



Government of **Western Australia**  
Department of **Treasury**

# **Streamlined Budget Process**

Agency Guide

**October 2022**



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# Streamlined Budget Process

## Objectives

The intent of the Streamlined Budget Process (SBP) is to focus the Expenditure Review Committee (ERC) and Cabinet throughout the Budget process on considerations that materially impact the State's finances.

This guide stipulates the policy principles surrounding the implementation of the SBP for eligible agencies. The application of the SBP for each year is communicated to agencies as part of the annual budget process (in Treasury's Budget Circular).

Further information on the SBP is advised through the annual Budget Circular or can be obtained from the relevant Treasury agency analyst.

## Overview of Annual Process

- Agency SBP eligibility is assessed by Treasury and considered by the ERC prior to the release of the annual Budget Circular.
- Participation in the SBP is voluntary and SBP eligible agencies can choose not to opt-in and access to the normal Budget process by following the standard practice (as detailed in the annual Budget Circular) for submitting a Budget bid/funding request.
- Agencies will be deemed to have opted-in to the SBP in a Budget year where they are firstly assessed as eligible by Treasury, provide Ministerial sign-off on agency participation, and do not raise a funding request.
- Subject to ERC agreement each year, agencies participating in the SBP will receive incentive funding of its cash service appropriation.
- Agencies participating in the SBP that subsequently raise a funding request during the Budget process or Budget year (with the exception of election commitments) will be required to return all incentives received as part of the SBP. This occurs irrespective of whether the request is approved or not - consistent with the intent of the SBP to reduce the volume of funding requests. Any deviation from this rule requires an ERC decision, which must be sought by the relevant Minister.

# Streamlined Budget Process Policy Principles

## Agency Eligibility Criteria

- The SBP is open to general government agencies with cash service appropriation below \$100 million in 2023-24.
- A general government agency will be eligible for the SBP if it:
  - has ‘access’ to the annual Budget process and funded directly by service appropriation; and
  - passes Treasury financial risk assessment tests.
- Only stand-alone agencies are eligible for SBP. Statutory authorities operating within a larger department (regardless of whether it is funded directly through service appropriation), or sub-agencies, are unable to apply independently for SBP, and can only participate if the ‘parent’ agency chooses to opt-in.

## ‘In-Scope’ Agencies

- An agency is in-scope of the SBP if:
  - it satisfies the agency eligibility criteria (stated above);
  - the relevant Minister provides a signed certification to participate in the SBP;
  - it does not raise a funding request as part of the relevant Budget process; and
  - ERC approves its inclusion in the SBP as part of the relevant Budget process.

## Incentive Arrangements

As part of the relevant Budget process, in -scope agencies will receive incentive funding of 2% of its cash service appropriation based on the most recent published data (usually the previous year’s Mid-year Review Budget -year estimate)<sup>1</sup>.

This funding **cannot** be allocated to **capital projects/programs and/or salaries expense**. In addition, incentive funding:

- cannot be allocated to expenses that create ongoing commitments and must be committed to expenditure in the Budget year;
- will not be utilised to create ongoing expenditure obligations (in recognition of its finite nature); and
- will have an expense allocation attached to the funding request.

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<sup>1</sup> Treasury may make adjustments for some expenditure funded by service appropriation (e.g. depreciation and amortisation).

## Funding Requests

An eligible agency will receive the incentives when no funding request is raised throughout the relevant Budget process and will retain its incentive funding when no funding request is raised throughout the relevant Budget year.

Disqualifying funding requests include:

- policy and parameter submissions that increases net debt in the Budget year and/or any year over the forward estimates period;
- any request raised at any time throughout the Budget year; but
- excludes funding requests raised in relation to an election commitment, requests raised as part of the following year's Budget process, except where the submission relates to an increase in net debt in the current Budget year<sup>2</sup>, and fully funded submissions, such as Commonwealth Government contributions or other external funding.

Treasury will not provide allowance for submissions that reflect cost pressures.

## Recoup of Incentives

An 'in-scope' agency's incentive funding will be refunded to the Consolidated Account if a funding request is raised at any time during the relevant Budget year.

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<sup>2</sup> For example, if an agency was in-scope of the SBP in 2023-24 and raised a funding request as part of the 2024-25 Budget process, although that request would be raised in the 2023-24 year (e.g. April 2023) it does not affect the agency's 2023-24 SBP status, unless that bid increases net debt in 2023-24 (the current Budget year).

## Streamlined Budget Process – Timing Guide

### September – October

#### Assessing Agency Eligibility

Each year Treasury will use the most recently available data to assess eligibility, assess the financial risk, and seek ERC approval of agency eligibility. ERC consideration of agency eligibility for the SBP is included in its approval of the annual Budget process.

Please note, non-Budget agencies (i.e. those that do not receive service appropriation) are not eligible for the SBP.

#### Calculation of the Financial Incentive

The financial incentive will be calculated at 2% of the eligible agency's cash service appropriation, as contained in the most recently published Mid-year Review. For example, for the 2023-24 Budget, this calculation is based on 2022-23 Mid-year Review data<sup>3</sup>.

As some service appropriation funding is expended on amounts not affected by normal 'cost and demand' fluctuations, the incentive arrangements will be, in some cases, manually adjusted by Treasury (for example to exclude service appropriation-funded costs of depreciation and amortisation).

### October – November

#### Agency Eligibility and In-Scope Agencies

Following ERC consideration of the SBP (including review of the agency SBP eligibility rules to be applied for the coming Budget), agency eligibility and the quantum of each agency's incentive will be communicated, and any other SBP information.

Agencies that have been advised through communications that they are eligible for the SBP and are not raising a Budget bid<sup>4</sup> are able to opt-in to the SBP.

Treasury will request Ministerial certification of an agency's decision to opt-in and allocation of this funding to recurrent non-salary cost centres. Treasury will provide a report back to ERC on the in-scope agencies and SBP impact to State finances.

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<sup>3</sup> Initial estimates provided in the Budget Circular and Budget Process Cabinet Submission will make use of data from the 2022-23 Budget (as Mid-year Review estimates will not yet be available)

<sup>4</sup> With respect to funding bids, the origin of the Budget bid does not affect the assessment of an agency's SBP status (i.e. if a Minister's Budget bid is deemed to increase net debt across the Budget and forward estimates period for an agency outside of their portfolio, both agencies become ineligible for the SBP). This includes situations where an agency-led funding submission affects another SBP eligible agency.



Funding cannot be allocated to expenses that create ongoing commitments and must be committed to expenditure in the Budget year. Treasury will not approve any SIMS Budget adjustments where these conditions are deemed not to be met.

## February – early April

### Agency Bilaterals

Treasury will continue to monitor Budget funding requests (and parameter adjustments) throughout the Budget process and adjust in-scope agencies and funding allocation as required.

## April – May

### Budget Paper Production

Funding and the funding allocation must then be disclosed in the agency's Budget Paper No. 2: *Budget Statements* (for example disclosure in the Spending Changes table, consistent with Treasury advice).

## Ongoing Monitoring

### Budget Year

An in-scope agency is automatically opted out of the SBP if any funding request is raised throughout the Budget year (July – June) that increases net debt across the Budget forward estimates period, regardless of whether the request is approved or not.

There will be exceptions to this policy principle throughout the year for processes such as a funding escalation following some other process (e.g. a wage agreement in excess of Government wages policy). These exceptions will be communicated to agencies as part of those processes. Otherwise, any deviation from this policy principle is to be sought by the Minister through ERC.