

## TREASURER'S INSTRUCTION 17

# EVALUATION OF AND APPROVALS TO PROCEED WITH PUBLIC SECTOR INITIATIVES

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### Scope

17.1 This instruction applies to all public authorities subject to the *Public Finance and Audit Act 1987* unless it is expressly stated in this instruction to apply only to a particular type of authority.

### Objective

17.2 To require that the Chief Executive of each public authority ensure that public sector initiatives are evaluated and justified.

17.3 To prescribe the approvals required to proceed with public sector initiatives.

17.3A To require the Chief Executive of each public authority to engage with Infrastructure SA in relation to the application of the ISA Assurance Framework.

### Interpretations and Definitions

17.4 For guidance in interpreting the application of this instruction refer to Treasurer's Instruction 1, which provides general definitions and principles for the application of the Treasurer's Instruction.

17.5 For the purpose of this instruction:

17.5.1 "Public sector initiatives" include any proposals involving a cost in order to derive a benefit consistent with some specified Government objective. The term public sector initiative would, for example, include a capital project, an information technology systems project, a change in pricing policy, change in service delivery models or an initiative requiring an environmental impact assessment.

17.5.2 A "commercial sector project" is one for which the expected rate of return is equal to or greater than the enterprise's hurdle rate approved in its performance statement. An enterprise's rate of return will, as a minimum, equate to its weighted average cost of capital.

17.5.3 "Evaluation" means a considered assessment of a public sector initiative, which can be before or after the fact or while the activity is in progress.

17.5.4 "Regulatory initiatives" means introducing or amending any form of government regulation to address a problem or risk and which either imposes mandatory requirements upon or seeks voluntary change of

behaviour from business and the community. The term regulation is defined in the Handbook.

- 17.5.4A “Infrastructure SA” means Infrastructure SA as established under the *Infrastructure SA Act 2018*.
- 17.5.4B “ISA Assurance Framework” means the assurance framework published by Infrastructure SA and available on its website, as maybe amended from time to time.
- 17.5.5 All financial amounts quoted in this instruction are GST inclusive. Financial amounts quoted in clauses 17.11 and 17.12 refer to the total amount of Government funds to be used for the public sector initiative.

## Instruction

- 17.6 The Chief Executive of each public authority shall ensure that officers of that public authority evaluate:
  - 17.6.1 public sector regulatory initiatives in accordance with the evaluation framework detailed in *Better Regulation Handbook*.
  - 17.6.2 public sector initiatives related to the procurement of infrastructure or assets in accordance with the evaluation framework detailed in *Guidelines for the Evaluation of Public Sector Initiatives*.
- 17.7 The Chief Executive of each public authority shall ensure that proposed initiatives are clearly linked to and are consistent with strategic plans of the public authority, and that those plans underpin the authority's corporate objectives as directed by the Government.
- 17.8 A Chief Executive is required to justify initiatives on economic grounds, and to specify the implications of a public sector initiative on the financial performance of the proponent public authority and on the State budget, when seeking approval to proceed with a public sector initiative.
- 17.9 The required scope and depth of assessment will depend broadly on the magnitude and/or sensitivity of the initiative. However:
  - 17.9.1 for initiatives that are to be submitted to Cabinet, details of the format for presentation are to be found in appendices to the Handbook or Guidelines; and
  - 17.9.2 initiatives that do not meet the criteria above should be evaluated to the extent necessary to ensure that the public authority is acting in the best interests of the public sector, and to ensure sufficient information is available for the purposes of reviewing progress at some later date.

## Approval to Proceed with Public Sector Initiatives

- 17.10 A commercial sector project which is undertaken by a public corporation is exempt from the requirements of clauses 17.11 to 17.13 of this instruction provided that the project is included in the corporation's Capital Plan and that Plan is endorsed as part of the annual performance statement required by section 13 of the *Public Corporation Act*.

- 17.11 When entering into a public sector initiative, the following approvals to proceed with the public sector initiative shall be obtained at the completion of the concept evaluation phase:
- 17.11.1 the Chief Executive, or an employee or an occupant of a position in the public authority nominated by the Chief Executive, where the estimated cost of the public sector initiative does not exceed the monetary limit specified under clause 8.12.3 of Treasurer's Instruction 8 *Financial Authorisations* for the employee or occupant of the position, or \$1,500,000, whichever is the lesser;
  - 17.11.2 the Minister, where the estimated cost of that public sector initiative exceeds the authority of clause 17.11.1 above, but is less than \$15,000,000; and
  - 17.11.3 Cabinet, where the estimated cost of that public sector initiative is equal to or greater than \$15,000,000.
- 17.12 A Chief Executive shall, prior to commencing a public sector initiative, ensure that the following approvals are obtained before tenders are called for a public sector initiative which has not been included in a budget approval previously by Cabinet:
- 17.12.1 the Chief Executive or an employee or an occupant of a position in the public authority nominated by the Chief Executive, where the estimated cost of the public sector initiative does not exceed the amount of the monetary limit specified under clause 8.12.3 of Treasurer's Instruction 8 *Financial Authorisations* for the employee or occupant of the position, or \$1,500,000, whichever is the lesser amount, and where that cost is less than one per cent of the public authority's total annual operating and investing expenditure;
  - 17.12.2 the Minister, where the estimated cost of that public sector initiative exceeds \$1,500,000 but is less than \$6,000,000, and where that cost is less than one per cent of the public authority's total annual operating and investing expenditure; and
  - 17.12.3 Cabinet, where the estimated cost of that public sector initiative is equal to or greater than \$6,000,000 or is one per cent or more of the public authority's total annual operating and investing expenditure.
- 17.13 Submissions seeking Ministerial approvals in accordance with this instruction are required to be accompanied by written advice from the Department of Treasury and Finance on budgetary aspects of the initiative.
- 17.14 Submissions seeking Cabinet approvals for public sector initiatives related to the procurement of infrastructure with a value of \$50,000,000 or more in accordance with this instruction are required to be accompanied by a written advice from Infrastructure SA.

For queries contact your Account Manager,  
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