

Parameter and Technical Adjustments and Measures (New Policy)

This circular outlines agency requirements and provides a distinction between Parameter and Technical Adjustments and Measures (New Policy). This circular applies to all general government agencies.

Summary:

- Parameter and Technical Adjustments (PTAs) are a material, non-discretionary change in the net cost or timing of expenditure on existing programs or capital projects under existing policy parameters.
- Recurrent PTAs are allowed where an agency experiences a change in revenues or expenditure outside of their control and has an obligation to meet current service delivery objectives through existing programs.
- Capital PTAs are allowed where an existing approved project experiences changes in revenues or expenditure that are outside the control of the agency and a change in project scope is not possible in order to deliver the project.
- All other decisions by Government that are not a PTA can therefore be classified as either a recurrent or capital Measure (New Policy).
- Measures (New Policy) involve a discretionary decision by Government that changes existing policy and may affect a budget aggregate or require additional funding.
- Recurrent Measures involve either the funding of a new program or the enhancement of an existing program.
- Capital Measures involve the approval of a new project or scope changes to an existing approved work-in-progress.

Guidance

Guidance in the following attachments detail operation of the new circular:

- **Attachment A: Agency Guidelines** provides guidelines to agencies of their requirements under this circular.

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Secretary

Further Information: Budget Strategy Division
NSW Treasury website: www.treasury.nsw.gov.au

Attachment A: Agency Guidelines

Parameter and Technical Adjustments (PTAs) represent a material, non-discretionary change in the net cost or timing of expenditure on existing programs or capital projects under existing policy parameters.

1. Recurrent Parameter Adjustments

Consideration will be given to requests that conform to the following:

- Changes in the demand for services where, under current government policy, service delivery discretion does not exist. For example, increases in the number of children attending Government schools or the number of pensioners seeking water rate concessions.
- Significant changes in the underlying cost of an existing level of service provision which is outside the control of the agency (e.g. cost of consumables differing due to changes in escalation).
- Revenue adjustments due to factors outside the control of an agency (e.g. due to changes in economic factors).

The following does not constitute a Parameter Adjustment and is not to be submitted through the PTA process:

- Changes in service demand where, under current government policy, service delivery discretion exists (e.g. additional demand for public transport services) – refer section 5. Measures (New Policy).
- Operational funding for capital projects previously approved by Government – refer section 5. Measures (New Policy)..

2. Recurrent Technical Adjustments (Other Budget Variations)

Consideration will be given to the following:

- Accounting driven adjustments that result in changes to revenues and expenses (e.g. expenditure now capitalised or changes in depreciation due to reassessment of asset lives or asset revaluations or changes in revenue recognition policy).
- Adjustments to payment profiles between years for an existing program where there is no impact on total cost over the full period (e.g. timing adjustments to National Partnerships or National Agreement revenues and/or expenses)
- Revised estimates of expenses, revenue, assets or liabilities as advised by actuaries (e.g. workers compensation or defined benefit superannuation liabilities)
- Commonwealth funding re-profiling which does not require any additional agency funding (that is, no matching requirements).
- Transfers of function between agencies resulting in no overall budget impact.

The following does not constitute a Technical Adjustment (Other Budget Variation) and is not to be submitted through the PTA process:

- Commonwealth funding changes that result in a request for new agency funding, such as matching requirements. This is a discretionary decision – refer section 5. Measures (New Policy).

3. Capital Parameter Adjustments

For an approved capital project, price and input cost variations not related to changes in project scope and beyond the control of the agency (e.g. increases in material costs for a capital project which are above escalation and agreed contingencies).

4. Capital Technical Adjustments (Other Budget Variations)

- Timing adjustments or profile changes between years for an approved capital program where there is no impact on total cost over the full period.
- Linked changes in revenues and expenditure with a neutral or positive Budget impact across the forward estimates that do not affect project scope (e.g. Commonwealth funding adjustments).

It is recommended that agencies intending to submit PTAs should in the first instance consider the above criteria and contact their Treasury Analyst to confirm the classification of their proposed PTA submissions.

5. Measures (New Policy)

A Measure (New Policy) constitutes a decision by government that involves discretionary changes to existing policy, which may affect budget aggregates or agency funding. This is where the Government is not simply responding to an exogenous change in order to maintain current service delivery levels. Measures are submitted as new proposals consistent with the Cabinet Standing Committee on Expenditure Review (ERC) rules and operational procedures. All decisions that do not constitute a Parameter and Technical Adjustment can be considered as New Policy.

6. Recurrent Measures

- A new program that requires funding from the ConFund or affects a budget aggregate.
- An enhancement of an existing program through an increase in scope, coverage or service levels, which affects budget aggregates or agency funding (this includes continuation of time limited programs).

7. Capital Measures

- A new project that requires funding from the ConFund or affects a budget aggregate.
- This includes all new projects regardless of whether they are accommodated within or outside of an agency's previously approved funding envelope/capital planning limit.
- Scope changes to an approved work-in-progress, which require additional funding or have a negative impact upon a budget aggregate.
- A new project is any major project not listed in Chapter 4 and Chapter 5 of the current fiscal year's Budget Paper 4 (The Infrastructure Statement).
- Any recurrent costs associated with capital Measures must be approved at the same time as the project.