

Summary of Changes and Future Updates

Recurrent Expenditure Assurance Framework

31 July 2024

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

The Recurrent Expenditure Assurance Framework (REAF) has undergone revision by Treasury Gateway Assurance in line with review requirements to ensure its guidance remains fit-for-purpose, aligned with intersectional policies, consistent with contemporary best practice, and achieves the desired outcomes for all stakeholders. In addition to this revision, annual incremental updates are planned for future updates to ensure continuous improvement and alignment with evolving best practices.

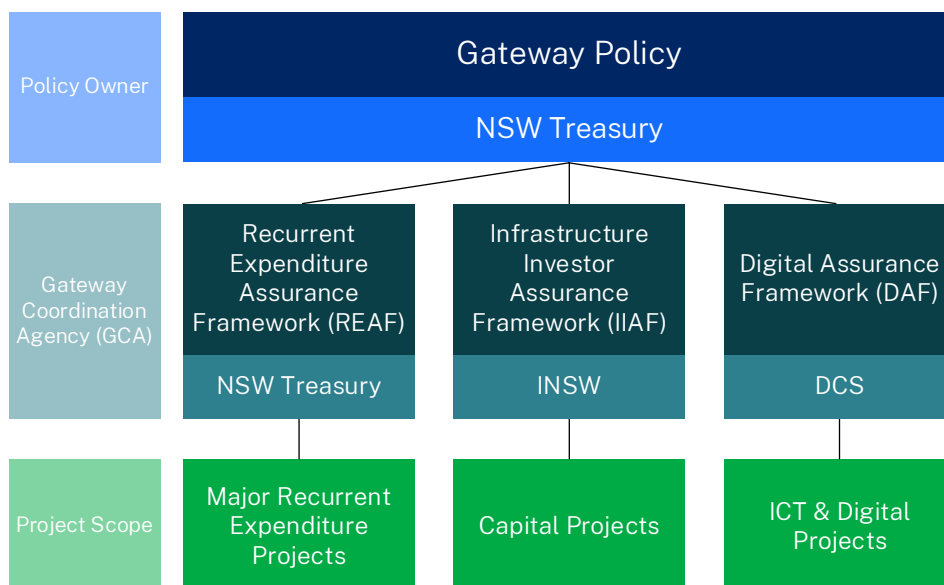
This Paper covers the following based on consultation with key stakeholders:

- Changes made to the REAF (TPP 19-03)
- Future updates based on areas of the REAF that require further investigation.

There are no other significant changes except for ones outlined in this paper. This Paper should be read in conjunction with the updated REAF.

1.1 Gateway Policy and REAF Background

- Gateway was first introduced in July 2004 through the NSW Government Procurement Policy (TPP04-1). Despite its original intention to oversee all types of state projects, Gateway has historically been applied primarily to capital projects.
- In February 2017, NSW Treasury updated the NSW Gateway Policy (TPP17-01) to include three separate risk-based assurance frameworks. This update aimed to provide a more tailored approach to the consideration of ICT and Digital Projects and Major Recurrent Expenditure Projects.
- The framework, formerly known as the Recurrent Investor Assurance Framework (TPP17-02), was renamed to the Recurrent Expenditure Assurance Framework (REAF) (TPP19-03) in February 2019, with no other changes to the policy.
- As of 2024, all three frameworks have undergone or are currently undergoing revisions to ensure their relevance and effectiveness.



2 Summary of Changes

The table below highlights key changes made to the REAF in this update.

Table 1: Summary of Changes

#	Category	Description
2.1	Treasury Policies & Guidelines and Plain English	Updated structure and writing to maintain currency and improve reader's understanding
2.2	Mixed Project Registration	Added guidance to help agencies determine appropriate Gateway Policy Framework
2.3	Key Focus Areas	Updated Sustainability description and renamed Change Management to ensure currency
2.4	Gate 0 and Gate 1	Merged Gate 0 with Gate 1 to streamline approach
2.5	Review Types	Added Deep Dive Reviews to address specific technical issue
2.6	Overall Confidence Rating	Added Medium-High and Medium-Low to refine scale
2.7	Intersectional Policy Guidance	Added Related Instruments to highlight relationship with other key policies
2.8	Ethical Requirements for Expert Review Team	Added Ethical Requirements to ensure compliance

2.1 Treasury Policies & Guidelines and Plain English

Change Summary

REAF restructured to the Treasury Policies and Guidelines (TPG) template to ensure ongoing currency and rewritten in plain English to make the policy easier to understand and apply.

Reason for Change

- The REAF was last updated five years ago and does not reflect the current policies and processes in use.
- NSW Treasury is progressively updating the form and content of policies and guidance materials to a standardised TPG template ensure currency and readability for the user.

Solution and Benefits

- The updated REAF follows the TPG template which clearly sets out the mandatory requirements (by delegated authority of the Treasury Secretary) and guidance in plain English. This change ensures it meets the needs and delivers the expected outcomes for stakeholders.

2.2 Mixed Project Registration

Change Summary

Additional guidance provided in the REAF to help Delivery Agencies determine the appropriate GCA Framework for registering a project involving a mixture of infrastructure, ICT, and major recurrent expenditure.

Reason for Change

- Delivery Agencies are responsible for registering their project with one of the three risk-based assurance frameworks determined by its predominant investment type. However, for a project with multiple investment sources (known as a mixed project), guidance for registering this type of project is insufficient.

Solution and Benefits

- The updated REAF provides registration guidance under the Core Requirements for Delivery Agencies (refer to pg. 12 of the REAF) and the Core Requirements for NSW Treasury (refer to pg. 26 of the REAF). In the instance of a mixed project, the Delivery Agency should notify NSW Treasury who will coordinate with the GCA Frameworks to identify the most appropriate assurance pathway to meet the Delivery Agency's needs.

2.3 Key Focus Areas

Change Summary

Focus area name and general description have been updated based on feedback from the Treasury Climate Risk team to ensure currency.

Reason for Change

- The Key Focus Areas serve as the foundation for Gateway Assurance Reviews as they relate to the stages in a project's lifecycle.
- The Sustainability focus area has evolved significantly since the REAF was last reviewed and the general description lacks direction and interpretation as a result.
- The current Key Focus Areas do not specifically address asset management, a factor typically considered by Maintenance projects that require recurrent expenditure funding.

Solution and Benefits

- Supplementary wording (highlighted in table 2) has been added to the Sustainability description (refer to pg. 39 of the REAF). This aligns with current terminology and scope provided by Treasury's Sustainable Finance - Climate Risk team. It also enhances the understanding of the Delivery Agency and Review Teams regarding how sustainability is assessed.
- The Change Management focus area (highlighted in table 2) has been renamed to Asset Owner's Needs and Change Management (refer to pg. 39 of the REAF). This change broadens the scope to include maintenance projects, while reviews of non-maintenance projects can concentrate on the relevant aspects of change management.

Table 2: Updated REAF Key Focus Area

Key Focus Area	General Description
Sustainability	Looks at whether the project will meet the needs of the present without compromising the ability of future generations to meet their needs. In this context, sustainability refers to the potential impacts of the investment on environmental and social outcome, as well as the impacts that material sustainability risks, including climate change, may have on the costs, benefits, and effectiveness of an investment.
Asset Owner's Needs and Change Management	Looks at how the change will affect stakeholders, expected acceptance or resistance and actions required for progression. Considers managing the change resulting from a project, both inside and outside the managing agency, in a structured and systematic fashion so that the project is completed efficiently and effectively.

2.4 Gate 0 and Gate 1

Change Summary

Gate 0 and Gate 1 merged. REAF Gateway Reviews will now be conducted from Gates 1 – 6.

Reason for Change

- The Gateway Review system identifies project phases within each lifecycle known as Gates.
- In practice, the effectiveness of Gate 0 is found to be inadequate due to the limited visibility over the Delivery Agency's internally developed initiatives and the unavailability of an accurate Estimated Total Cost (ETC) at such an early stage. This situation can lead to a misclassified Risk Tier and an Assurance Plan that fails to meet the project's requirements.

Solution and Benefits

- The updated REAF merges Gate 0 into Gate 1 with all future Gateway Reviews being conducted from Gates 1 – 6 (refer to pg. 38 of the REAF).
- The merger eliminates an ineffective step of the process and streamlines the approach. Rearranging the Gates in this way retains the value of Gate 0 but positions it where it can yield a greater return.

Additional Notes

- Infrastructure Investor Assurance Framework (IIAF) will opt to strengthen Gate 0 rather than merge. Therefore, the Gateway Policy remains the same and still identify seven Gates (0-6) to ensure compliance across all three frameworks.
- The Business Case Guidelines Problem Definition (Stage 0) will not be affected by REAF combining Gate 0 and Gate 1 as the focus is still be captured in Gate 1.

2.5 Review Types

Change Summary

Deep Dive Reviews added in the suite of review types available under the REAF.

Reason for Change

- At present, under the REAF, there are two types of Assurance Reviews available: Gateway Reviews and Health Checks Reviews. Neither of these review types can focus on a specific issue or risk-related area, which represents a significant service gap to meet Delivery Agency's needs.

Solution and Benefits

- The updated REAF includes Deep Dive Reviews as third review type (refer to pg. 18 of the REAF). This review type focuses on technical issues that could impact the successful delivery of the project. Typically, a Deep Dive Review is undertaken in response to issues raised by key stakeholders of the project or at the direction of the relevant Government Minister.
- Deep Dive Reviews are unique and not guided by the Key Focus Areas. Instead, the Delivery Agency, relevant GCA and Expert Review Team can develop the review scope with a focus on resolving technical issues. This approach saves time and resources by avoiding Focus Areas that are not relevant to the resolution.

Additional Notes

- Both the Infrastructure Investor Assurance Framework (IIAF) and Digital Assurance Framework (DAF) recognise Deep Dive Reviews and find value in its tailored approach. The introduction of Deep Dive Reviews in the updated REAF enhances alignment across the three Gateway Frameworks.

2.6 Overall Confidence Rating

Change Summary

Two new ratings of 'Medium-High' and 'Medium-Low' introduced to the Overall Confidence Rating scale for Expert Review Teams to select when writing Review Reports.

Reason for Change

- Review Reports are the primary output of Gateway Reviews and are typically used by the Delivery Agency to strengthen their project based on the recommendations made by the Expert Review Team.
- The Overall Confidence Rating scale is used by the review team to express their confidence in the project's alignment with Government objectives. However, the current Overall Confidence Rating scale, with its limited range, presents a challenge for review teams aiming to accurately depict their findings.

Solution and Benefits

- By enhancing the Overall Confidence Rating scale with two new categories, 'Medium-High' and 'Medium-Low' (refer to pg. 40 of the REAF), the Expert Review Team will be better equipped to provide a more precise assessment for projects that do not align with the existing 'High', 'Medium', and 'Low' ratings.

Table 3: REAF Overall Confidence Rating Scale

Original Ratings		Updated Ratings	
High	Successful delivery of the project to time, cost and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten the successful delivery.	High	Successful delivery of the project to time, cost, and quality appears highly likely, and there are no major outstanding issues that at this stage appear to threaten the successful delivery.
Medium	Successful delivery is feasible but significant issues exist which require timely management attention.	Medium-High	Successful delivery of the project to time, cost, quality, and anticipated benefits is likely, however, constant attention will be needed to ensure risks do not become major issues threatening delivery.
		Medium	Successful delivery is feasible, but significant issues exist which require timely management attention.
Low	Successful delivery of the project is in doubt, with major risks or issues apparent in a number of key areas. Urgent additional action is needed.	Medium-Low	Successful delivery of the project to time, cost, quality, and anticipated benefits is unlikely, with major issues apparent in a number of key areas. Urgent action is needed to address these.
		Low	Successful delivery of the project is in doubt, with major risks or issues apparent in a number of key areas. Urgent additional action is needed.

2.7 Intersectional Policy Guidance

Change Summary

Identification of Related Instruments in line with Treasury Policy and Guidelines (TPG) template.

Reason for Change

- The current REAF does not identify any Related Instruments or policies that intersect or relate to Gateway. It only notes the overarching Gateway Policy and the GCA Frameworks. This is a significant gap as all Gateway Assurance Frameworks were constructed to align with other Treasury policies and frameworks, including the Business Case Guidelines

Solution and Benefits

- The gap in policy alignment is resolved by using the new TPG template which lists ‘related instruments’ under the key information section (refer to pg. 4 of the REAF).

2.8 Ethical Requirements for Expert Review Team

Change Summary

New section added that outlines the ethical requirements that the Expert Review Team must comply with.

Reason for Change

- The current framework does not identify the ethical requirements the Expert Review Team must comply with for reviews. The ethical requirements are not well established in the documentation provided to the Expert Review Team.

Solution and Benefits

- The ethical requirements are established under the Expert Review Team’s Core Requirements (refer to pg. 25 of the REAF) to ensure they have a clear understanding of their ethical responsibilities as well as the Gateway Principles of Independence and Confidentiality. The requirements are further outlined in Appendix H in the REAF.

3 Future Updates

Upon completion of the current REAF update, Treasury Gateway Assurance will prioritise and investigate the following areas of the REAF as part of its planned annual incremental updates. These regular updates ensure continuous improvement and alignment with evolving best practices. It is important to note that these areas of the REAF are complex and will require detailed analysis to inform any potential changes.

Table 4: Areas for Investigation

#	Category	Key Question
3.1	Mandatory Registration Criteria	Does the criteria adequately support the effectiveness of the REAF?
3.2	Risk Profile Criteria	Does the six risk assessment areas encompass all significant risks that today’s recurrent projects are likely to encounter?
3.3	Gates and Project Lifecycle	Does Gates 1-6 accurately reflect the lifecycle of today’s recurrent projects?
3.4	Key Focus Areas	Does the seven key focus areas cover all critical aspects of today’s recurrent projects?
3.5	Intersectional Policy Alignment	Is there alignment between the information presented in the REAF and of other related policies?

3.1 Mandatory Registration Criteria

Focus Summary

To maintain the effectiveness of the REAF Mandatory Registration Criteria amidst economic shifts, Treasury Gateway Assurance will undertake a thorough review to assess the criteria’s relevance and suitability in relation to current projects.

Context:

The REAF Mandatory Registration Criteria outlines when Delivery Agencies must register and undergo the assurance process. The criteria include specific components that are designed to capture projects of a particular scale for assurance. For example:

- Monetary component – the minimum value a proposal’s Estimated Total Cost must reach to undergo the REAF assurance process.
- Time-bound component – the timeframe a proposal’s Estimated Total Cost falls within.

Table 5: REAF Mandatory Registration Criteria

Major Recurrent Expenditure Project	Mandatory Registration Criteria
Government investment initiatives that are not related to Infrastructure or ICT Digital.	<ul style="list-style-type: none"> 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. Projects nominated by ERC, NSW Treasury, or the Delivery Agency.

Next Step:

Treasury Gateway Assurance will investigate whether the current Mandatory Registration Criteria continues to capture the intended Major Recurrent Expenditure Projects for assurance. Treasury Gateway Assurance will look for any opportunities to align the REAF criteria with IIAF and DAF.

3.2 Risk Profile Criteria

Focus Summary

To ensure the continued effectiveness of the REAF Risk Profile Criteria in evaluating project risks within the current project landscape, Treasury Gateway Assurance will undertake a comprehensive review of these criteria.

Context:

The Risk Profile Criteria outlines six assessment areas that are used to measure a project’s risk score under the REAF. Each assessment area has a weight that indicates its overall importance. For each registered project, the Delivery Agency conducts an initial self-Risk Assessment which involves applying a rating for each of the assessment areas. MRAG members will also complete their own individual Risk Assessment for each project as part of the risk assessment process.

Table 6: REAF Qualitative Risk Profile Criteria

Criteria	Weight	Simplified Definition*
Government Priority	15%	The level and timing of a project’s priority.
Interface Complexity	15%	The extent to which the project’s success will depend on the management of complex dependencies with others.

Criteria	Weight	Simplified Definition*
Procurement Complexity	20%	The extent to which a project requires sophisticated, customised, or complex procurement methods.
Agency Capability	20%	The extent to which the sponsor agency has demonstrated capability in the development and/or delivery of the type of project.
Criticality of Service	15%	The degree to which a project is essential to meet the needs of the community.
Implementation Complexity	20%	The extent to which the project’s success will depend on resolution in the agency.

*Please refer to pg. 13 of the REAF for the full definition.

Next Step:

Treasury Gateway Assurance will investigate whether the current Risk Profile Criteria captures all significant risks that current Major Recurrent Expenditure Projects are likely to encounter.

3.3 Gates and Project Lifecycle

Focus Summary

The existing REAF Gates, originally designed with a focus on capital and ICT projects, may not be adequately suited for the requirements of current Major Recurrent Expenditure Projects. To maintain their specific relevance and appropriateness, Treasury Gateway Assurance will undertake a thorough review of these Gates.

Context:

Gates are key milestones or decision point in a project lifecycle where Gateway Reviews are undertaken. They identify project phases within each lifecycle stage and what the review will focus on. The REAF has six Gates which is timed to inform Government on expenditure decisions, and the Delivery Agency’s capability and capacity to manage and deliver the project. Each Gate has a clear purpose reflecting the increasing requirement for certainty as a project moves through its lifecycle.

Table 7: REAF Gates and Project Lifecycle

Gate No.	Name of Gate	Lifecycle Stage	Project Phase	Informs
Gate 1	Strategic Business Case	Planning	Needs Analysis	The detailed business case and options analysis

Gate 2	Detailed Business Case	Planning	Funding Approval	The investment decision
Gate 3	Pre-Execution	Delivery	Project Procurement & Delivery Plan	Readiness to release procurement documentation
Gate 4	Tender Evaluation	Delivery	Service Provider Selection	Robustness of the evaluation process and execution readiness
Gate 5	Pre-Commissioning	Delivery	Contract Management	Readiness to commission the project and implement change management if required
Gate 6	Post-Implementation	Completion	Evaluation	Deliverables outlined in the business case have been achieved

Next Steps

Treasury Gateway Assurance will investigate whether the current Gates are tailored to accurately reflect the lifecycle of current Major Recurrent Expenditure Projects.

3.4 Key Focus Areas

Focus Summary

To maintain the effectiveness of the REAF Key Focus Areas in highlighting a project's areas of importance during Gateway Reviews, Treasury Gateway Assurance will undertake a comprehensive review.

Context:

The seven Key Focus Areas specify areas of investigation that have been developed based on constants in a project's lifecycle. They provide the primary scope for the Expert Review Team when conducting Gateway Reviews to assess a project's progress through interviews with significant stakeholders. The Key Focus Areas form the basis of the Review Report and any recommendations made by the Expert Review Team.

Table 8: REAF Key Focus Areas

Key Focus Areas	General Description
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Service Delivery	Considers whether the proposed service(s) will achieve the desired outcome(s) and/or fulfil identified need(s). Demonstrated alignment to Government policy or State Outcomes and evidence of demand for the proposed service or opportunity.
Affordability and Value for Money	Affordability considers whether adequate resources will be available to achieve the proposal. Value for money considers all factors relating to a proposal including experience, quality, reliability, timeliness, service, capital costs, opportunity costs, the whole of life costs, to meet the agency's requirements and Government's social and economic policies.
Sustainability	Looks at whether the project will meet the needs of the present without compromising the ability of future generations to meet their needs. In this context, sustainability refers to the potential impacts of the investment on environmental and social outcomes, as well as the impacts that material sustainability risks, including climate change, may have on the costs, benefits, and effectiveness of an investment.
Governance	Assesses whether the activities required to ensure a successful project, including resource allocation, time management and process management have been addressed.
Risk Management	Considers if a structured methodology for identifying, analysing, and managing potential risks is being applied.
Stakeholder Management	Examines whether the exchange of information with stakeholders is being adequately managed and that their concerns are being addressed.
Asset Owner's Needs and Change Management	Looks at how the change will affect stakeholders, expected acceptance or resistance and actions required for progression. Considers managing the change resulting from a project, both inside and outside the managing agency, in a structured and systematic fashion so that the project is completed efficiently and effectively.

Next Steps

Treasury Gateway Assurance will investigate whether the current Key Focus Areas cover all critical aspects of current Major Recurrent Expenditure Projects.

3.5 Intersectional Policy Alignment

Focus Summary

To ensure uniformity across key related policies, Treasury Gateway Assurance will look for opportunities to align the information provided in the REAF and key related policies to reduce any inconsistencies between them.

Context

The REAF outlines the procedures for the application of the NSW Gateway Policy to major recurrent expenditure investments. It sets out the requirements that must be followed by the Delivery Agency, the Major Recurrent Advisory Group (MRAG), the Expert Review Team, and NSW Treasury. It is therefore crucial that any reference to it by any other policies is accurate and up to date.

Using the TPG template, the updated REAF lists Related Instruments under the key information section.

Table 9: REAF Related Instruments

Key information	
Related instrument(s)	<ul style="list-style-type: none"> • TPG22-12 NSW Gateway Policy • Infrastructure Investor Assurance Framework • Digital Assurance Framework • TPG22-04 NSW Submission of Business Cases Policy and Guidelines • TPP18-06 NSW Government Business Case Guidelines • Benefits Realisation Management Framework • TPG23-08 Guide to Cost-Benefit Analysis • TPP19-07 Asset Management Policy for the NSW Public Sector • TPP18-05 Major Projects Policy for Government Businesses

Next Steps

Treasury Gateway Assurance will investigate whether there are any other key related policies to the REAF and whether they reference accurate and current information. This will be an ongoing exercise to ensure consistent alignment between the REAF and other key related policies.

52 Martin Place
Sydney NSW 2000

GPO Box 5469
Sydney NSW 2001

W: treasury.nsw.gov.au

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