

## Recurrent Expenditure Assurance Framework

**The Recurrent Investor Assurance Framework (RIAF) issued under Treasury Circular 17-11 is being renamed as the Recurrent Expenditure Assurance Framework (REAF). There are no changes to the scope, protocols or application of the framework.**

This circular supersedes Treasury Circular TC 17-11 (Recurrent Investor Assurance Framework). It also withdraws Treasury Policy and Guidelines Paper TPP 17-02 Recurrent Investor Assurance Framework, and issues TPP 19-03 Recurrent Expenditure Assurance Framework as a replacement, with no changes to the scope, protocols or application of the framework.

References to Recurrent Investor Assurance Framework in TC 17-03 (NSW Gateway Policy) and any other Treasury publications, should be taken to refer to the Recurrent Expenditure Assurance Framework.

### Background

Gateway is a system of peer reviews conducted by independent experts at key decision points in a project or program's lifecycle. The Gateway process provides the NSW Government, as the investor, with a level of confidence that the State's programs and projects are being effectively developed and delivered on time, on budget and in accordance with the Government's objectives. Independent peer reviews assist delivery agencies by providing independent assessments to complement agency internal assurance arrangements and supporting them to deliver successful outcomes.

Under NSW Gateway Policy (TPP17-01), Gateway requirements are applicable to all significant government investments, both capital and recurrent.

### Recurrent Expenditure Assurance Framework (TPP19-03)

The detailed protocols for the application of the NSW Gateway Policy to recurrent expenditure are set out in the Recurrent Expenditure Assurance Framework (REAF), previously known as the Recurrent Investor Assurance Framework.

The name of the framework has been changed in response to sector feedback. It is intended to prevent confusion and make it abundantly clear that this assurance process applies to recurrent expenditure. This is a change in name and not a new policy.

### Scope of REAF

Expenditures within the scope of REAF include expenditure for:

- Implementing a new Government policy or service
- Significant amendment to an existing policy or service or operating model
- Renewal of an existing policy or service that is due to lapse
- Developing a strategy
- Undertaking a research program
- Setting up a new entity or new business unit within an entity

- Outsourcing a service
- Re-tendering for the procurement of a service
- Non-routine maintenance for an existing operating asset (for example, to address a large maintenance backlog)
- Grant Programs
- Enhancing/extending agency capability
- Responding to regulatory or legislative change

Under the REAF, it is mandatory for agencies with recurrent expenditure proposals of greater than \$100 million over four (4) years, or \$50 million in any one year, to register the proposal with NSW Treasury using the Project Registration and Risk Self-assessment tool available on the Treasury website. Note that ERC, the agency or NSW Treasury may nominate proposals to be registered and risk assessed even if they are below these thresholds.

### **Recurrent Expenditure Assurance registration process**

Agencies are responsible for determining if a proposal falls within the scope of the REAF and registering the details with NSW Treasury. If there is any doubt, consult your Treasury analyst in the first instance. Agencies are not required to register fully implemented projects retrospectively.

The REAF registration process includes a risk self-assessment to determine a preliminary risk tier. The risk tier will determine the mandatory assurance requirements with higher risk projects attracting a greater level of external assurance. Treasury will determine the risk tier and the assurance requirements after considering advice from the Major Recurrent Advisory Group (MRAG) which consists of senior representatives from all clusters. MRAG and Treasury will also take into account proposal specific circumstances.

Following confirmation of the risk tier and assurance plan, Treasury's Gateway team will coordinate with your agency to arrange Gateway Reviews (and Health Checks) as required under the approved assurance plan.

These processes, apart from the application of different thresholds and risk criteria, mirror the processes followed for assurance of capital infrastructure and ICT investments. Agencies are already familiar with these.

Under the NSW Gateway Policy, Treasury and agencies themselves may nominate additional Gateway Reviews or Health Checks in addition to those mandated by the REAF. This could apply, on a case by case basis, to previously approved proposals and to proposals below the expenditure threshold. Agencies will be advised by their Treasury analyst of any such proposed Treasury nominated Reviews or Health Checks.

Note that no additional project status reporting, beyond what is already being provided by agencies, is required under the REAF.

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