSW Government has made a commitment to reduce and maintain reduced expenditure for travel, advertising, legal, labour hire, and consultants. Agencies are required to report on these expenditure categories as part of NSW Treasury's ongoing financial monitoring process. In addition, agencies are required to report on their progress towards the Comprehensive Expenditure Review budget improvement, reprioritisation and other savings measures.

Requirement	Description
Capital Expenditure Reporting	Agencies are required to report on capital projects and programs to Infrastructure NSW (INSW) in order to record and assess implementation against time, cost, quality, risks and impediments to project delivery. These requirements are relevant to all GGS agencies, PFCs, and PNFCs. The frequency of the reporting will reflect the project tier risk-based reporting with greater analysis provided for Tier 1 – High profile/high risk projects. INSW will provide government with monthly project status reports for Tier 1 projects and quarterly reports for Tier 2 and 3 projects. INSW will also routinely provide final regular project reports and periodically report on the NSW Infrastructure Investor Assurance Framework to NSW Treasury. See the Infrastructure Investor Assurance Framework for more information.

Table 2.7: Ministerial reporting requirements

Requirement	Description
Quarterly reports	Agencies are required to provide all ministers that they are accountable to with regular financial reporting. This should happen on a minimum quarterly basis and be copied to NSW Treasury. This reporting must include performance against budget controls, transparency of where in-year underspends and overspends are occurring and risks that require mitigating actions to be taken.
Budget control breaches	If an agency has breached a budget control at the end of the financial year, the responsible minister is required to formally notify the Treasurer in writing. Refer to *Section 2.1.3 – Budget controls* for additional information.

2.4 Non-financial performance monitoring and reporting

Key points

- The Performance and Wellbeing Framework supports public accountability and aligns strategic planning and performance management across government.
- The Framework has three tiers (1) wellbeing themes, (2) NSW Outcomes and (3) government programs and policies. Each tier of the framework has metrics and indicators that measure progress.
- Agencies are required to collect performance information and adhere to requirements for submitting data.

2.4.1 Performance and Wellbeing Framework

The NSW Performance and Wellbeing Framework is designed to promote transparency, accountability and evidence-based decision making. It also aims to strengthen our collective understanding of the connection between government policies and programs, and the results and impacts achieved for the people of New South Wales.

The Framework comprises three tiers:

- **wellbeing themes:** pillars that contribute to the wellbeing of NSW communities. There are eight themes, including Healthy, Skilled, Prosperous, Housed, Secure, Community, Connected, and Sustainable. Progress will be measured by selected wellbeing metrics. These metrics track changes in quality of life in each theme; for example, life expectancy is a metric for the Healthy theme.
- **NSW Outcomes:** track the State's progress within a specific wellbeing theme by defining what the government is seeking to achieve for the community. Currently, there are 28 NSW Outcomes, measured by performance indicators.
- **government programs and policies:** delivery of programs and policies support achieving NSW Outcomes and wellbeing themes.

The framework aims to:

- articulate how government performance influences outcomes
- strengthen performance reporting for accountability and transparency
- improve data quality to inform government decision making, and
- support cross-agency collaboration and strategic planning to deliver improved outcomes for the State.

The Framework supports a whole-of-government perspective as individual NSW Outcomes may have multiple agencies contributing to them. Cross agency networks have been established to support the collaboration needed to achieve NSW Outcomes.

Figure 2.3: Performance and Wellbeing Framework

2.4.2 Agency requirements for non-financial reporting

Performance indicators data should be collected by agencies to track progress towards achieving NSW Outcomes. This data-driven approach ensures that program outcomes are measurable and aligned with broader governmental goals and is consistent with the GSF Act, which requires agencies to maintain performance information.

Performance against NSW Outcomes will be published in the annual Budget Papers. Additionally, performance indicators will be used to provide updates to ERC to improve accountability and support strategic planning,

As outlined in *Section 2.2 – Financial monitoring and reporting*, agencies are also required to break down their budgets by ‘programs’ in Prime. Agency programs in Prime are a grouping of activities, functions, tasks, or projects undertaken by an individual agency that contribute to a common outcome. All programs should be mapped to a NSW Outcome for budget reporting purposes.

The breakdown of agency financial data supports the Performance and Wellbeing Framework by identifying the public funds allocated towards achieving certain outcomes and provides transparency to the public regarding the use of funds.

As outlined in Part One, agencies must have systems in place to capture activities and corresponding financial data below the program level.

3

Annual budget process

3 Annual budget process

This section outlines the key elements, processes, and responsibilities of agencies to support the annual budget process.

It supports all public sector employees to understand the requirements associated with requesting amendments to approved budgets.

Contents		
No	Section	Focus areas
3.1	Budget development	• Overarching objectives and purpose of the annual budget process. • Key responsibilities for agencies throughout the budget process. • Indicative timeframes for decisions within a standard budget cycle.
3.2	Budget proposals	• Purpose and objectives of budget proposals. • Types of budget proposals: new policy proposals and cost variations. • Considerations undertaken in NSW Treasury's assessment of proposals.
3.3	Budget improvement measures, reallocations, and expenditure reviews	• Expectations relating to the reprioritisation of existing budgets, including offset requirements. • Purpose and agency participation in budget and expenditure reviews. • Guidelines to support the mobility of staff declared excess within the NSW Public Sector. • Specific requirements and criteria for protected funding.
3.5	Approval of negotiating parameters	• Requirements to seek Cabinet endorsement of proposals that create a legal, financial, contingent, or other commitment for the NSW Government. • Policies and requirements to enable the negotiation of Commonwealth-State funding agreements and industrial relations proposals.

3.1 Budget development

Key points
• The budget process is the primary decision-making mechanism through which the NSW Government allocates public resources and seeks legal authorisation from Parliament through the Appropriation Act to spend public funds. • The Treasurer is responsible under the *Government Sector Finance Act 2018* (GSF Act) for the preparation and presentation of the budget papers and Appropriation Acts each year. • While the appropriation authorises expenditure for the budget year only, the budget outlines the State's financial estimates across the budget year and three subsequent years ("forward estimates"). • Only urgent, unavoidable and unforeseen proposals may be considered outside of the annual budget process. • The budget process is agreed by the Expenditure Review Committee (ERC) of Cabinet ahead of the budget cycle and can vary year on year. • Detailed operational guidance is issued to the sector at the start of each budget cycle.

3.1.1 Objective of the annual budget

The annual budget is the NSW Government's primary financial, economic, and policy report. It provides a comprehensive medium-term update on the fiscal and economic outlook of New South Wales.

Anchored by the government's fiscal objectives, the annual budget process is the mechanism through which the government determines its funding priorities and the amount of public funds to be legally authorised by Parliament for spending through the Annual Appropriation Bill(s) (see *Section 2.1.2 – Legal authority to spend*).

While the Annual Appropriation Act(s) authorises expenditure of monies from the Consolidated Fund for the budget year only, the budget outlines the State's financial estimates across the budget year and three subsequent years (the forward estimates).

Beyond determining funding priorities, the annual budget aims to achieve several objectives:

- provide transparency to the Parliament and public on the allocation of public resources and the performance of programs, services, and projects that use these resources
- maximise the use of public resources by prioritising spending on services, programs and projects that provide the greatest benefit to the community
- detail a comprehensive strategy to manage expenditure, revenue and debt to maintain long-term fiscal sustainability
- identify and outline strategies to manage risks that could impact the State's fiscal position or the delivery of commitments
- enable reviews of existing service and policy settings to ensure effectiveness and sustainability
- give effect to the objectives, targets, and principles of the relevant legislation (see Part Two – *Budget management and governance*).

Division 4.1 of the *Government Sector Finance Act 2018 (GSF Act)* details requirements related to the annual budget, including timing for release and contents of the budget papers.

In New South Wales, the annual budget process is the primary decision-making process for all proposals with future or potential budget impacts, including expenditure, revenue, savings and tax changes, as well as variations to existing agency budgets. Proposals with budget impacts will generally only be considered outside of the budget process if they are urgent, unavoidable, or unforeseeable at the time of the budget, and cannot be accommodated within existing resources or be deferred to the next budget cycle.

While this part of the guidance focusses on the development of the annual budget, the overarching end-to-end budget cycle involves interlinked phases of planning, decision-making, delivery and monitoring and reporting. That is, as the next annual budget is being planned and developed, delivery of current budget continues and is monitored and reported on.

Further information on the financial reporting associated with the end-to-end budget cycle is outlined in *Section 2.3 – Financial monitoring and reporting.*

3.1.2 The annual budget process in New South Wales

The annual budget process is structured into stages to facilitate the thorough evaluation and prioritisation of new and existing resources within the context of the economy, fiscal position and the government's fiscal objectives. The process aims to ensure government resources are allocated effectively, with resource allocation decisions by ERC supported by sound evidence and subjected to rigorous assessments, in line with the NSW Government Investment Framework (see Part Four – *Investment and assurance frameworks*).

It is NSW Treasury's role to operationalise and oversee the annual budget process. Each year, Treasury provides advice on the fiscal and economic context, risks and pressures, and the management of the annual budget process. This includes supporting the Treasurer to seek agreement from ERC on the budget's strategic and fiscal priorities, as well as the operational rules that underpin the process.

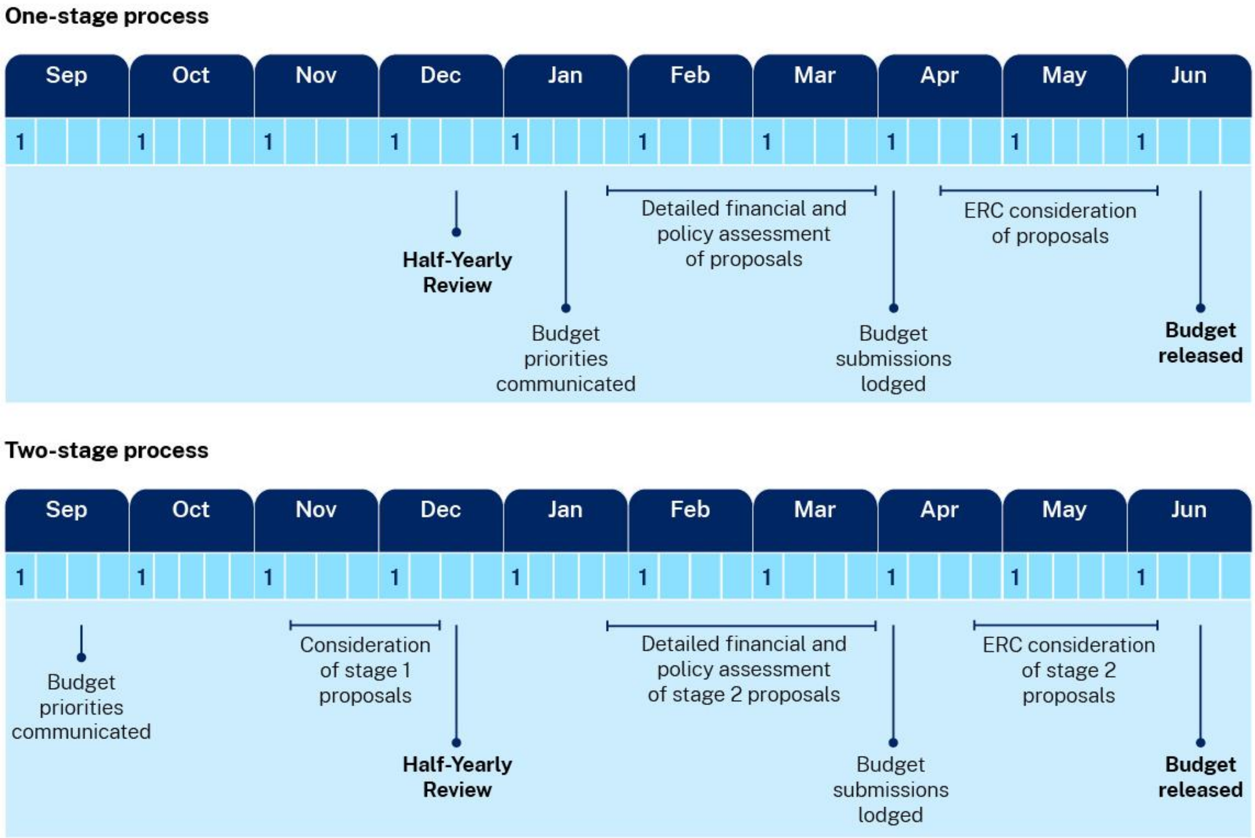
The annual process can take between six to nine months and typically comprises the following stages.

Figure 3.1: Stages of annual budget development

The precise timing and process for each budget cycle is determined by the Treasurer, the Premier, and ERC, subject to the provisions of the GSF Act, including sections 4.4 and 7.16. The cycle can depend on various factors including the political cycle, unforeseen external events (for example, the COVID-19 pandemic), and the fiscal and economic landscape.

Budget decision-making typically follows one of the two processes detailed in Figure 3.2.

Figure 3.2: Stylised budget cycles



A two-stage process refers to ministers submitting their budget proposals for consideration in two stages:

- Stage one: high-level consideration on the strategic alignment and fiscal impact of each proposal, and whether the proposal should be considered further. The outcome of stage one consideration will inform what proposals will be included in the final budget submissions. A proposal that is not approved to proceed to stage two is considered a final decision and will not advance further.
- Stage two: detailed consideration by ERC of all supported stage one budget proposals (including cost variations) through the budget ERC submissions, with a final decision regarding policy parameters and funding.

Detailed operational guidance setting out the timelines and requirements for the annual budget is distributed to agencies at the start of each budget cycle. NSW Treasury also provides agencies with the relevant templates to submit proposals for consideration.

Further information on requirements for submitting budget proposals is outlined in *Section 3.2 – Budget proposals.*

3.1.3 Integrity agencies

As part of the annual budget process, the NSW Government has adopted an alternative budget management model to safeguard the independence of integrity agencies and ensure the delivery of their statutory objectives. As such, integrity agencies are subject to tailored requirements throughout the budget process.

Further information can be found in the Treasurer's Direction TD24-12: Charter of Independence for NSW integrity agencies.

3.2 Budget proposals

Key points

- Budget proposals are categorised into new policies and cost variations. All proposals compete for the same resources and are assessed at the same time to enable a thorough discussion of trade-offs.
- A new policy proposal (also referred to as a "budget measure") is a proposal put forward by ministers for the consideration by the government involving a new initiative or a discretionary change to existing policy.
- All new policy proposals must be supported by evidence and adhere to requirements as set out in the NSW Government Investment Framework (see Part Four – *Investment and assurance frameworks*).
- A cost variation is a change to the budget of an existing program or service due to external factors which are beyond an agency's control.
- Parameter and Technical Adjustments are a category of cost variation which involves adjustments beyond the control of an agency, such as increased demand or accounting changes.
- Carry forwards are a category of cost variation that enable an agency to transfer unspent funds from the current financial year to future financial years to meet the revised delivery schedule of a program or project.
- NSW Treasury conducts assessments on all budget proposals and provides advice to the government. This includes an assessment of the policy merits, value for money, economic merit and verification of the financial impacts.

3.2.1 Purpose and objective of budget proposals

The government is required to make resource allocation decisions based on the available evidence and options, considered within the context of limited resources. Budget proposals are a fundamental component of the annual budget development process, serving as the primary mechanism to inform the decision-making process.

Ministers, with the support of their agencies, can bring forward budget proposals for consideration during the annual budget process. Budget proposals not only outline the financial plans for programs, projects or services; they set out policy objectives, service delivery standards, milestones, delivery timeframes and performance indicators.

In doing so, budget proposals provide a basis for evaluating and prioritising resources and provide transparency on what the expenditure of public funds will achieve. This process supports the achievement of the objectives of the annual budget as set out in section 3.1.1 – *Objective of the annual budget*.

Budget proposals are categorised to support decision makers to distinguish between the cost of new initiatives and the cost of continuing to deliver existing services, policies and projects. These categories are:

1. new policies
2. cost variations.

All proposals, regardless of their category compete for the same finite pool of funding. This competitive environment ensures that only the most critical and well-justified proposals are prioritised.

Budget proposals are only considered outside of the budget process if they are urgent, unavoidable, or unforeseeable at the time of the budget, cannot be accommodated within existing resources or be deferred. This ensures that all proposals are evaluated comprehensively, consistent with the government's strategic priorities and fiscal strategy and enables a thorough discussion of trade-offs.

3.2.2 New policies

A new policy proposal is a request to approve a new initiative or a discretionary change to existing policy that requires an active decision by government. That is, a decision to modify or change an existing policy that is not due to external factors. These proposals can also be referred to as "budget measures".

Ministers may bring forward proposals for new policies to be considered in the annual budget process. These proposals may address specific issues, improve public services or achieve strategic objectives. While new policies are typically associated with additional funding or a saving, there are circumstances where these proposals have no fiscal impact (e.g. regulatory change).

Table 3.1 outlines examples of the types of new policy proposals. Generally, if a proposal does not meet the strict criteria for a cost variation (see section 3.2.3 – *Cost variations*), then the proposal is considered a new policy.

Table 3.1: Examples of new policy proposals

Recurrent
• A new program regardless of the funding source. This includes if the program is funded within existing budget allocations. • An enhancement of an existing program through an increase in scope, coverage or service levels. • Maintenance or improvement of the performance of a program, outside of the Parameter and Technical Adjustment criteria below. • Continuation of an otherwise ceasing program or service. • Savings or revenue measures.
Capital
• A new project (including replacement or enhancement to existing assets), regardless of the funding source. • Scope changes to an approved work-in-progress, which have a budget impact. • Any recurrent costs associated with capital proposals (e.g. operating, depreciation and maintenance).
Other
• A proposal that changes an underlying fiscal metric, such as net debt and net worth. • A proposal that creates a legal, financial, contingent or other commitment for the NSW Government. • Seeking authority to enter negotiations which may result in future financial impacts. • Material changes to the intent of a previous policy decision which was considered by a Cabinet Committee. • A proposal to accelerate the delivery of a previously approved project or program.

New policy proposals must be developed in line with the NSW Government Investment Framework (*Part Four - Investment and assurance frameworks*) and any other requirements outlined in detailed operational guidance issued by NSW Treasury annually. These requirements ensure that proposals are aligned with strategic priorities, are deliverable, well costed and demonstrate clear evidence of impact.

Agencies should engage with NSW Treasury early when developing a budget proposal with significant policy and financial impacts. This helps ensure that a proposal is aligned with government priorities and provides valuable feedback to determine if it is worthwhile committing resources to develop a business case.

In addition to engaging with NSW Treasury, additional consultation is required when developing certain types of new policy proposals, outlined in Table 3.2.

Table 3.2: Consultation requirements for the development of new policy proposals

Category	Requirement for consultation and/or engagement
Cross-portfolio	All relevant agencies and ministers.
Taxation	NSW Treasury, Revenue NSW, the Minister for Finance, and the Treasurer on all proposals that result in a change to State taxation revenue arrangements.
Capital investment	NSW Treasury and Infrastructure NSW prior to submission of the Gate 0 Review (project initiation phase) for proposals with an estimated value of $100 million or more.
ICT investment (including Cyber Security)	The Department of Customer Service on all ICT Investment proposals, and Cyber Security NSW on all Cyber Security proposals.
All proposals	First Nations peoples and communities must be consulted where it is clear there is an impact on these peoples or communities arising from the proposal. Refer to *Part Four – Investment and assurance frameworks*.

Processes relating to industrial relations proposals and Commonwealth-State funding agreements are outlined in *Section 3.4 – Approval of negotiating parameters.*

Further information on new policy proposals can be found in *TPG21-11: Parameter and Technical Adjustments and New Policy Proposals (Measures).*

3.2.3 Cost variations

Once a policy, program or project has been approved, there may be external factors beyond an agency's control that may vary the cost or timing of the originally approved budget.

As outlined in *Section 1.2.2 – A vision for strong budget and financial management*, agencies and ministers are expected to proactively manage pressures associated with existing services and projects prior to seeking new funding. As such, in the first instance agencies will be expected to identify mitigating actions to avoid impact on the State's budget or identify internal funding sources to meet these cost pressures. These steps must be taken prior to approaching government for further funding.

If a risk or pressure associated with the delivery of an existing service or program cannot be managed internally, a request for a cost variation can be submitted for consideration by ERC during the budget process.

The objective of cost variations is to ensure the integrity of the budget and enhance transparency regarding the cost and timing of delivering existing policies and services. They allow the government to review policy settings for existing programs, services and projects and determine whether these settings remain appropriate given the changes in delivery costs and timing.

They are not intended to replace accurate cost estimates at the proposal stage or accurate forecasting of revenues during the annual budget process.

Table 3.3: Cost variation proposals

Variation	Description and examples
Parameter Adjustment	A Parameter Adjustment is a change to the budget of an existing program, service or project in response to external factors which has altered the cost of delivery. The adjustment enables the continued implementation of initiatives when there are obligations or legal requirements to meet delivery, and a change in service provision is not possible. Examples include: • changes in demand to a previously approved program where service delivery discretion under current government policy does not exist • revenue adjustments due to factors outside the agency's control • price and input cost variations for a capital project beyond the agency's control, but not related to changes in project scope.
Technical Adjustment	Technical adjustments are non-discretionary changes made to budgets of existing programs, services or projects to reflect appropriate accounting standards, update timing of spend, or reflect changes in the technical aspects of financial management. Examples include: • accounting driven adjustments and actuarial adjustments • transfer of functions between agencies • reclassification of expenditure between recurrent and capital • timing adjustments or profile changes over the forward estimates (or the life of the project), where there is no impact on the overall budget or scope/outcome.
Carry Forward	A Carry Forward enables an agency to transfer unspent funds (budget control limits) from the current financial year to future financial years to meet the revised delivery schedule of a program or project. This occurs when unforeseen events impact the delivery timeframes of a program or project. Carry forwards are only granted in a limited set of circumstances. For example, a delay in construction due to significant wet weather.

All cost variation proposals are subject to Treasury assessment of the justification and Treasurer or ERC approval. Requests will be considered against a range of factors including policy settings and objectives, delivery timeframes and overall agency financial performance.

Further information on Parameter and Technical Adjustments can be found in *TPG21-11: Parameter and Technical Adjustments and New Policy Proposals (Measures).*

Further information on Carry Forwards can be found in *TPG22-05: Carry Forwards Policy.*

3.2.4 Well-evidenced proposals

As the primary adviser to ERC and the NSW Government on all fiscal and economic matters, NSW Treasury will undertake an assessment of all budget proposals (new policy proposals and cost variations) and provide advice to support government decision-making. These assessments ensure that proposals offer the best value for taxpayers, while balancing consideration of policy efficacy and the government's service responsibilities.

The NSW Government Investment Framework (*see Part Four – Investment and assurance frameworks*) guides agencies through the process of developing comprehensive evidence to support informed resource allocation decisions. The evidence developed in compliance with these requirements enables a detailed assessment of all budget proposals and provides a comprehensive evidence base to support decision-making.

Each assessment undertaken by NSW Treasury will be tailored to the proposal. However, at a high level, NSW Treasury's assessment will encompass:

- Policy: verifying that the proposal clearly articulates the problem to be solved, how it will address the problem identified and assessing alignment with the government's strategic objectives. This includes evaluating various options available to government to achieve the stated objective or policy options to manage cost pressures associated with an existing program, service or project.
- Financial: verifying that costs reflect the true and efficient cost of delivering the proposal. This includes verifying the breakdown of costs, the underlying assumptions used to model the financial impacts of the proposal and/or options (for example, economic assumptions that drive demand for a service), that staffing costs are appropriate and the profile of financial impacts is achievable. Financial assessments also consider an agency's financial performance and the ability to manage additional costs internally or delivery constraints.
- Value for money: analysing the costs and benefits of the proposal and assessing the net benefit that the proposal presents to the community. This includes assessing whether existing resources should be reallocated as the proposal presents greater value for money than an existing project, service or program.

While the approach to value for money and financial assessments will largely remain stable over time, policy assessments are likely to vary to ensure ongoing alignment with the government's annual budget strategic priorities.

3.2.5 Costing budget proposals

Agencies are required to undertake detailed costings to inform the financial impacts of all budget proposals (new policies and cost variations) for the duration of the proposal, or over a 10-year period (budget year, forward estimates and six planning years) if the proposal is ongoing. The costing must identify the impacts on key fiscal metrics – expenses, revenue, budget result, capital, net lending and net debt.

Capital and ICT proposals must include the whole of life costs of a project, including the associated operational expenses, depreciation and maintenance requirements. This information is captured in the Financial Impact Statement which is a required component of each budget cabinet submission.

Detailed and accurate costings of all financial impacts are essential to decision-making. The identified impacts on key fiscal metrics inform decision-makers about the trade-offs involved in each decision and enables the tracking of impacts on the government's fiscal strategy.

They are also essential for budget integrity. Ensuring that all policy settings, delivery timeframes and corresponding financial impacts are reflected in the budget aggregates means that the public and financial markets can have confidence that government policy is fully funded. Accurate costings in the development stage of a proposal prevent the likelihood of overspends and underspends occurring throughout the life of the proposal.

Costings must in turn be verified by NSW Treasury using a costing method agreed between the agency and NSW Treasury. NSW Treasury assurance of the costing is a pre-requisite for ERC consideration of budget proposals. As such, early engagement between policy and finance functions within agencies is strongly encouraged.

Alongside costing requirements, all budget proposals must include detailed workforce impacts, including information on key occupations, grades, plus executive and non-executive breakdowns. When seeking additional employee expenses, information also needs to be provided to determine if there are any reprioritisation opportunities with existing workforces, attraction and retention issues or ongoing vacancies/excess employees.

The NSW Government has made a policy decision to reduce and limit the growth in several categories of expenditure. When developing and costing proposals, agencies must ensure that new staffing and spending across these categories is transparent to NSW Treasury and are supported by a clear rationale. These expenses include:

- senior executive staff
- labour hire and other contractors
- consultants
- travel
- advertising
- external legal expenditure.

3.3 Budget improvement measures, reallocations, and expenditure reviews

Key points
• All ministers and agencies are required to support the government to meet its fiscal targets and optimise the use of finite resources through the identification of savings, revenue, reform and reprioritisation opportunities. • The government may initiate a budget and expenditure review, which is an in-depth assessment of an agency's functions, programs and activities. • To support the implementation of savings and reforms, agencies may request funding from NSW Treasury to support redundancy payments. This may only occur after all mobility policies and guidelines have been complied with. • Certain funding is protected and can only be used for its intended purpose unless the Treasurer grants written approval. Unused protected funds must be returned to the budget.

3.3.1 Offset requirements

As outlined in *Section 2.1 - Budget governance*, the NSW Government has committed to several fiscal targets. All ministers and government agencies are required to contribute to these targets. Ministers and agencies are expected to actively reprioritise existing budgets and identify opportunities for savings prior to seeking new funding.

If it is not possible to implement a proposal in a budget neutral way and additional funding must be sought, a full explanation must be provided and verified by NSW Treasury. If the explanation is unsatisfactory, or the offsetting measures presented are not genuine or practical, the proposal may need further evidence to be considered.

Genuine savings, revenue or offsets are deliberate policy decisions which improve the budget and forward estimates position through:

- reducing expenditure below the level of expenditure currently included in the budget estimates
- ceasing programs that are not effectively achieving outcomes or in line with government priorities
- undertaking upfront investment to deliver longer term efficiencies or savings (i.e. digitisation opportunities)
- increasing revenue (both taxation and non-taxation) above that currently included in the budget estimates.

Examples of non-genuine savings include fortuitous underspends, avoided costs and the deferral of existing expenses. All savings must be fully costed and verified by NSW Treasury prior to consideration by ERC.

3.3.2 Budget and expenditure reviews

Budget and expenditure reviews are conducted under direction from the government to identify opportunities for budget improvement measures, savings, reforms and efficiencies through an in-depth assessment of agency functions, programs and activities.

Agency budget reviews are an important financial management tool in the support of financial accountability, transparency and value for money in the use of public funds.

The primary objectives of agency budget reviews are to:

- inform resource allocation and re-prioritisation decisions for agency budgets, including trade-offs within and across portfolios
- improve minister and agency accountability for transparent and effective resource allocation and re-prioritisation
- inform program spending baseline and policy parameters for ongoing expenditure.

Budget reviews can identify opportunities to:

- raise own source revenue or appropriately cost recover activities
- reduce the cost of program delivery through better design and scope
- improve service delivery efficiency and effectiveness, and
- streamline processes and structures.

Consideration may be given to several factors when identifying and prioritising reviews. This may include the prevalence or emergence of budget risks and financial pressures, or sustained budget control breaches, the agency's financial performance, and the nature of activities undertaken i.e., discretionary or core service delivery and level of government control over the drivers of expenditure.

3.3.3 Management of excess employees

To support the implementation of workplace changes which may be required to achieve savings programs, agencies can apply to NSW Treasury for support with redundancy payments.

Prior to determining that an employee is excess and seeking redundancy payment support, agencies must comply with:

- *NSW Government Sector Workforce Mobility Placement Policy* which sets out the requirements for agencies in the non-executive employee placement process
- Senior Executive Mobility Guidelines which provide guidance to agencies for priority assignment of senior executive employee mobility requirements.

Mobility of employees across the public sector is a high priority for the NSW Government. Mobility ensures that talented public sector employees are not lost from the sector unnecessarily, resources are effectively mobilised across the sector to meet government priorities, and redundancy costs are limited.

After complying with the above policy and guidance, agencies may proceed with implementing a redundancy program under the Premier's Memorandum *M2011-11: Changes to the Management of Excess Employees*.

In accordance with *TPG23-23: Funding for Redundancy Payments*, agencies can then apply to NSW Treasury for reimbursement of the cost of redundancy payments. Applications to NSW Treasury must be accompanied by relevant supporting material. This includes a Premier's Department concurrence to a redundancy program for non-executives.

3.3.4 Protected items

Although agency budgets should be considered holistically to manage pressures and deliver on outcomes, the exception is when expenditure is protected. Protected items are funds allocated for specific purposes and cannot be used or repurposed without approval from the Treasurer or ERC, including any underspends.

Protected items may include:

- uncontrolled expenditures i.e. a demand driven rebate program
- first year funding for new policies
- projects or programs with conditional approval
- programs funded through accounts created in the Special Deposit Account under legislation for a specific purpose (SDA account)
- expenditure on programs funded by the Australian Government through National Agreements and National Partnerships.

Generally, funding amounts under $2 million are not protected. However, in some circumstances smaller items such as contributions to interjurisdictional agreements may be protected.

If a minister and agency wish to use funding allocated to a protected item for another purpose, including using underspends, the responsible minister must seek approval in writing from the Treasurer to reallocate the funds. This request may be referred to ERC for consideration.

Further information can be found in *TC12/10: Protected Items and Funds.*

In addition to the circular, SDA account money may be transferred between SDA accounts in limited circumstances (in accordance with section 10.3B of the GSF Act) but cannot otherwise be repurposed for a purpose inconsistent with the SDA account's enabling legislation.

3.4 Approval of negotiating parameters

Key points

- Cabinet must review and endorse any proposals that create a legal, financial, contingent, or other commitment for the NSW Government.
- The Council on Federal Financial Relations, of which the NSW Treasurer is a member, is responsible for all Commonwealth-State funding agreements.
- Where new or renegotiated Commonwealth-State agreements have a budget impact or are high value/high risk, ERC approval must be sought for negotiating parameters prior to commencing formal negotiations with the Commonwealth.
- The *NSW Government Fair Pay and Bargaining Policy 2023* guides the negotiation of pay and conditions across the public sector, including the identification of productivity enhancing reforms and/or cost savings in exchange for higher wages.
- Bargaining parameters outside of the Government's sector-wide offer will need approval from the Senior Officials Wages Advisory Committee (SOWAC) and ERC.

3.4.1 Commencing negotiations

As outlined in Section 3.2 – *Budget proposals*, ERC must review and evaluate all proposals that have future or potential budget impacts. Cabinet endorsement is also required for any proposals that create a legal, financial, contingent or other commitment for the NSW Government.

For any proposals that have a financial impact, including those that create liabilities for the NSW Government, ERC endorsement must be obtained before any engagement begins. This includes the approval of parameters required for industrial relations, Commonwealth-State funding agreements, commercial negotiations (including unsolicited proposals) and legal settlements.

This ensures that proposals are thoroughly assessed for their financial implications and alignment with government priorities, mitigating potential risks and ensuring effective and efficient use of government resources.

Commonwealth-State funding agreements and industrial relations proposals are subject to additional requirements, which are detailed further in the following sections.

3.4.2 Commonwealth-State funding agreements

In 2020, National Cabinet determined that the Council on Federal Financial Relations (CFFR) will be responsible for all Commonwealth-State funding agreements. This arrangement was formalised under the Intergovernmental Agreement on Federal Financial Relations (IGAFFR), which also sets out a framework for Commonwealth payments made to states to support service delivery, infrastructure provision and reforms. The IGAFFR recognises the primacy of state and territory responsibility in service delivery, however, also recognises that coordinated action is necessary to address Australia's social and economic challenges.

Through CFFR, Treasurers will agree whether Treasurers or ministers will be responsible for negotiating and signing upcoming agreements. This decision is undertaken on a case-by-case assessment of policy, budgetary, precedent and other potential risks associated with the agreement.

Generally, the NSW Treasurer will negotiate and sign the most significant funding agreements and all those within the NSW Treasury portfolio. Ministers will have responsibility for the negotiation and signing of most funding agreements related to their respective portfolios.

Once CFFR has agreed the responsible minister to manage the agreement, the responsible Commonwealth department will commence formal drafting of the agreement and seek to enter into negotiations with state agency counterparts.

NSW Cabinet has overall responsibility for approving Commonwealth-State funding agreements on behalf of the NSW Government, however there are instances where this may be delegated, as outlined below. Where new or renegotiated agreements have a budget impact, ERC approval must be sought for negotiating parameters prior to agencies or ministers entering into formal negotiations with the Commonwealth. If negotiating parameters change or only in-principle agreement was given to a position, the minister or Treasurer must return to ERC to seek further approval.

Where there is no budget impact, the Treasurer has authority to sign an agreement if they are the designated signatory. If the portfolio minister is required to sign the agreement, approval to enter into the agreement must be obtained by an exchange of letters with the Treasurer, except for the instances below where responsible ministers can enter into an agreement without pre-approval:

- Commonwealth-State funding agreements which are low-value and low-risk, with the Commonwealth funding to New South Wales up to $20 million over the life of the agreement or $5 million in a single year; and
- Where a matched or co-contribution is required from New South Wales by the Commonwealth, the portfolio agency proposes to meet the additional funding from its existing budget, or funding has already been pre-approved by ERC.

Agencies should discuss upcoming agreements with NSW Treasury and The Cabinet Office to determine potential budget impacts and the appropriate approval pathway.

Further information on funding agreements can be found in the *TC22-14: Commonwealth-NSW Funding Agreements*.

3.4.3 Industrial relations

In 2023, the NSW Government updated legislation to facilitate negotiation of changes to pay and conditions across the public sector, abolish the public sector wages cap and introduce mutual gains bargaining as a cooperative industrial relations framework. The *NSW Government Fair Pay and Bargaining Policy 2023* guides the implementation of the new approach.

Under the revised framework, the NSW Government will agree bargaining parameters for a sector-wide pay offer. Agencies may propose bargaining parameters that include enhancements to pay and conditions above the pay offer, however in exchange, agencies must identify productivity enhancing reforms and/or cost offsets.

When agencies seek to table bargaining parameters outside of the NSW Government's pay offer, agencies must ensure proposals are reviewed by the Senior Officials Wages Advisory Committee (SOWAC) and approved by ERC before commencing negotiations. If proposed increases to remuneration or other conditions of employment are consistent with the NSW Government's policy and pay settings, SOWAC may approve the proposals.

All bargaining parameters which are above the NSW Government's pay offer must be supported by evidence, risk mitigation strategies and have robust costings. Consistent with a new policy proposal, NSW Treasury must verify the financial or other impact of the enhanced offer, including associated cost savings, productivity reforms or efficiencies.

Final bargaining positions must be approved by SOWAC and/or ERC before arrangements can be finalised. There may be instances where ERC approval is sought on revisions to bargaining parameters multiple times throughout the course of a negotiation.

4

Investment and assurance frameworks

4 Investment and assurance frameworks

This section provides detailed information on investment and assurance frameworks in New South Wales.

These frameworks support strong budget and financial management by promoting the effectiveness, efficiency and equity of resource allocation, and ensuring that investments improve the wellbeing of the NSW community.

This section aims to support decision makers and agencies to understand the requirements that support the development of high-quality proposals to achieve these objectives.

Contents		
No	Section	Focus areas
4.1	NSW Government Investment Framework	• Strategic goals and objectives of the NSW Government Investment Framework and how it guides investment decisions. • Process and criteria for completing business cases and when a business case is required. • Circumstances under which short-form assessments are required. • Overview and purpose of impact assessments, specifically Gender and First Nations Impact Assessment. • Evaluation requirements for new and ongoing initiatives.
4.2	Investment assurance	• Purpose and objective of the Gateway Policy. • Key Gateway Frameworks and their mandatory registration criteria. • Process and agency requirements to operationalise the Gateway Policy.

4.1 NSW Government Investment Framework

Key points
• The NSW Government Investment Framework guides evidence-based decision making by providing a holistic view of appraisal, evaluation and regulatory requirements across the investment lifecycle. • Business cases provide evidence and detailed information to support government investment decisions. They are not a compliance exercise. • The NSW Government Business Case Guidelines establish proportionate, risk-based requirements according to proposal type, cost and risk. • Cost Benefit Analysis (CBA) offers a structure for assessing government initiatives in terms of their capacity to improve the welfare of the community, compared with the required investment. • Regular evaluations ensure that government initiatives are achieving their intended outcomes and delivering net benefits.

4.1.1 Overview

The NSW Government Investment Framework (the Framework) sets out requirements, recommendations and guidance to the sector in support of evidence-based decision making. It applies to projects, programs, changes to regulatory frameworks, and policies.

The Framework presents a holistic, end-to-end view across the investment lifecycle. It provides a structured and consistent approach to developing a comprehensive evidence base to support informed resource allocation decisions and improving New South Wales community wellbeing.

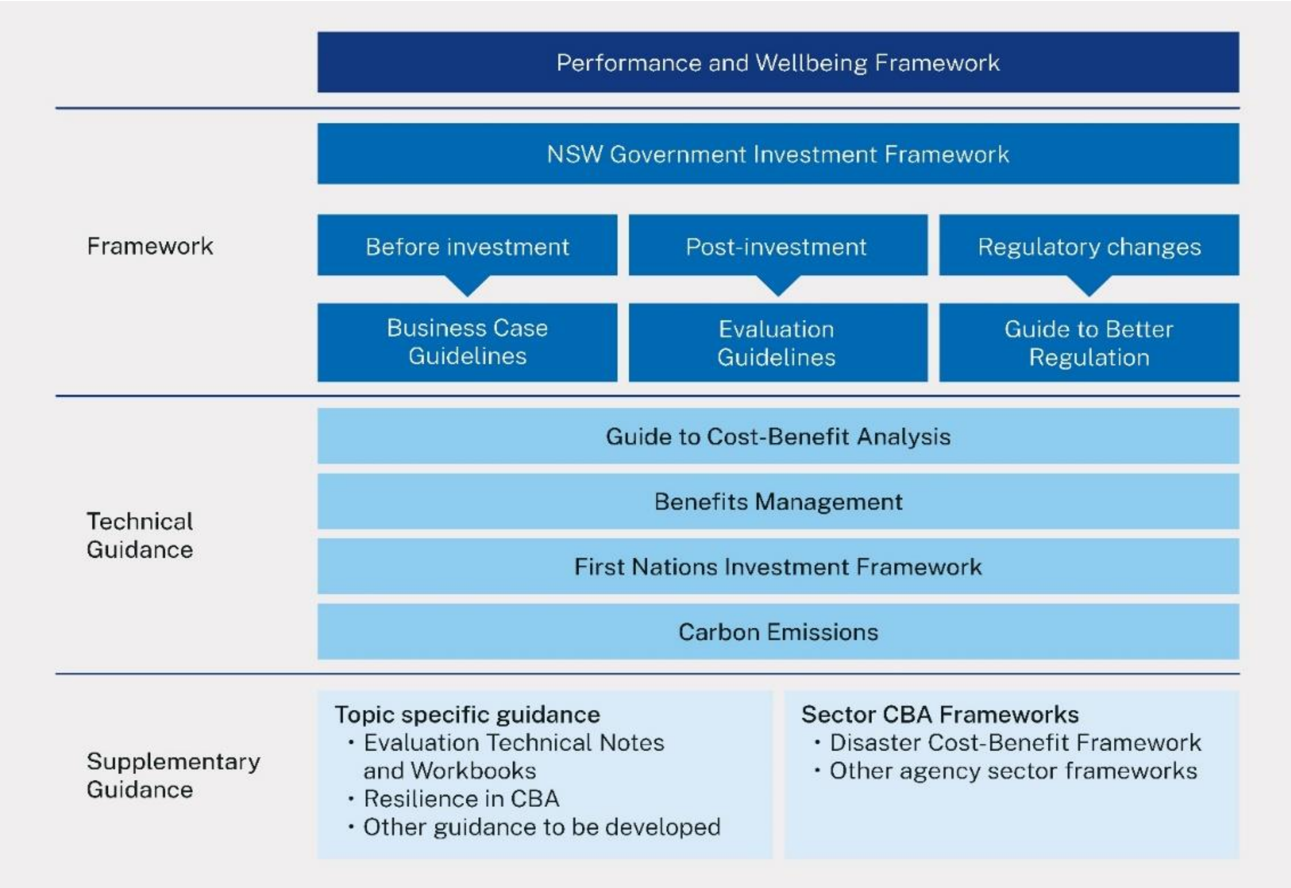
By providing a structured approach to support government resource allocation decisions, the Framework also supports strong financial management and the effective stewardship of public resources in New South Wales.

Agencies are required to adhere to the mandatory evidence requirements set out in the Framework as part of the annual budget process. Figure 4.1 provides an overview of the suite of policies and guidance, which includes primary guidance documents, technical guidance, and supplementary guidance materials.

The key policy guidance that underpins budget decision-making and will be detailed further below are the:

- *TPG24-29: Business Case Guidelines*: guidance on the development of evidence to support investment decisions.
- *TPG22-22: NSW Evaluation Guidelines*: sets out mandatory requirements, recommendations, and guidance for evaluation planning, design, and reporting.

Figure 4.1: NSW Government Investment Framework



Technical guidance provides more detailed advice to enable agencies to undertake and operationalise key policies in the Framework. The various components are detailed in Table 4.1.

Table 4.1: Technical guidance and its purpose

Guidance	Purpose
Guide to Cost-Benefit Analysis	Provides guidance on the use of Cost Benefit Analysis (CBA). CBA is the NSW Government's preferred method for assessing the relative merit of proposed initiatives, including policies, programs, regulatory changes, and capital projects. CBA is required for business cases seeking an investment decision.
First Nations Investment Framework (FNIF)	A guide to working with First Nations people and communities on the design, appraisal and evaluation of initiatives. The guidance is relevant to both First Nations-specific initiatives and initiatives that impact on First Nations people and communities. The guidance comprises five steps to consider through the investment lifecycle and includes a technical appendix on the application of cost-benefit analysis. The approach is centred on partnerships with First Nations people and communities so that initial design and evaluation is evidence based and centred on culturally informed outcomes and options.

Guidance	Purpose
Benefits Management Guide	Sets out best practice principles and guidance for identifying, organising, and managing outcomes and benefits. It is one of two monitoring approaches used for Government initiatives, with the other being a monitoring and evaluation framework (see the NSW Evaluation Guidelines for more information on monitoring).
Carbon Emissions in the Investment Framework	Sets out the requirements on carbon emissions within the Investment Framework. The guidance also presents the carbon values that NSW Government agencies must use when valuing carbon emission impacts in CBA.

4.1.2 Business cases

Business cases provide information and evidence to support decision makers in the allocation of resources. They establish whether a proposal is expected to improve community wellbeing, whether it is the best option, the likely cost, whether it can be delivered efficiently and effectively, if and how the risks can be managed, and the measures of success.

The process of developing a business case also supports implementation and delivery following an investment decision. It helps ensure that the market has capability and capacity to deliver; appropriate governance arrangements are established; stakeholders are engaged; risks are identified and mitigated; and monitoring and evaluation plans and accountabilities are in place.

The NSW Government Business Case Guidelines set out when a business case is required and what it must contain, noting that a business case should be proportionate to the size and risk of the proposal. The Business Case Guidelines apply alongside the NSW Gateway Policy (see section 4.2 - *Investment assurance*) and adopt Gateway risk tiers to consistently guide agencies on the required level of detail in a business case.

A business case is required for:

- recurrent proposals with a total cost above $20 million over the forward estimates
- capital proposals assessed as tier 1, tier 2, or tier 3 under the Infrastructure Investor Assurance Framework
- digital proposals assessed as tier 1, tier 2, or tier 3 under the Digital Assurance Framework.

Figure 4.2 provides an overview of the various components required in a business case.

The type of business case and the level of detailed analysis required in the business case will be determined by the project's risk tier. The requirements are highest for tier 1 (high profile, high risk) proposals, with a proportionate reduction in detail, time and resources between tier 2, tier 3, and tier 4 proposals. For example:

- Tier 1 and tier 2 proposals require a preliminary and full business case.
- Tier 3[3] proposals may complete a single-stage lean business case.

Risk tiers can be self-assessed by agencies if an endorsed risk tier is not available. Regardless of the project, a 'go/no-go' (Gate 0) is recommended prior to commencing any business case to establish the problem and inform a decision about whether to prepare a business case. Depending on the proposal risk tier, a staged approach to developing a business case may be required. Table 4.2 provides further detail on the approach and outputs for each stage.

[3] Recurrent proposals valued over $20 million that are not tier 1 or tier 2 may also complete a single stage lean business case.

Figure 4.2: Business case component

Case	Component	Key questions
Investment	Case for change	What is the problem and why should we intervene?
	Options	What are some realistic solutions, including non-build or minimum viable options?
	Cost-benefit analysis	What effect do options have on welfare in NSW?
	Financial analysis	What are the impacts on state and entity finances?
	Risk analysis	How can risks be mitigated and what is the residual risk?
	Monitoring and eval. approach	Is there clear accountability, resourcing and measures in place to support evaluation?
Delivery feasibility	Management approach	Does the delivery agency have capability and capacity to manage delivery?
	Procurement approach	Does the market have capability and capacity to deliver the required scope?

Table 4.2: Business case stages

	'Go/no-go' / Gate 0	Preliminary business case / Gate 1	Full business case / Gate 2 (Investment decision)
Purpose	Needs analysis and confirmation of 'go/no-go'.	Option analysis.	Option selection.
Approach	Identify the problem and need for government intervention. At a high level, identify benefits, costs, strategic options, risks, stakeholders.	Confirm case for change. Identify and screen options using CBA.	Select the preferred option based on CBA. Identify and assess procurement and management approach for the selected option.
Output	Determine if business case should be developed. If necessary, seek funding approval for the next stage.	Identify shortlist of options. Confirm way forward for full business case, including funding if necessary.	Seek approval of preferred option.

4.1.3 Short-form assessments

A short-form assessment is a brief document prepared by an agency to support an investment decision for lower cost, low risk proposals. It follows the general principles of a business case, including setting out a case for change, options, risks, costs and identification of benefits. It is required for proposals valued over $10 million that do not require a business case. That is:

- recurrent proposals with a total cost between $10 million and $20 million (over the forward estimates)
- capital proposals with a total cost at or above $10 million (over 10 years) that are:
  - not registered under the Infrastructure Investor Assurance Framework ($10 million to $20 million)
  - rated tier 4 under the Infrastructure Investor Assurance Framework
- tier 4 digital proposals with a total cost at or above $10 million (over 10 years).

For further detail about business case requirements, short form assessments and templates, see the Centre for Economic Evidence website.

4.1.4 Impact assessments

In addition to the requirements set out in the NSW Government Investment Framework, agencies must also determine whether an impact assessment is required to support an investment decision. Impact assessments consider how a proposed policy, program, or project may impact different groups in varying ways. They provide decision makers with analysis and evidence to support effective resource allocation decisions. These are detailed below in Table 4.3.

Table 4.3: Impact assessment requirements

Type	Description
Gender Impact Assessment	The process of undertaking a gender impact assessment recognises that policy decisions are not inherently gender-neutral and unconscious policy choices may inadvertently create negative outcomes and further entrench disadvantage. Gender impact assessments can help challenge assumptions that all people will benefit from new proposals in the same way and highlight instances where the needs of different genders should be considered in policy design. Gender impact assessments are required for all budget proposals over $10 million, unless it satisfies one of the exemption criteria outlined in *TPG23-27: Gender Impact Assessment Policy*.
First Nations Impact Assessment	First Nations impact assessments provide evidence on how new policy measures will impact First Nations people and communities, and the extent to which First Nations voices have informed the policy design. This forms part of the NSW Government's Closing the Gap commitment to better align government investment with the needs, priorities and aspirations of First Nations communities in New South Wales. An assessment is required for all budget proposals that meet one or more of the below criteria: 1. A First Nations-specific proposal: a proposal that is specifically designed for or exclusively impacts First Nations people or communities, and/or 2. A new measure that would significantly or disproportionately impact the socio-economic outcomes or interests of First Nations people or communities. Additional information is available in *TPG24-26: First Nations Impact Assessment Policy*.

4.1.5 Evaluation

Evaluation is a systematic and transparent process to assess an initiative's efficacy. It supports the stewardship of public resources by ensuring resources are allocated efficiently and effectively.

Government programs must be regularly evaluated to ensure they are achieving their intended outcomes and delivering benefits to the New South Wales community. Evaluation provides evidence for proposals seeking a continuation of funding, as well as the effectiveness of existing initiatives to inform the development of new proposals.

The following evaluation requirements apply across the sector:

- Agencies are required to conduct periodic evaluations of their programs, both existing and new, to assess their continued relevance, relationship to government priorities, and efficiency and effectiveness in delivering outcomes. Evaluations should be prioritised, planned and conducted in line with the NSW Evaluation Guidelines.
- All proposals seeking an investment decision are required to include evidence to support initiative design and appraisal. Ongoing initiatives must identify when the initiative was last evaluated, the findings and recommendations, and the agency response.
- A high-level plan for monitoring and evaluation is required when seeking Government investment over $10 million. This may be under a monitoring and evaluation framework or benefits management framework, tailored to the size, priority, and risk of the initiative.
- As required by the Evaluation Guidelines, agencies must proactively and publicly release the findings of evaluations, unless (pursuant to *the Government Information (Public Access) Act 2009*) there is an overriding public interest against disclosure.
- Agencies are required to nominate initiatives for evaluation in consultation with Treasury and provide annual reporting to Treasury on forthcoming and completed evaluations.

Further information and resources can be found in *TPG22-22: NSW Evaluation Guidelines*.

4.2 Investment assurance

Key points

- The Gateway policy establishes the Gateway framework that provides project assurance through independent peer reviews at key decision points (Gates) in a project or program's lifecycle.
- Gateway provides the NSW Government, as the investor, with a level of confidence that projects and programs across New South Wales are delivered on time, on budget, and in line with the government's objectives.
- There are three Gateway Coordination Frameworks that agencies must comply with – the Infrastructure Investor Assurance Framework, the Digital Assurance Framework and the Recurrent Expenditure Assurance Framework.
- The number of gates required will align with the project's risk level, such that higher risk tiers require more gates. This will be determined by the relevant Gateway Coordination Agency (GCA) who determines the appropriate risk tier and assurance plan for each project.
- Prior to seeking an investment decision from government, agencies are expected to complete the Gate 1 (Strategic Assessment) or Gate 2 (Business Case) reviews for their eligible proposals.

4.2.1 Gateway policy

Gateway is a policy framework that provides project assurance through independent peer reviews at key decision points (Gates, see Figure 4.3) in a project or program's life cycle. The framework supports agencies to effectively develop and deliver projects and programs by identifying and supporting the management of risks. By doing so, Gateway provides the NSW Government, as the investor, with confidence that projects and programs are delivered on time, on budget and in line with the Government's objectives.

The Gateway policy identifies three Gateway Coordination Agencies that each administer a framework, based on the project scope (Table 4.4). Each framework has Mandatory Registration Criteria. Projects that meet these criteria will be required to undergo the relevant assurance process, regardless of their funding source.

Agencies are responsible for identifying the appropriate framework and conducting an initial assessment, in consultation with the relevant GCA. Documentation must then be submitted by the agency for review by the respective GCA advisory group.

This process enables the GCA, in partnership with the advisory group, to determine the appropriate project risk tier and assurance plan for the project. Generally, the number of gates will align with the program's risk level. The assurance plan details the mandatory gates that must be completed. Figure 4.3 identifies the various gates in the Gateway Policy.

Table 4.4: Gateway Coordination Frameworks

Framework	Project scope	Gateway Coordination Agency (GCA)	Mandatory Registration Criteria
Infrastructure Investor Assurance Framework	Capital projects	Infrastructure NSW	All capital projects: • valued at an Estimated Total Cost (ETC) of $20 million and above are to be registered with Infrastructure NSW using the NSW Assurance Portal (the Portal) prior to the start of project development.
Digital Assurance Framework	ICT & Digital Projects	Department of Customer Service (DCS)	All ICT and digital projects: • valued at an Estimated Total Cost (ETC) of $5 million or above regardless of funding source are to be registered with DCS via the Assurance Portal. • with an ETC under $5 million that are of strategic importance or of concern may be subjected to Gateway Reviews and other assurance arrangements if nominated by the Premier, Treasurer, Minister for Customer Service, Responsible Minister, Delivery Agency, the NSW Government Chief Information and Digital Officer (GCDIO), or ICT & Digital Leadership Group (IDLG).
Recurrent Expenditure Assurance Framework	Major recurrent expenditure projects	NSW Treasury	All major recurrent expenditure projects: • valued at an Estimated Total Cost (ETC) of equal or greater than $100 million over the first four years or $50 million in any one year. • nominated by ERC, NSW Treasury, or the Delivery Agency.

Figure 4.3: Gateway Policy decision points (gates)

Gate 0	Justification
Gate 1	Strategic assessment
Gate 2	Business case
Gate 3	Pre-tender and pre-execution
Gate 4	Tender evaluation
Gate 5	Pre operations
Gate 6	Post implementation

The risk assessment for each project or program will be made against four broad criteria:

1. **Project cost** – estimate of the total cost of the project or program which captures the risk profile holistically and accounts for the whole of life costs with contingencies.
2. **Project priority** – criticality of the project or program.
3. **Project complexity** – reflection of the difficulty in the development and delivery of a project or program.
4. **Agency capability** – agency ability to successfully develop and deliver the project or program to achieve the planned outcomes.

Prior to seeking an investment decision from government, agencies are expected to complete Gate 1 or 2 reviews for their proposals that meet the risk criteria. It is important that delivery agencies are familiar with the NSW Gateway Policy and Gateway Coordination Frameworks as they operate in conjunction with existing budget, project, and submission approval processes.

The Gateway Policy applies to all general government sector (GGS) agencies, government businesses, and State-owned corporations (as defined in the *State-Owned Corporations Act 1989*).

Further information can be found in *TPG22-12: Gateway Policy*.

In addition to the Gateway Policy, Public Financial Corporations and Public Non-Financial Corporations (including state owned corporations) should also refer to the *TPP18-05: Major Projects Policy for Government Businesses.*

Appendix A: Key terms

Term	Definition
Accountable authority	An accountable authority is the individual or body responsible for the financial management and performance of a *Government Sector Finance* (GSF) *Act 2018* agency. The accountable authority is responsible to the minister for ensuring the agency's compliance with the GSF Act. The accountable authority for a GSF agency is defined in section 2.7 of the GSF Act. For a department, this is the secretary of the department. For other public service agencies, it is the head of the agency.
Actuals	Data which reflects the actual spend to date. This is collected and published for each reporting period (monthly) in the current financial year.
Appropriation	The authority given by Parliament for the expenditure of monies from the Consolidated Fund, including for the annual services of government and the Legislature
Affiliated entities	Affiliated entities are NSW Government entities aligned with a department, including through Administrative Arrangement Orders and the Allocation of the Administration of Acts. See the Guide to the NSW Public Sector for further detail on NSW public sector governance.
Budget aggregates	Budget aggregates are summary indicators that provide information on the government's financial position.
Budget controls	A tool to monitor agency financial performance, and to control how funds are used, including targeting specific types of expenditure. The three budget controls in place are Net Cost of Services, Labour Expense Cap and the Capital Expenditure Authorisation Limit.
Business case	Document that supports decision-making and public accountability. It provides information about a problem, case for change, project viability and deliverability.
Capital expenditure	Expenditure relating to the acquisition or enhancement of property, plant and equipment (including land and buildings, plant and equipment and infrastructure systems) and intangibles (including computer software and easements). In New South Wales, capital expenditure also includes leases and assets acquired using service concession arrangements under the financial liability model.

Term	Definition
Capital Expenditure Authorisation Limit	A ceiling on the total capital expenditure that can be incurred by an agency in any year.
Carry Forward	The transfer of Budget Control Limits from the current financial year to future financial years to meet the revised delivery schedule of a program or project.
Consolidated Fund	A ledger account that comprises all public money collected, received or held on behalf of the State, unless otherwise required by an Act. This is the ledger into which the Government generally deposits taxes, tariffs, excises, fines, fees, loans, income from Crown assets and other revenues once collected, together with transfers from the Commonwealth Government, and from which it generally withdraws the money it requires to cover its expenditure.
Coordinating Minister	Minister which receives the appropriation as detailed in the Appropriation Bill and authorises the Department to spend the appropriated funds.
Cost benefit analysis	An appraisal and evaluation technique that estimates the costs and benefits of a project or program in monetary terms.
Department	A department is a government entity as listed in Part 1 of Schedule 1 to the *Government Sector Employment Act 2013* (NSW).
Expenditure Review Committee	A sub-committee of Cabinet which is responsible for determining the government's policy in respect of budget management, fiscal strategy and all policy proposals with financial implications.
Forward estimates	The three years following the 'Budget Year'. It includes expenditure estimates and revenue forecasts.
Gateway	An external assurance policy framework that assesses projects and programs based on risk in order to mandate and conduct independent expert reviews at key decision points, or Gates, as they go through the project or program lifecycle.
Gateway Coordination Agency	Agency responsible for the development and operation of an approved risk-based Framework for the assessment of projects and programs, co-ordination of Gateway Reviews and the reporting of performance.

Term	Definition
General government sector (GGS) agency	An Australian Bureau of Statistics (ABS) classification of agencies that provide public services (such as health, education and police), or perform a regulatory function. General government sector agencies are funded mainly by taxation (directly or indirectly).
Government officers	A government officer includes heads and employees of GSF agencies, statutory officers related to public service agencies, seconded workers, and others prescribed by regulations.
Half-Yearly Review	The Half-Yearly Review provides a mid-year update to the economic and financial assumptions released in the Budget. A Half-Yearly Review is required under the GSF Act.
ICT project	Resources required to acquire, process, store and disseminate information. This includes stand-alone operational technology projects and programs.
Integrity agency	Integrity agencies monitor certain aspects of government administration. Integrity agencies report to the Parliament and assist Parliament to hold the executive branch of government to account for its actions. See section 4.14A of the GSF Act for a definition of an integrity agency.
Labour Expense Cap	A ceiling on the total of employee related and contractor expenses that an agency can incur in any year.
Net Cost of Services	The net cost by which an agency can operate in within any year when accounting for expenses and revenues.
New policy proposal	A discretionary decision by government that creates a new policy or changes existing policy. New policy proposals may or may not have a financial impact.
Parameter and Technical Adjustment	Parameter and Technical Adjustments are a category of cost variation which involves adjustments beyond the control of an agency, such as increased demand or accounting changes.
Prime	The NSW Government's core budget and financial management information technology platform, which details individual agency budgets and capital programs and is used to produce the budget aggregates.
Projections	A forecast of the expected financial position at the close of the financial year. Projections are collected at key periods during the year for publication.

Term	Definition
Protected items	A specific budget allocation that cannot be reallocated or repurposed for other priorities, ensuring that the funds are used exclusively for their intended purpose.
Public financial corporation (PFC)	An ABS classification of agencies that have one, or more, of the following functions: • that of a central bank • the acceptance of demand time or savings deposits • the authority to incur liabilities and acquire financial assets in the market on their own account.
Public non-financial Corporation (PNFC)	An ABS classification of government-controlled agencies where user charges represent a significant proportion of revenue and the agencies operate within a broadly commercial orientation.
Recurrent expenditure	Expenditure on goods and services, which do not result in the creation of an asset. This includes salaries and wages, operating expenses and interest.
Short form assessment	A brief document prepared by an agency to support an investment decision for lower cost, low risk proposals. It follows the general principles of a business case, including setting out a case for change, options, risks, costs and identification of benefits. It's required for proposals valued over $10 million that don't require a business case.
State owned corporation (SOC)	Government entities (mostly PNFCs) which have been established with a governance structure mirroring as far as possible that of a publicly listed company. NSW state owned corporations are scheduled under the *State-Owned Corporations Act 1989* (Schedule 5).

Appendix B: Summary of policies and guidance

Topic	Policy or Circular
Budget management and governance	
Budget Controls	TPG24-35: Budget Control Framework
Annual Reporting Requirements	TPG23-10: Annual Reporting Requirements
Grants Administration Guide	Premier’s Memorandum M2021-03: Grants Administration Guide
Annual budget process	
Carry Forwards	TPG22-05: Carry Forwards Policy
Parameter and Technical Adjustments and New Policy Proposals	TPG21-11: Parameter and Technical Adjustments and New Policy Proposals (measures)
Protected Items	TC12/10: Protected Items and Funds
Integrity agencies	TD24-12: Charter of Independence for NSW integrity agencies
Sector Workforce Mobility	Premier’s Memorandum M2023-06: NSW Government Workforce Mobility Placement Policy
Management of Excess Staff	Premier’s Memorandum M2011-11: Changes to the Management of Excess Employees
Funding for Redundancies	TPG23-23: Funding for Redundancy Payments
Unsolicited proposals	Unsolicited Proposals: Guide for Submission and Assessment
Fair Pay and Bargaining Policy	NSW Government Fair Pay and Bargaining Policy 2023
Commonwealth-State Funding Agreements	TC22-14: Commonwealth-NSW Funding Agreements
Investment and assurance frameworks	
Business Case Guidelines	TPG24-29: NSW Government Business Case Guidelines
Evaluation	TPG22-22: Evaluation
Benefits Management Guide	TPG24-31: Benefits Management Guide

Topic	Policy or Circular
Cost Benefit Analysis	TPG23-08: NSW Guide to Cost-Benefit Analysis
Disaster Cost-Benefit Analysis	TPG23-17: Disaster Cost-Benefit Analysis
First Nations Investment Framework	TPG24-28: First Nations Investment Framework
First Nations Impact Assessment Policy	TPG24-26: First Nations Impact Assessment Policy
Gender Impact Assessment Policy	TPG23-27: Gender Impact Assessment Policy
Gateway Policy	TPG22-12: Gateway Policy
Infrastructure Investor Assurance Framework	Infrastructure Investor Assurance Framework
ICT Assurance Framework	ICT Digital Assurance Framework
Recurrent Expenditure Assurance Framework	TPG24-24: Recurrent Expenditure Assurance Framework
Major Projects for Government Businesses	TPP18-05: Major Projects Policy for Government Businesses
Other relevant policies and guidance	
Regulatory Impact Statements	TPP19-01: NSW Government Guide to Better Regulation
Asset Management	TPP19-07: Asset Management Policy for the NSW Public Sector
Procurement Policy	Procurement Policy Framework
Key legislation	
Government Sector Finance Act 2018	
Fiscal Responsibility Act 2012	