

Machinery of Government Changes Guide

NSW Government

3 November 2022

Contents

1	Executive Summary	2
1.1	Overview.....	2
1.2	The Implementation Process.....	2
2	What is a Machinery of Government Change?	5
2.1	Administrative Arrangements Orders	5
3	MoG Change Principles.....	7
3.1	Principles	7
4	Planning and Governance	9
4.1	Establishing a Process	9
4.2	MoG Change Steering Committee.....	10
4.3	MoG Change Working Groups	11
4.4	Project Management Office.....	12
4.5	Due Diligence.....	14
4.6	Memorandum of Understanding.....	14
4.7	Dispute Resolution Process	15
4.8	Communications and Consultation Strategy.....	16
4.9	Role of Central Agencies	16
4.10	Role of Lead Agencies.....	16
4.11	Sequence of Events to Establish a Process and Governance Structure for MoG Change Implementation:.....	17
5	People Management.....	20
5.1	Identifying All Employees Who Will be Transferred	20
5.2	Corporate Employees	20
5.3	Employment Delegations.....	20
5.4	Induction	20
5.5	Leaving an Agency.....	21
5.6	Classification and Duties.....	21
5.7	Employment Type	21
5.8	Conditions of Employment	21
5.9	Flexible Work Arrangements	21
5.10	Employees with a Disability	22
5.11	Outstanding Employment Matters	22
5.12	Public Service Senior Executives (PSSEs).....	22
5.13	Unfinished Recruitment Action	23
5.14	Movement of Workers' Compensation Claims	23
6	Financial Management.....	25

6.1	Key Financial Management Considerations Following Each MoG Announcement	25
6.2	PRIME – Treasury Reporting.....	25
6.3	Budget and Appropriation Transfers.....	26
6.4	Assets and Liabilities	26
6.5	Grants.....	26
6.6	Bank Accounts	27
6.7	Insurance	27
6.8	Financial Delegations.....	27
6.9	Audit and risk.....	28
6.10	Fraud control.....	28
6.11	Procurement.....	29
6.12	Property Management and Leasing.....	29
6.13	Relocation Costs	29
7	Legal.....	31
8	Corporate Service Support Transfer Framework.....	33
8.1	Overview and Scope of the Corporate Services Support Transfer Framework	33
8.2	Definition of Corporate Services	33
8.3	Simple vs Complex Corporate Service Cost Transfers.....	34
8.4	Principles for Corporate Services Support Budget Transfers.....	34
8.5	Principles for Corporate Services Transfers.....	34
8.6	Methodologies for Corporate Service Budget Transfer	35
8.7	Consideration for Cost Transfers Involving the Use of Shared Service Providers (SSP) ...	36
8.8	Governance Process for Agreeing Corporate Service Support Cost Transfers.....	37
8.9	Timing for Decision Making.....	37
8.10	Reaching Consensus.....	37
8.11	Escalation Pathway.....	38
8.12	Methodology for the Transfer of Corporate Service Costs	38
8.13	Considerations for the Application of the Cost Transfer Methodologies	39
9	Digital, Information and Technology.....	42
10	Records Management	45
10.1	Movement of Records.....	45
10.2	Managing the Transfer	45
10.3	GIPA Act Applications	46
11	Costs and Benefits Associated with MoG Changes.....	48
11.1	Requirements for Identifying Costs and Benefits	48
11.2	Identifying benefits through a MoG change.	48
11.3	Capturing and Reporting Identified Benefits.....	49

11.4	Capturing Costs Attributed to MoG Changes.....	50
11.5	Capturing and Reporting Identified Costs	51
12	Resources and Templates.....	54
12.1	Resources.....	54
12.2	Templates.....	55
12.3	References.....	55

Abbreviations

Abbreviation	Definition
AAO	Administrative Arrangement Orders
BAU	Business As Usual
CFO	Chief Financial Officer
DCS	Department of Customer Service
DPC	Department of Premier and Cabinet
ERP	Enterprise Resource Planning
FAQ	Frequently Asked Questions
FTE	Full-Time Equivalent
GIPA Act	<i>Government Information (Public Access) Act 2009 (NSW)</i>
GSE Act	<i>Government Sector Employment Act 2013 (NSW)</i>
GSF Act	<i>Government Sector Finance Act 2018 (NSW)</i>
HR	Human Resources
KPI	Key Performance Indicator
MoG	Machinery of Government
MoU	Memorandum of Understanding
PMO	Project Management Office
PSC	Public Service Commission
PSSE	Public Sector Senior Executive
RD Guidelines	Role Description Development Guidelines
SARA	State Archives and Records Authority of NSW
SOORT	Statutory and Other Offices Remuneration Tribunal
SSP	Shared Service Provider
ToR	Terms of Reference
WAN	Wide-Area Network
WLS	the NSW Public Service Senior Executive Work Level Standards

1

Executive Summary

1 Executive Summary

1.1 Overview

The term ‘machinery of government’ refers to the way government functions and responsibilities are allocated and structured. A machinery of government (MoG) change is the reorganisation of these structures. This can involve establishing, merging or abolishing agencies, and/or transferring functions and responsibilities from one Minister or agency to another.

The Government expects MoG changes to be implemented as quickly as possible to support the Government’s priorities, with a focus on achieving the best outcomes for the citizens of New South Wales.

The purpose of this document is to provide NSW Government agencies with guidance on implementing MoG changes and to support a more efficient transfer of employees and functions between agencies. Agencies affected by the MoG change will either transfer functions to another agency or receive functions from another agency and are referred to throughout this Guide as the transferring agency and the receiving agency.

The Guide covers the following elements of implementing a MoG change:

- The planning and governance framework for implementing a MoG change
- People management
- Financial management
- Legal matters
- The framework for the transfer of corporate services support
- Digital, information and technology matters
- Records management, and
- Measuring costs and benefits associated with a MoG change.

This guide was approved by the Secretaries Board on 3 November 2022. Agencies are expected to implement MoG changes in a way that is consistent with the Guide, including the principles outlined in [Section 3](#).

1.2 The Implementation Process

MoG changes are a regular feature of government activity. It is incumbent on all agencies affected by a MoG change to ensure that services continue to be provided to the community, the process is managed effectively, and employees are kept informed and involved. This guide and its supporting materials have been developed to support these aims.

The following steps may be taken to implement a MoG change and are detailed further throughout this Guide:

- MOG changes are the responsibility of the Premier under Part 7 of the *Constitution Act 1902* (NSW).
- Once the Premier has decided that a MOG change will occur, the Office of General Counsel within the Department of Premier & Cabinet (DPC) consults with legal advisors in affected agencies and instructs the Parliamentary Counsel’s Office to draft Administrative Arrangements Orders (AAOs) giving effect to those changes. AAOs are published on the [NSW legislation website](#), and an updated [Governance Arrangements Chart](#) is published on the DPC website.
- As soon as practicable, the Secretaries of affected clusters meet to determine the approach to implementing the MoG, appoint a Steering Committee and set timeframes for key decisions and

implementation milestones. The Secretaries may include affected agency heads in this meeting and will appoint a lead executive from each affected agency.

- The Steering Committee will appoint a central MoG Working Group or Project Management Office (PMO) depending on the size and scale of the MoG. Further sub-working groups will usually be formed to address specific issues or connect key people from affected agencies.
- The Steering Committee will work collaboratively with working groups and relevant Secretaries to set implementation and reporting milestones. They will:
 - Establish a timetable consistent with relevant AAOs to:
 - share financial and employee data, subject to privacy requirements and appropriate handling of confidential or sensitive information;
 - identify affected employees;
 - inform and communicate with affected employees; and
 - report on progress to the Secretaries of affected agencies.
 - Establish strategies to support business continuity, risk management and employee engagement during planning, transition and implementation. Employees must be kept informed throughout the change and careful consultation with employees and union stakeholders should occur when creating a communications plan.
 - Identify key technology systems used by affected agencies and agree a transition plan.
 - Agree an accommodation transition plan along with budget allocations that may need to be transferred (ie, there may be building occupancy arrangements that need to be mapped out and agreed).
 - Document the transfer of finances and assets (including records) and document the assumptions upon which the transfers are based. Documents recording the planning, transition and implementation of MoG changes should be accessible in a secure way by affected agencies, with confidentiality of sensitive information maintained. This should be completed in compliance with legislation and policy requirements, as well as applicable contractual requirements (eg concerning transfer of licenses and subscriptions).
 - Perform a post-implementation review that includes seeking reports and information from the various working groups.

2

What is a Machinery of Government Change?

2 What is a Machinery of Government Change?

In New South Wales, the formal power to make machinery of government changes rests with the Governor under Part 7 of the *Constitution Act 1902* (NSW). The Governor-in-Council makes these changes on the recommendation of the Premier. These changes may be made to support the policy and/or political objectives of the government of the day.

Machinery of government changes are formally set out in Administrative Arrangement Orders. AAOs are prepared by the Parliamentary Counsel's Office on instruction from DPC under direction from the Premier, and are issued as legislative instruments under the *Constitution Act*. AAOs may substitute or amend Schedule 1 to the GSE Act.

The Government may make MoG changes including but not limited to:

- Creation or abolishment of agencies
- Transfer of functions (including resources and employees to support those functions) from one Public Service agency to another
- Make changes to a Ministry
- Allocate to Ministers the administration of Acts and other portfolio responsibilities, and
- Change Ministers to whom agencies are responsible,

The effective implementation of MoG changes is a core function of all agencies and must be managed and resourced appropriately. Agencies are expected to implement change in a way that is consistent with the principles outlined in [Section 3](#).

2.1 Administrative Arrangements Orders

MoG changes are generally made through AAOs approved by the Governor-in-Council on the recommendation of the Premier.

Through AAOs, the Governor may, for example, allocate to Ministers the administration of Acts and other portfolio responsibilities, establish Public Service agencies, and specify the Minister to whom a Public Service agency is responsible,

AAOs and the Allocation of the Administration of Acts are published on the [NSW Legislation website](#).

Changes to AAOs can happen at any time. Changes are more common following a general State election as a new or returned Government puts arrangements in place to implement its priorities and programs.

A MoG change within a portfolio, or the movement of some functions between portfolios, may not require changes to AAOs. In certain circumstances, MoG changes can occur via legislation changes and not through AAOs. This includes where changes are proposed to be made to statutory bodies. The Premier may request advice from DPC on whether changes to AAOs are necessary to implement proposed MoG changes.

The transfer of employees is covered by an AAO as provided for under section 50D of the *Constitution Act*.

3

MoG Change Principles

3 MoG Change Principles

3.1 Principles

Agencies are expected to implement MoG changes in a way that is consistent with the following principles:

1. **A whole-of-government approach:** All agencies will act in the interests of the public sector as a whole and will apply the ethical framework for the government sector as set out in Part 2 of the *Government Sector Employment Act 2013* (NSW) (GSE Act).
2. **Transparency:** Agency transparency in relation to financial, employee and other relevant information about a transferred function of the agency is required to facilitate proper due diligence by the agency receiving the transferred function. Information is to be shared to the level of detail required to ensure accuracy.
3. **Timely decisions and orderly transition:** Secretaries on behalf of agencies within their cluster will aim to reach detailed agreement on the transfer of employees and functions within six weeks of a MoG change announcement (when AAOs are published). This may require in-principle agreement with ability for later refinement. This will reduce the uncertainty employees may experience following an announcement. Support must be provided to affected employees with particular focus on vulnerable employees. The actual implementation of the agreed transfers, however, may not occur immediately. To facilitate an orderly transition, the actual transfer may, for example, be scheduled for an appropriate point in the financial reporting cycle, eg the start or end of a financial year.
4. **Resources follow function:** The resources required to deliver a function clearly need to be transferred alongside that function. The actual resources transferred alongside the function may consist of employees, approved funding and assets (including records) or a combination thereof, but they do need to match the full cost, including corporate support (eg finance, procurement, human resources, digital, information and technology services, in house legal services, governance communications), of delivering the function. Employees and budget devoted to a function at the point of the MoG change are transferred to the agency receiving the function. Receiving agencies are to accept the obligations connected with the employees and annual appropriations transferred.
5. **Opportunity to review:** The complexity of MoG changes may result in unintended consequences. Following implementation, agencies should evaluate the impact of MoG changes.

4

Planning and Governance

4 Planning and Governance

4.1 Establishing a Process

DPC informs all agencies of Government decisions resulting in MoG changes and publishes a Governance Arrangements Chart on its website. AAOs are published on the NSW Legislation website as outlined in [Section 2](#).

At this time, the following steps should be followed to establish a process and governance structure for the implementation of the MoG change:

The Secretaries of affected clusters convene to review the AAOs, discuss the size and impact of the MoG change and determine the governance structure for MoG change implementation. They may include affected agency heads in the discussions depending on the complexity of the MoG change and may consider a number of issues during this process. There are two broad categories of MoG changes to consider for this purpose:

- Large-scale MoG change – Where the MoG change impacts a large portion of the sector (for example, where four or more agencies, or a significant number of employees are affected by the MoG change, or if the MoG change is otherwise significant or complex in nature).
- Small-scale MoG change – Where the MoG change only impacts a small portion of the sector (for example, two or three agencies only or is otherwise deemed less complex in nature).

The affected Secretaries will convene as soon as practicable after a MoG change is announced to determine the approach to implementing the MoG change. They will consider the complexity of the MoG change once the scale has been established. They will agree on the lead agency responsible for driving the MoG change, appoint a Steering Committee and set timeframes for major decisions and implementation milestones. When deciding implementation deadlines, in line with the effective date of the MoG change based on the AAOs, the group will consider administrative aspects that may simplify the change process (eg where possible, budget transfers should be made for 1 July).

The lead agency will establish and chair the MoG change Steering Committee and other affected agencies will appoint a lead executive to join the Committee.

- For a large-scale MoG change, the Steering Committee will be made up of all or certain Secretaries, depending on the nature of the MoG change. It will usually be established by DPC and chaired by the DPC Secretary. The Public Service Commissioner, the Secretary, Treasury and the Secretary, Department of Customer Service should usually form part of this type of Steering Committee.
- For a small-scale MoG change, the agreed lead agency will establish and chair the Steering Committee. The Corporate Services Deputy Secretaries of affected agencies should usually form part of this type of Steering Committee.

The Steering Committee will agree to Terms of Reference (ToR), establish a MoG change Working Group and/or Project Management Office (PMO) and oversees a due diligence exercise to identify key barriers to success. The due diligence exercise will be carried out by the MoG Working Groups (or PMO if relevant) and presented to the Steering Committee.

Affected Secretaries are expected to reach decisions and resolve issues quickly. In both types of MoG changes, where affected Secretaries are unable to resolve an issue or reach a decision the DPC Secretary can act as a final arbiter.

Agency Legal Branches can raise any legal issues or concerns with AAOs, including in relation to any necessary consequential changes, with DPC Legal Branch.

Details about these steps are further described throughout this section.

4.2 MoG Change Steering Committee

The MoG change Steering Committee includes executive representatives from each affected cluster to ensure the transition of people, resources and responsibilities in or out of the agency(ies) occurs with minimal disruption to individuals and without delays to service delivery.

The purpose of a MoG change Steering Committee is to provide oversight of the programs for a MoG change to ensure the implementation of changes occurs as outlined in the AAOs and as efficiently and effectively as possible.

In accordance with the authority delegated by the participating agency(ies), the role of each participant in the MoG change Steering Committee is to provide leadership and advice on behalf of their agency, and help make informed decisions to ensure the successful implementation of the MoG change.

ToR for the MoG change Steering Committee will be established and agreed by all parties.

The role of the MoG change Steering Committee includes the following responsibilities:

- Identify and communicate overall MoG objectives.
- Establish suitable MoG change Working Group(s) as required and/or PMO and organise necessary due diligence exercises. Details about this step are outlined later in this section.
- Monitor the progress of the MoG change, implementation and completion of transition. This is primarily done via progress reports to the Steering Committee from affected agencies and via the MoG change Working Group/PMO.
- Identify, evaluate and manage risks (both ongoing and emerging), being cognisant of agency constraints (ie time, budget, scope, resources) and other significant initiatives and programs that may impact the successful implementation of MoG changes. This should include the continuity of safety for affected staff and any implications to operations.
- Review recommendations from the MoG change working groups or project groups (see below) and the supporting agencies. This will include recommendations around people and service transfers.
- Escalate, as required, to the Secretary or Secretaries Board any contentious issues arising from or coming to the attention of the Steering Committee (see also dispute resolution process).
- Oversee the development of communication, implementation/transition and change management strategies from each of the MoG change workstreams to optimise benefits, support business continuity and ensure employee engagement.
- Approve MoG change program and project variance and change requests within the approved budget and timeframes.
- Approve the delivery of and sign-off at the closure of the MoG change transition phases and/or implementation stages (Pre-MoG change, Transition and Post-MoG change / evaluation).
- Based on information and recommendations provided by MoG change Working Groups and/or PMO:
 - Identify key technology systems and agree a digital, information and technology transition plan.
 - Agree an accommodation transition plan along with budget funding that may need to be transferred.
 - Document the transfer of finances and assets and document the assumptions upon which the transfers are based.
- Consider cyber risks which need to be managed including how agencies may impact each other's security posture.
- Review and evaluate cost benefit analysis reports where appropriate.

- Understand, assess, and integrate any governance and assurance of transferred functions.
- Determine the reporting cadence from relevant groups like the MoG change Working Groups or PMO.

4.3 MoG Change Working Groups

A MoG change Working Group includes workstream leads and representatives responsible for delivering the MoG change transition activities. This forum tracks the implementation of key tasks centrally, connects affected teams to corporate services and removes barriers to the transition. The Working Group reports to the MoG change Steering Committee on progress and escalates to the Steering Committee issues and risks as necessary.

The lead agency (decided by the affected Secretaries) will establish and chair the MoG change Working Group. The chair is usually the Corporate Services Deputy Secretary from the lead agency. Makeup of the MoG change Working Group will depend on the size and scale of the change, whether a PMO is established and what delegations may be required. Delegations of members should be considered when determining working group members.

The MoG change Working Group should include:

- Senior managers from corporate or enabling services for each affected agency
- Representatives from Governance, Finance (including facilities), Human Resources, Industrial/Employee Relations, Digital, Information and Technology, Cyber, Communications and Change Management, Parliamentary and Ministerial Services, Records (a senior responsible officer for records management), a safety representative where appropriate and Legal. It may also be appropriate to include representative from specific operational teams where those teams are affected by the MoG change.
- MOGs can impact effective service delivery to communities that can be considered vulnerable including Aboriginal communities. Teams with specialist knowledge of service delivery to these communities should be on the related working group to ensure risks associated with the MoG are addressed.

The MoG change Working Group should:

- Establish clear lines of responsibility for individuals and groups
- Develop governance mechanisms and protocols for recording key decisions
- Report regularly to the executives of all affected agencies via the MoG change Steering Committee. This will include a due diligence exercise report and decisions about what Memoranda of Understanding (MoU) may be required
- Establish protocols for escalating matters as necessary to the MoG change Steering Committee.

There may be a requirement for Working Group members to establish sub-working groups or project groups to assist in completing certain tasks. These forums should be functionally aligned, self-governed and task focused. Membership will be defined by the tasks required.

Once the MoG change Working Group has been established, the reporting of each workstream should include reporting on:

- Status of progress against planned targets
- Completion percentage or progress of deliverables and activities
- Risks and issues (should always be presented to the Steering Committee with mitigation strategies and solutions) – this should include any unintended consequences that result from the MoG Change
- Budget
- Milestones.

Each workstream's status reports should be approved by an executive lead (usually Director or Executive Director).

The Working Group is responsible for endorsing each of the workstream reports to be reported to the MoG change Steering Committee.

The Steering Committee should receive each of the workstream status reports as well as an overall report on implementation, communication and change activities. This includes the preparation of progress summary reports for the Secretary or Secretaries Board. Employees responsible for any aspects of a MoG change (eg payroll, budget management), are responsible for providing the MoG change Steering Committee with timely, accurate and comprehensive information when requested to do so.

The MoG change Working Group should evaluate all aspects of the implementation process and conduct a post-implementation review. Evaluations should aim to identify lessons for future MoG changes that may help to:

- Improve the approach to MoG changes, policy design implementation and decision-making
- Identify cost and resource savings
- Help reduce risks to MoG change implementation and business continuity
- Help guide appropriate resource allocation
- Enhance accountability in terms of assessing what outcomes were achieved
- Promote organisational learning and good practice.

Evaluation reports should be circulated provided to the Secretaries Board and used to improve this Guide.

Each of the workstreams involved (outlined above) need to ensure a lead or project manager is driving the performance of planned deliverables, activities, and milestones. Each of the working group leads must ensure they are monitoring, reporting, and managing:

- Key risks and issues
- Interdependencies (within their working group/workstream)
- Dependencies (external to the working group/workstream).

4.4 Project Management Office

For a large scale MoG change, the Steering Committee may decide that a joint PMO is required to connect different working groups, track and report on major implementation milestones, address risk and tie the MoG change implementation together. The PMO can be scaled up or down as needed.

The PMO should consist of at least one executive from each of the affected agencies.

The PMO should be established to manage the implementation of MoG change workstreams, critical milestones, communication and change management as well as risk and issues management. It plays a central role for the management of internal and external issues related to the MoG change.

Once a MoG change is announced, critical milestones will be established by the Steering Committee and the lead agency managing the MoG change.

The MoG change PMO would manage the process of information exchange between the transferring and receiving agencies. This can involve:

- Managing a detailed examination of all aspects of the function being transferred, including assets and liabilities and statutory, contractual, and other arrangements, to identify any issues which may need to be addressed (see also Due Diligence).
- Assisting the transferring and receiving agencies to resolve outstanding issues.

The MoG Working Groups will generally report into the PMO. The PMO will consolidate key reports from these groups for the Steering Committee.

For a small scale MoG change that only impacts a portion of the sector, or is deemed less complex, a joint PMO may not be necessary.

MoG Change Governance Structure

Small-scale MoG change

Where the MoG change only impacts a small portion of the sector.

Established and chaired by the lead agency. The Corporate Services Deputy Secretaries of affected agencies should usually form part of this Steering Committee.

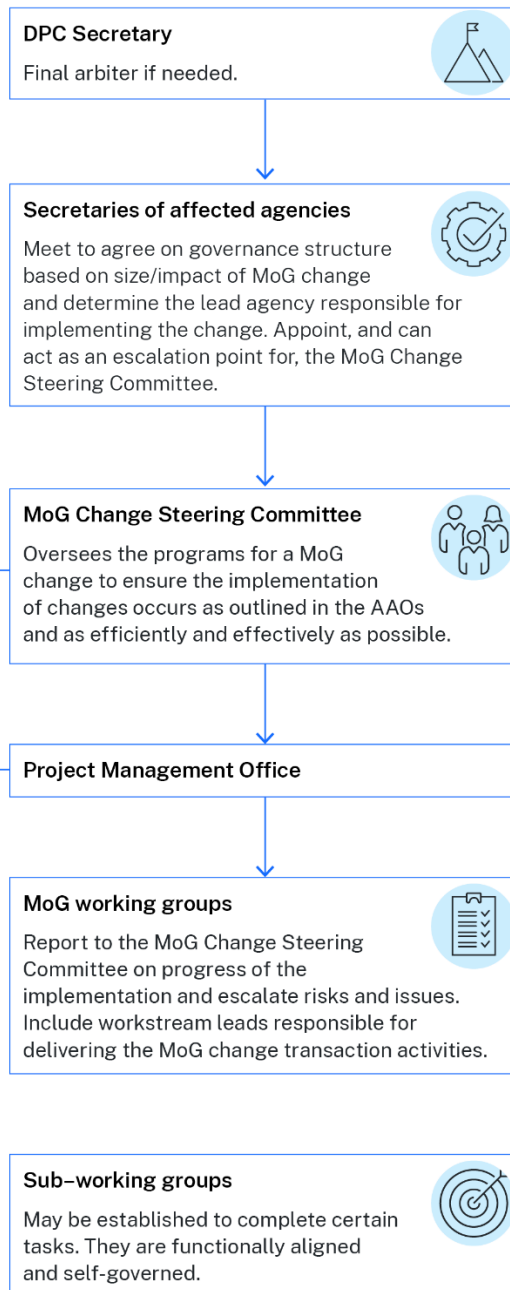
May not be required.

Large-scale MoG change

Where the MoG change impacts a large portion of the sector.

Usually established by DPC and chaired by the DPC Secretary. The Public Service Commissioner; the Secretary, Treasury; and the Secretary, Department of Customer Service should usually form part of this Steering Committee.

Plays a central role to track and report on major implementation milestones, address risks, connect different working groups and tie the MoG change implementation together. Can be scaled up or down as needed.



4.5 Due Diligence

One of the first responsibilities of the Working Group is to organise a due diligence exercise and provide the information gathered to the receiving agency as soon as possible.

Due diligence requires a detailed examination of all aspects of the functions and all associated technology systems being transferred. Issues to be addressed include:

- A review of all portfolio legislation, including any compliance risks and the statutory basis of programs, functions and/or activities
- Identifying secondary and related bodies (committees, advisory and expert panels, boards, statutory branded functions etc.) that may be required to be moved
- Employee changes, culture, morale, redundancies
- Financial arrangements, appropriations, budgets, outcomes and programs, banking, cash and grant management, insurance, partnerships, joint ventures, policies, systems and tax
- Delegations and authorities
- Risk assessments, management plans
- Assets and liabilities, intellectual property
- Records and information management
- Ministerial and Parliamentary Services (including identifying Department Liaison Officers)
- Contractual arrangements for property, equipment and goods and services
- Transfer of personal information
- Industrial instruments
- All technology systems, metrics, current state architectures, high/enterprise risks and high rated existing audit items including cyber security
- Shared services
- Outstanding legal and insurance claim action, Standing Orders and *Government Information (Public Access) Act 2009* (NSW) (GIPA Act) requests.
- Outstanding complaints and requests for review
- Unfinished audits
- Resourcing allocated to the function including staffing, current and prior year annual appropriations, special appropriations and special accounts, own source revenue, current and forward year estimates and actuals for current year (and prior years as appropriate), program reviews in progress and pending program reviews. Efficiency dividends and savings strategies and commitments currently in place.
- Public communication channels (websites, social media accounts etc).
- Safety implications
- Outstanding key decisions at Executive/Secretary/Minister level and timeframes, and
- Identifying agency representation on other committees, panels, boards, working groups that may need to be reviewed.

4.6 Memorandum of Understanding

A MoG MoU is to:

- Provide the framework within which the details of the scope of services and fees will be agreed.

- Document the high-level roles and responsibilities between agencies (incoming or outgoing agencies) for the provision of services
- Provide mechanisms to manage the relationship and ensure the early and satisfactory resolution of any disputes that arise
- Promote a collaborative approach to working together to minimise administrative and transactional costs to government
- Define the service offerings to be continued (under this agreement and schedules) to be delivered by either party on a fee for service basis.

Key principles of the MoU:

- Establish a transparent set of roles and responsibilities between parties
- Improve the visibility and transparency of service delivery by having clear and consistent service descriptions, service levels and KPIs
- Establish and maintain a successful partnership, including mechanisms to monitor and report on service performance and customer satisfaction
- Facilitate a relationship that promotes and achieves continuous improvement and the timely and effective transfer (incoming or outgoing) of agency employees and functions between parties, and
- Maintain the ability of the affected agency(ies) to continue operations while the MoU change details are being worked out; and minimise service delivery disruption.

Agencies should ensure they seek advice from their lead department's legal team when establishing MoUs.

A recommended MoU template is provided at [Section 12](#) and provides some guidance about what services may be covered under an MoU.

4.7 Dispute Resolution Process

If any matters in dispute cannot be resolved (eg clarification of AAO intention or mitigation of any unintended consequences) at the working group or PMO level, these should be escalated to the Steering Committee as quickly as possible. Deputy Secretaries, agency heads and Secretaries of the respective portfolio departments are expected to reach a resolution. The Secretary DPC will act as the final arbiter.

Given the potential for delays in the process to impact employees, escalation should occur promptly throughout the entire process with a preference for working groups to resolve issues prior to any escalations.

- **Treasury** will mediate if agencies are unable to reach agreement on financial matters within the established timeframe. The mediation process involves:
 - The parties providing Treasury with information supporting their respective positions
 - The parties meeting jointly with Treasury to discuss outstanding issues
 - Treasury working with the parties to reach agreement after conducting an analysis of the parties' information
 - Following discussions, Treasury may support one of the positions or provide a third position agreement and the Secretary of DPC will consider these facts in arbitrating an outcome.
- Pursuant to section 50G(5) of the *Constitution Act 1902(NSW)*, if any question arises as to the employees included in any part of a Public Service agency who are transferred by an AAO to another Public Service agency, the question may be referred to and determined by the **Public Service Commissioner**.

- **Digital NSW/ the Department of Customer Service (DCS)** are available to mediate on digital and information matters (including cyber).
- **State Archives and Records Authority (SARA)** is available to mediate on matters related to records transfers or the *State Records Act 1998* (NSW).

4.8 Communications and Consultation Strategy

During a MoG change, agencies are encouraged to conduct ongoing communication and consultation with employees and key stakeholders about their transition to new work arrangements. It is important to communicate with affected employees early in the process to explain:

- Why – the reasons and objectives for change
- What – the impact of change
- When – the timetable for specific activity relating to the change

The Working Group may decide to establish a Communications Manager or lead in each affected agency. They will report into the MoG Steering Committee via the MoG Working Groups/PMO.

For larger and more complex MoG changes, a group of MoG change champions should be nominated to assist with all communication and change management activities. The champion acts as a first point of call for employees and liaises with teams to develop FAQs and communication material, and responds to questions and issues, escalating as necessary.

4.9 Role of Central Agencies

- **DPC:** supports the Premier on the making of AAOs to implement MoG changes, coordinates consultation as necessary (to avoid unnecessary AAO amendments), informs agencies of MoG changes once they are made, advises and supports affected agencies regarding remuneration policy and terms and conditions of employment for public sector employees (excluding senior executives).
- **PSC:** provides guidance on the GSE Act, advises on government sector workforce management strategy and policies, and provides workforce data to inform employee movements during MoG changes.
- **Treasury:** advises the Treasurer on required determinations under section 4.9 of the *Government Sector Finance Act 2018* (GSF Act) to transfer appropriation funding (section 4.9 of the GSF Act relates to appropriations affected by transfers of functions between GSF agencies), and advises on governance arrangements, superannuation, accounting, reporting (including annual reports), banking, information and communication technology, insurance and property management issues in conjunction with Property NSW.
- **SARA:** advises on policy, mechanisms and standards for the transfer of information, records and data between agencies.
- **DCS:** advises on customer, communications, digital and information matters including cyber security and digital investment.

Refer to [section 4.7](#) for details about the role of central agencies in the dispute resolution process.

4.10 Role of Lead Agencies

NSW Government agencies are organised into groups called ‘clusters’ which generally report to the same Minister or Ministers. The lead agency within a cluster is headed by a Secretary. The NSW Government Secretaries, the Public Service Commissioner and the Police Commissioner comprise the ‘Secretaries Board’ with the most senior Secretary being the Secretary of DPC.

The lead receiving agency is responsible for ensuring arrangements are in place to support business continuity and an efficient and effective transition of the incoming people. Continuous employee engagement through the MoG change is crucial.

The lead transferring agency is usually responsible for offboarding people, providing support to and communicating and engaging with employees throughout the MoG transition up until off-boarding has been completed.

4.11 Sequence of Events to Establish a Process and Governance Structure for MoG Change Implementation:

	Responsible	Action
1	DPC	Consult with affected agencies on proposed MoG changes. Instruct PCO on the preparation of AAOs for the approval of the Premier and the Governor-in-council. Publish AAOs on the NSW legislation website and Governance Arrangements Chart on the DPC website.
2	Affected Secretaries	Meet to review AAOs, assess the complexity of the MoG to: <ul style="list-style-type: none"> Determine the agency responsible for leading the implementation Appoint a Steering Committee Agree key implementation milestones.
3	Lead Agency	<ul style="list-style-type: none"> Establish the Steering Committee and convene and chair the first Steering Committee meeting.
4	Steering Committee	At its first meeting, the Steering Committee should: <ul style="list-style-type: none"> Agree to the ToR Determine the makeup of a central MoG change Working Group and/or PMO. Set key project milestones and reporting timeframes
5	MoG Working Groups	<ul style="list-style-type: none"> Perform a due diligence exercise. Assess the need for MoUs. Members to provide regular workstream reports to the lead agency. Lead agency to consolidate reports to the Steering Committee. Escalate issues to the Steering Committee in a timely manner.
6	PMO (if applicable)	Tie together issues raised by various MoG Working Groups. Present Steering Committee with advice to assist in decision making. <ul style="list-style-type: none"> Track and report on the progress of the implementation to the MoG Steering Committee.

	Responsible	Action
7	Central agencies	Provide advice and support as necessary (as outlined in <u>Section 4.9</u>)

5

People Management

5 People Management

5.1 Identifying All Employees Who Will be Transferred

As set out in the key principles at [Section 3](#), when implementing MoG changes employee resources required to deliver a function need to be transferred with that function.

As a general principle, employees assigned to roles responsible for performing transferred functions in the transferring agency will move to the receiving agency.

Employees who normally perform work associated with a function that is to be moved are identified by the transferring agency and moved to the receiving agency, including employees who are:

- On paid or unpaid leave – these employees will normally be moved to the receiving agency on the date of the MoG change and start work at the receiving agency when the period of leave ends.
- In receipt of workers compensation – this will continue with the receiving agency
- Assigned to a role associated with a transferring function. Secondment arrangements should be arranged for employees who are temporarily assigned to a role in a non-affected part of the transferring agency.
- Temporarily assigned above level, who will transfer at their substantive classification. The receiving agency may decide to continue the temporary assignment.
- Seconded to another agency – these arrangements may continue in accordance with the original terms. At the end of the secondment, employees generally return to the agency where their substantive role is located, or a new secondment agreement should be established if appropriate.
- Seconded from another agency – these employees would normally move with their role and return to their original home agency at the end of the secondment period.

The PSC has developed clear guidance to assist agencies when implementing MoG changes. This is available in the resources section of this document at [Section 12](#).

5.2 Corporate Employees

The movement of corporate employees is negotiated between agencies. This can be a complex task (see corporate functions and shared services in [Section 8](#)).

5.3 Employment Delegations

Affected agencies must review their employment delegations under the GSE Act as soon as possible after being notified of a MoG change.

As mentioned above, new cluster arrangements may take effect immediately following the swearing-in of a new Ministry. In that case, Schedule 1 to the GSE Act will be updated to ensure that executive agencies are related to departments in line with new cluster arrangements with immediate effect.

5.4 Induction

It is good practice for the receiving agency to arrange for the appropriate induction and onboarding for all employees who transfer.

5.5 Leaving an Agency

In most cases, the transferring agency's policies and procedures in relation to the return of property and other company items will apply to those employees leaving an agency as a result of a MoG change.

Transferring agencies should ensure that appropriate exit processes have been undertaken and finalised for all affected employees.

5.6 Classification and Duties

NSW Government non-executive employees are transferred at their existing classification and grade and under their existing role descriptions.

The Public Service Commission are available to advise in circumstances where employees are being transferred between agencies and gradings are not aligned.

5.7 Employment Type

Employees are transferred at their existing employment status ie ongoing, temporary or casual.

Temporary employees are transferred to the receiving agency as per their current contract of employment.

Where the engagement of a temporary employee is extended by the receiving agency, the total period of temporary employment is calculated as if it had been all in the receiving agency.

Continuity of service is recognised when transitioning as a result of MoG changes.

5.8 Conditions of Employment

In general, conditions of employment where those conditions are the GSE Act and other relevant industrial instruments (eg awards, agreements (such as Flexible Working Hours Agreements), determinations and contracts of employment) will be maintained.

The effect of MoG changes on conditions of employment for transferring employees will depend on the:

- specific administrative arrangements applicable to the transferring employees
- terms of awards or other instrument that may apply to the transferring employees.

These matters would need to be addressed on a case-by-case basis, having regard to the receiving agency and applicable awards, industrial instruments and any contractual agreement.

In some instances, employees will need to familiarise themselves with the corporate policies and procedures of the receiving agency as part of their employee induction, in particular the Code of Conduct.

5.9 Flexible Work Arrangements

Where individual employees have flexible workplace arrangements in place, these should, wherever possible, be continued in the receiving agency.

Non-executive employees who are covered by an existing Flexible Working Hours Agreement will maintain these provisions and entitlements unless appropriate consultation with unions and employees has occurred to change or transfer to a different Flexible Working Hours Agreement.

5.10 Employees with a Disability

MoG changes may have a significant impact on employees with disability. Some things to consider include the following:

- Consulting employees with disability on proposed changes and potential impacts early to reduce negative impacts. Clear communication is vital.
- Change can be particularly stressful for employees with disability. Consider the provision of additional support services during MoG changes.
- Ensure that workplace adjustments required by an employee will be available wherever possible following the MoG change (this includes access to buildings, availability of accessibility technology and flexible working arrangements).

A workplace adjustment passport is a good way to capture employee requirements. More information can be found on the [PSC website](#).

Most agencies have an agreement in place so that workplace adjustment equipment that is specific to an individual will travel with that person following a move.

Further information on disability recruitment best practices and resources for employees with disability and their managers is available on the [PSC website](#).

5.11 Outstanding Employment Matters

There may be outstanding employment-related matters to resolve for employees affected by a MoG change, including issues relating to:

- Conditions of engagement
- Conditions of employment
- Allegations of misconduct
- Performance management
- Fitness for duty.

In some cases, it may be in the interests of all parties that an employee does not transfer until an outstanding employment matter is resolved. Where an employee transfers, comprehensive case management details should also be transferred to the new agency.

5.12 Public Service Senior Executives (PSSEs)

In accordance with the GSE Act, the Secretary of a Department is the employer of senior executives in their Department and also senior executives in executive agencies related to the Department (unless the GSE Act specifies otherwise). The head of a separate agency is the employer of senior executives in their agency.

As the new employer of senior executives, the receiving agency should be provided with:

- Confirmation of the Band of all transferring PSSE roles according to the Work Level Standards.
- Copies of role descriptions developed in accordance with the NSW Public Sector Capability Framework (Capability Framework) and the Role Description Development Guidelines (RD Guidelines)
- Confirmation of PSSE remuneration information determined in accordance with the NSW Public Sector Senior Executive Remuneration Management Framework
- Confirmation of the Work Value Points and copies of Role evaluations for each PSSE role transferring to the receiving agency

Confirmation of any applicable Statutory and Other Offices Remuneration Tribunal (SOORT) determinations relating to any PSSE roles transferring to the receiving agency.

The receiving agency employer or their delegate will need to ensure that incoming executives develop new performance agreements, provide private interest declarations in accordance with the Code of Ethics and Conduct for NSW government sector employees and make arrangements for new SOORT determinations (if applicable).

5.13 Unfinished Recruitment Action

Transferring agencies should advise the receiving agency of any outstanding recruitment relating to jobs in the function transferring. Consultation between agencies should occur where recruitment is unfunded or where there are unresolved efficiency dividends.

The following scenarios provide examples of possible situations and outcomes.

Scenario one: a decision to engage or assign an individual has been made, but the decision has not come into effect.

- The function of the role is now with the receiving agency, the transferring agency may continue the recruitment process to finality.
- The vacancy will remain with the transferring agency until the process is complete. Once the relevant decision comes into effect, the employee will move to the receiving agency.
- If the receiving agency does not wish the recruitment action to occur, it will need to ask the transferring agency to stop the recruitment action before it takes effect or seek agreement that the employee will be retained by the transferring agency.

Scenario two: the transferring agency has not yet made the decision to hire an individual.

- The relevant role has moved to the receiving agency and the receiving agency can choose to proceed with the recruitment process on the basis that the vacancy is a similar vacancy.

Scenario three: the transferring agency is to be abolished.

- Any recruitment decisions that have not taken effect, lapse. The receiving agency may decide to proceed with the recruitment action, based on the process undertaken to date in the transferring agency. Any engagement decision will be made by the receiving agency whose terms and conditions will usually apply.

5.14 Movement of Workers' Compensation Claims

MoG changes can affect workers' compensation arrangements. Changes may result in:

- An agency's premium rate and amount increasing or reducing with the reassignment of employees to different agencies
- A change to the rehabilitation authority for employees with workers' compensation claims
- Changes in administrative details such as contact information
- Changes to case management contacts and return to work providers

Relevant human resources employees should meet with worker's compensation providers and relevant contacts in other agencies to ensure a smooth case management transition.

6

Financial Management

6 Financial Management

6.1 Key Financial Management Considerations Following Each MoG Announcement

Following the announcement of each MoG, all general government agencies need to consider and plan for resulting financial management adjustments.

While these will primarily affect agencies and clusters directly impacted by the MoG (transferring and receiving agencies), remaining general government agencies may also be required to make some adjustments in Treasury's financial information system, Prime.

The key financial management considerations can be summarised under the following categories:

- **Budget and Reporting Processes** – including Prime reporting, budget and appropriations, Outcomes and Programs, assets and liabilities, grants, bank accounts and insurance
- **Financial Governance** – including financial delegations, audit committees and fraud control plans, procurement, property management and leasing and relocation costs where applicable.

Further guidance on Corporate Services Support Frameworks is provided in [Section 8](#).

6.2 PRIME – Treasury Reporting

Following each MoG, Treasury issues detailed guidance to help agencies prepare for and implement MoG changes in Prime. For further reference, an example of Treasury's *Machinery of Government Changes, Guidelines for general government agencies* is included at [Section 12](#).

All general government agencies should closely review this guidance and complete required adjustments within the agreed timelines.

For agencies directly affected by MoG changes, required tasks include:

- Agreeing with counter parties on the impact of changes on programs, operating budget, capital authorisation limits, capital projects, balance sheet and cash flow
- Submitting Final Budget Proposals (FBPs) and Budget Adjustment Journals (BAJs) to effect the changes in Prime.

For general government agencies not directly affected by the MoG changes, required tasks include:

- Updating the Internal Counter Party (ICP) code of accounts affected by the restructure.

Pursuant to each MoG change, changes to Prime set up will be required. Treasury has summarised seven MoG change scenarios in Prime at [Section 12](#). These change scenario descriptions are designed to assist impacted agencies to understand required changes in Prime, including the changes to master data and Prime journals required under each scenario.

In addition to issuing its MoG related Prime guidance, Treasury ensures:

- Pre- and post- MoG FBPs and BAJs are processed and approved in Prime in line with the agreed timelines
- Revised Prime cluster, agency and program structures are in place in time for the agencies' submission of MoG FBPs and BAJs
- Availability of assistance to agencies during FBP and BAJ preparation.

6.3 Budget and Appropriation Transfers

For transfers of functions as opposed to whole agencies, transfer of budget needs to be agreed and processed in each impacted agency's own ERP system (inclusive of own financial systems) and in Prime (in line with Treasury's Prime guidance).

A further consideration in agreeing budget transfers is the allocation of mandated savings targets (eg efficiency dividends and procurement savings etc) yet to be realised. The transferring and receiving agencies should agree on the basis and calculation of any future savings targets factored into the agreed total budget transfer.

This includes the transfer of related appropriations or deemed appropriations based on a determination under section 4.9 or 4.9A of the GSF Act.

Sections 4.9 and 4.9A apply where a service, function or program is transferred from one Minister to another, or from one 'GSF Agency' to another. These Sections allow the appropriation or deemed appropriation to be applied and used by a Minister in accordance with a determination made by the Treasurer for or towards the transferred service, function or program.

It may be expected that, in the usual course, a determination will be made by the Treasurer under section 4.9 of the GSF Act to ensure that annual appropriations reflect any new agency and cluster arrangements.

6.4 Assets and Liabilities

Assets and liabilities transfer between agencies when control passes from one agency to another, or when effective administrative responsibility transfers for administered items. All corresponding underlying records in support of asset and liability values, including fixed asset and work in progress registers, are required to be transferred to the receiving agency.

Agencies are required to record the transfer of assets and liabilities based on the amount recognised in the books of the transferring agency as at the transfer date. This includes capital works in progress, where applicable.

Treasury's TPP21-08 Accounting Policy: Contributions by owners made to wholly owned Public Sector Entities describes financial reporting recognition requirements as a result of restructure of administrative arrangements, pursuant to AASB 1004.

Transferring and receiving agencies should review valuation status of assets and liabilities, in line with relevant accounting standards, to ensure any necessary valuation adjustments are reflected in transfer values.

All incoming property, asset and fleet MoG changes will be managed and lead by the receiving agency.

Further accounting guidance in relation to accounting for MoG changes (assets and liabilities) can be found at [Accounting for machinery of government changes \(RMG 118\) | Department of Finance](#)

6.5 Grants

Chief Finance Officers (CFOs) will need to determine whether their agency is responsible for any new grant programs or individual grants because of a MoG change.

If the receiving agency becomes responsible for grants following a MoG change, the CFO should determine whether the agency has the necessary appropriations and delegations to support the administration of these grants.

The Grants Administration Guide applies to NSW Government grants and must be complied with. Where a receiving agency becomes responsible for grants as a result of a MoG change, they must familiarise themselves with the Guide and ensure that it is adhered to in administering grants.

6.6 Bank Accounts

Non-corporate NSW Government agencies must operate bank accounts in accordance with the GSF Act and policy guidance on managing cash. Additional advice on banking arrangements is provided to affected agencies following the announcement of each MoG change.

Agencies affected by a MoG change, should consider the impacts to their banking arrangements. Some of those impacts may include:

- A need to transfer bank accounts to the receiving agency
- Establishing new Primary Accounts (ie A bank account that can receive drawdowns)
- Transferring of bank account balances or
- Changes to the bank account 'type' (ie Departmental/Administered).

Agencies must advise the NSW Treasury banking team (Banking and Financial Services Division) whenever a new bank account is opened, or if an existing bank account is amended or closed.

Notification to both parties is required regardless of the transactional bank being used.

6.7 Insurance

iCare should be contacted by both the receiving and the transferring agencies in order to reassess the risk profiles of the affected agencies and to arrange an adjustment of the insurance premiums and coverage as appropriate.

A particular issue to consider would be any live claim(s) or litigation(s) that the receiving agency would inherit.

6.8 Financial Delegations

As mentioned above, agencies should consider their financial delegations under the GSF Act as soon as possible after being notified of a MoG change. This should include considering whether the agency may continue to rely on the financial delegations in place prior to the MoG change, or whether new delegations are required. This consideration will likely be informed by the terms of the AAO, which may include terms stipulating that all references to Ministers or other government officers in any pre- MoG instruments or documents are to be read as references to Ministers and officers to which the reconstituted or new agency is responsible following the MoG. Therefore, in considering this question, agencies should consider the terms of existing financial delegations in conjunction with of the terms of AAO to which the MoG is implemented.

Importantly, under the GSF Act, a Minister may only delegate expenditure functions to officers within an agency that is responsible to the delegating Minister. This should be considered by agencies when determining whether previous financial delegations may be relied upon. In addition, when considering financial delegations following a MoG, the affected agency should check to see whether the MoG will result in the affected agency having a new lead Minister, who is generally the Minister to whom all financial appropriations for the cluster are allocated under the annual Appropriation Act. If there is a change in the lead Minister, then depending on the extent of the MoG, (including the terms of the AAO), and the status of the delegations of the cluster to which the agency has moved, there may need to be a new overarching delegation of financial expenditure authority by the new lead Minister to cover expenditure of the affected agency.

If an agency is created, consideration should be given to what delegations, if any, will be required to be put in place at the time of establishment. In determining the delegation of certain powers, functions or duties, the accountable authority of the agency, who is the head of the agency, should ensure that appropriate systems of risk management and internal controls are implemented.

6.9 Audit and risk

Agencies affected by a MoG change must continue to comply with TPP20-08 Internal Audit and Risk Management Policy for the General Government Sector.

The Accountable Authority of the agency with transferred functions will need to confirm the relevant audit and risk committee (ARC) for the transferred functions. This might initially involve appointing and using the committee of an existing agency.

Where an agency is not fully compliant with a Core Requirement(s) (including having an ARC) in TPP20-8 during the reporting period, the Accountable Authority is permitted to record 'in transition' next to the relevant Core Requirement(s) in the agency's Attestation Statement.

Agencies are 'in transition' under TPP20-08 where there has been a Machinery of Government (MoG) change during the financial year which results in an Accountable Authority of an agency being unable to comply with a Core Requirement(s). Affected agencies are expected to take steps to achieve full compliance within twelve months of the MoG change. A MoG change may include (but is not necessarily limited to): a change in the number of clusters; movement of an agency to another cluster; movement of a substantial function within an agency to another agency; or significant structural change within the agency.

Agencies newly created after a MoG may also rely on transitional arrangements as a 'new agency', which do not require the new agency to be fully compliant with TPP20-08 in the first 12 months.

There are also options for agencies affected by a MoG to enter shared arrangements with respect to the ARC, the Chief Audit Executive, and/or internal audit functions.

The membership (if possible) and focus of the audit and risk committee of a receiving agency or an agency with functions transferring may need to adapt with a MoG change to ensure that the committee's skills base and areas of focus remain relevant considering the change in functions.

6.10 Fraud control

Under section 3.6 of the GSF Act, the accountable authority for a GSF agency is to:

- Develop, maintain and make available financial management policies and procedures,
- Establish, maintain and keep under review each of the following:
 - effective systems for risk management, internal control and assurance (including by means of internal audits) that are appropriate systems for the agency,
 - arrangements for protecting the integrity of financial and performance information,
 - arrangements for ensuring that there is compliance with the GSF Act, and
- Ensure that the agency complies with those policies and procedures.

Under the NSW Treasury Circular on Fraud and Corruption Control Policy (TC18-02) all NSW Public Sector agencies are required to develop, implement and maintain a fraud and corruption control framework to prevent, detect and manage fraud and corruption.

Transferring and receiving agencies need to continue to comply with these requirements in the event of a MoG change affecting them and may need to adapt their policies and procedures as a result of a MoG change.

6.11 Procurement

There may be implications for an agency's procurement agreements (contracts, deeds, memoranda of understanding or other forms of agreement).

In the first instance, contact the agency's procurement team for assistance regarding receiving or transferring procurement.

Procurement information is available at [Buy NSW](#).

Any queries relating to NSW Government tenders can be directed to [the NSW AusTender website](#).

Due-diligence activities in relation to all procurement activities and current open purchase orders (procurement not complete or in progress) is performed prior to the full transfer of procurement services by the incoming agency.

6.12 Property Management and Leasing

Property and Development NSW provides assistance with coordinating and aligning property availabilities and needs across the State. To assist agencies in managing the impact of MoG changes on property please refer to [their website](#).

Property NSW can assist when reviewing Property Management Plans to reflect implications of MoG changes on property (including valuation implications). For an incoming agency all incoming property and facilities services will be managed and led by the receiving agency working in partnership with relevant agencies.

6.13 Relocation Costs

The general principle to be applied is that an agency should wear their own relocation costs as a result of a MoG change. It is reasonable to expect that a transferring agency would fund (including via budget transfer where moves occur at a later date) for:

- Physical movement of employees, furniture, equipment and records
- information technology activities relating to the move, including transferring digital records, information and data
- Updating internal records

Receiving agencies would be expected to pay for the costs of establishing the transferred employees in their new premises, including uploading records, information and data into relevant systems, setting up access to the network, security arrangements, and updating internal records.

Further guidance on corporate support service cost considerations with regards to budget transfers is included in [Section 8](#). This chapter also recognises that the creation of a new agency (or cluster) charged with the delivery of new functions may require separate Budget approvals. This may extend to establishment and other wholly new set up costs including initial project team costs to establish the new agencies or clusters.

7

Legal

7 Legal

The legal team in affected agencies plays a crucial role throughout a MoG change.

The following summarises the initial MoG responsibilities of an affected agency's legal team:

- If requested by DPC Legal, provide input on the terms of a draft AAO to ensure appropriate savings and transitional provisions are included
- Review the AAO and engage with DPC Legal if there are any queries about the Order
- Notify existing external lawyers (if applicable) of the MoG change – and consider seeking advice on consequences for the conduct of litigation and/or negotiations
- Confirm which legislation, or parts of legislation, are to be administered by the affected agencies, identify the responsible Minister, and consider the effect of AAOs on any references to Ministers, agencies or Public Service employees contained in the legislation. If it appears that further consequential changes may need to be implemented in a further AAO, agency legal teams should contact DPC Legal
- Where a new agency is being created or renamed, determine whether any legislative amendments are necessary
- Advise on existing statutory appointments and delegations and assess and address the impact of the MoG change on any such appointments or delegations, and
- Advise on governance documents that may require review as a result of the MoG change. This may include, for example, memoranda of understanding (MOU), heads of agreements, or Ministerial directions.



Corporate Service Support Transfer Framework

8 Corporate Service Support Transfer Framework

Agencies deliver their corporate services through different operating models. Negotiating an agreement for the transfer of corporate employees, assets and appropriation can be complex.

The underlying focus is to achieve the most efficient and effective whole-of-government outcomes in support of the Government's objectives.

8.1 Overview and Scope of the Corporate Services Support Transfer Framework

The corporate service support transfer framework provides guidance for agencies to use when negotiating the cost of corporate service transfers as part of budget transfers due to MoG changes. The framework covers the principles for corporate service transfers, governance around the usage of the framework, methodologies for calculating the cost of corporate services transfers and considerations for applying the methodologies.

The creation of a new agency (or new cluster arrangements) to deliver new government functions or services would be expected to require a separate Budget approval including for corporate service functions and as such does not involve a transfer of functions within the scope of this framework. This may extend to additional Budget funding to meet the costs of establishment projects.

The scope of the framework is for calculating the cost of corporate services to support the budget transfer. The transfer of resources and/or assets for delivering corporate services is outside of the scope of the framework and the framework does not provide guidance on this matter.

8.2 Definition of Corporate Services

'Corporate services' refers to the indirect (non-service delivery) support functions within the organisation which may be delivered by the transferring agency itself or based on an agreement/arrangement with another service provider (eg cluster shared service model).

Corporate services will typically include the following (this should be considered a guide and not an exhaustive list):

- Corporate support functions/shared services
- Legal and governance (including internal audit and risk)
- Parliamentary and government services
- Digital, Information and Technology
- Records Management (including information Access and Privacy)
- Property and Facilities
- Finance and Procurement
- Human Resources
- Communications

Outside of these standard services, there are also additional services that may need to be considered based on the model of the transferring agencies (eg Information access, audit and risk, safety and media). This may include services such as grants and subsidy management, strategy, policy or other unique services based on the transferring agency model.

As an upfront part of cost transfer negotiations, affected agencies should reach consensus on the services that will be considered corporate services and this should be based on the model of the transferring agency.

8.3 Simple vs Complex Corporate Service Cost Transfers

If all required corporate service functions are part of the MoG change and are easily and separately identifiable (eg amalgamation of two whole agencies, movement of a whole agency with distinct corporate service functions), costs can be transferred directly as part of the larger direct budget transfer. In these cases, there is no need to apply the additional methodologies outlined in this guidance which are intended for more complex changes.

The use of the guidance for more complex arrangements is intended for where corporate services are not easily and separately identifiable, which may be due to:

- The current corporate service delivery model (eg change across clusters for a function currently being serviced through a cluster shared service model).
- The nature of the services subject to the change (eg movement of components of operations, services or programs rather than the complete function).

In these cases, the guidance below outlines the methodologies that can be applied to determine an appropriate budget transfer for corporate service support.

8.4 Principles for Corporate Services Support Budget Transfers

Negotiation of corporate service cost transfers are a part of the budget transfer process. As such, principles that apply to budget transfers are equally applicable to corporate service cost transfers. Key principles to consider through the corporate service budget transfer include:

- **Full budgeted cost** – transfers must reflect the full budgeted cost of running the corporate service function including on-costs.
 - **Staff budget** – the transfer should be based on the fully funded and budgeted roles within the support function and not the notional ‘establishment’ of the function (the authorised positions in the organisation chart / system) and take into account any reasonable internal ‘churn’ or ‘vacancy’ mechanism in place in the former cluster.
 - **Reasonable allocation of efficiency dividends** – transfers must include a proportionate and equitable share of any allocated efficiency dividends (which may include fiscal repair measures, asset sales targets) where reasonably attributed to the corporate service function of the transferring agency.
-

8.5 Principles for Corporate Services Transfers

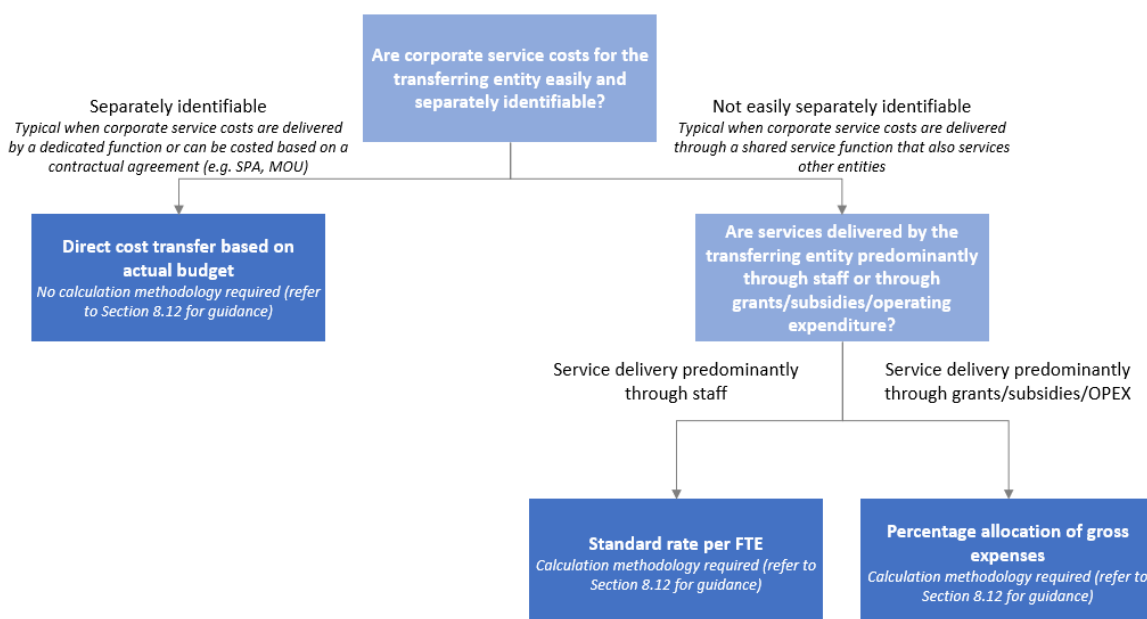
Leveraging the overarching principles for machinery of government changes, additional principles that are specific to corporate service transfers have been developed to support negotiations for affected agencies. In summary, these principles are:

- **Collaborative approach** – building on the ‘Whole of government approach’ and ‘Opportunity to review’ principles, the focus of the transfer should be on driving consensus across affected agencies on an aligned approach and methodology. Affected agencies should work together to apply these methodologies with central agencies only providing support where it is not possible to reach consensus in a reasonable timeframe.

- **Methodology and application transparency** – building on the ‘Full transparency’ principle, there should be transparency into the methodology applied as well as the logic behind the choice and application for the transfer of costs.
- **No impact to service delivery** – building on the ‘Timely decisions and orderly transition’ principle, all affected agencies should support timely decision-making that allows for an orderly transition in line with reporting timetables. Additionally, the transfer of budget for corporate employees should allow agencies to continue to deliver their corporate services in accordance with their existing operating models.
- **Net neutral transfer** – building on the ‘Resources follow function’ principle, there should be no increase in costs to be funded centrally as an outcome of the transfer. Additionally, agencies should not expect funding in instances where there is a change in costs due to decisions made around the support model by affected agencies.
 - Where a new agency is created with additional service obligations, compared to those of the transferring agency, it may be necessary to seek additional Budget approval, including for corporate services, proportional to the additional obligations. In this situation, it is still important that a suitable budget transfer for corporate services relating to ongoing obligations is agreed. A request for additional Budget should therefore be limited to the net increase in obligations.
- **Budget without resources** – where the transferring agency is utilising a shared service function, their resources may be responsible for servicing multiple customers. In this case, it may be necessary for a budget transfer without resources to the receiving agency for partially attributable resources with the value calculated through one of the methodologies outlined in this guidance.

8.6 Methodologies for Corporate Service Budget Transfer

The cost of corporate service transfers may either be separately identifiable (‘direct cost transfer’) or estimated in instances where services are not separately identifiable (‘calculated cost transfer’). The diagram below provides guidance on determining the most appropriate methodology for transfers based on the existing service delivery model of the transferring agency.



Additional guidance is provided as follows:

- **Direct cost transfer** – appropriate when resources and/or costs for corporate services are separately identifiable, removing the need for a model to calculate costs. Direct costs to transfer may be based on:
 - **Distinct corporate service function** – resources or costs are separately identifiable as corporate services and are provided directly and specifically for an agency, typically with a dedicated corporate service model.
 - **Contractual model** – corporate services are provided based on a contractual agreement such as an MoU. This would be relevant where the transferring agency was using an external service provider (eg cluster shared service or 3rd party provider) that can be costed to the function being moved or in cases where there is an agreement for the transferring agency to continue acting as an external corporate service provider to the receiving agency.
- **Calculated cost transfer** – appropriate when resources or costs are not separately identifiable, requiring the use of an appropriate methodology to determine a fair value for the budget transfer. Calculation of the appropriate budget transfer may be based on:
 - **Standard rate per FTE** – calculation of a standard rate per operational/functional FTE to be transferred as part of the MoG change based on a fair estimate of the current cost of providing support in the transferring agency.
 - **Percentage allocation of gross expenses** – calculation of total corporate services cost based on a percentage of gross expenses that is net of grants and subsidies (on the basis that these attract minimal corporate overheads to support vs core staffing budget) and adjusted for occupancy costs per the total budget for the transferring agency.

In determining the appropriate methodology for a calculated cost transfer, the agencies should consider the nature of the function or agency being moved. In particular, agencies should consider whether activity and the related corporate service support in this agency/function being transferred is:

- **Resource driven** – the function or agency is largely focused on delivering outcomes or services directly through its own teams and resources. In this case the standard rate per FTE should provide the best basis for determining an appropriate cost transfer.
- **Expenditure driven** – the function or agency deliver outcomes or services primarily through its expenditure on other providers, vendors or grants and subsidies. In this case the percentage allocation of gross expenses may be more appropriate with gross expenditure the key driver of activity and required support.

8.7 Consideration for Cost Transfers Involving the Use of Shared Service Providers (SSP)

Where one or more agencies involved in a MoG change uses a SSP, the following guidelines apply:

- The transfer of corporate service costs is the reasonable cost of the originating SSP, regardless of whether the corporate services function of the receiving agency is more (or less) efficient, in alignment with the 'Net neutral transfer' principle.
- As a result, the receiving agency may need to seek additional funding than currently expended on their corporate services function through a mechanism outside of the budget transfer. It will not be guaranteed that the agency will receive additional funding and it will be their responsibility to ensure they are able to maintain services for the transferred functions or agency.
- It is open to the receiving agency to negotiate for the transferring agency's SSP to continue to provide the corporate services function if that presents better value. In this case, there will be a

need for the receiving agency to come to an agreement to re-establish the required MoUs with the provider.

8.8 Governance Process for Agreeing Corporate Service Support Cost Transfers

Key participants in the process of agreeing corporate service cost transfers are the affected agencies, NSW Treasury, DPC and the Steering Committee. The following outlines the main responsibilities of each party:

- **Affected agencies** – drive mutual agreement on the timeline and process for the corporate service cost transfer and work together to reach consensus on transfer costs in a timely and effective manner.
 - **NSW Treasury** – communicate key dates and timelines to the affected agencies in relation to budget transfers and provide guidance on the application of appropriate methodologies.
 - **DPC** – together with Treasury mediate and manage negotiations across affected agencies in the instance where agencies are unable to reach consensus on corporate services framework and related transfers within a reasonable timeframe. Where necessary, final dispute resolution will be according to the process described in [Section 4.7](#) of this Guide.
 - **Steering Committee** – provide support to lead the implementation of changes for major and complex restructures. They will take on the role of driving resolution of negotiations and maintaining visibility over progress throughout the process.
-

8.9 Timing for Decision Making

Dates and timelines will be set by the AAO and any other relevant Orders and/or Declarations. Other subsequent dates and timelines relating to budget transfers will be notified by NSW Treasury after consultation with DPC and affected agencies and will depend on various factors including the expected overall impact of the MoG change on the affected agencies and the timing of major publications (eg budget update, half-year update, annual results). A reasonable date for reaching consensus on corporate service cost transfers should align to these key dates and timelines to support an orderly transition.

In the case of timings for corporate service cost budget transfers, additional consideration should be given to:

- **Hiring timelines** – the lead times and cost for hiring new positions where budget is being transferred without specific FTE (eg budget for shared service resources that cannot be separated from the wider department).
 - **Contracting timelines** – the lead times and cost for negotiation of contracts related to external shared service providers including negotiation of MOUs with other government departments and agencies.
-

8.10 Reaching Consensus

Once a date for achieving consensus between all parties on the corporate service cost transfers has been set, negotiations between the affected agencies should commence. At regular intervals (dependent on the size and complexity of changes), the affected agencies should provide NSW Treasury and the Steering Committee (if applicable) with a progress report and an update on any risks to consensus being achieved by the set date. Once consensus has been reached, the agreed corporate service transfer costs should be readied for approval.

8.11 Escalation Pathway

Alongside agreeing a date for reaching consensus for cost transfers, the affected agencies should agree an appropriate escalation pathway in the instance where consensus cannot be reached in a timely manner, such as where the MoG change is major and/or complex. Generally, this escalation should consider the role of:

- **Treasury** – providing impartial advice on the application of methodologies and determination of a ‘fair’ cost for the corporate service support to be transferred.
- **DPC** – providing mediation support to manage negotiation across the affected agencies. Where necessary, final dispute resolution is according to the process described in [Section 4.7](#) of this Guide.

As a starting principle, the escalation of negotiation to the central agencies should be reserved only for situations where consensus cannot be reached in a timely manner (generally no longer than three months for critical decisions/items). It is not expected that all negotiation will require input from these agencies.

8.12 Methodology for the Transfer of Corporate Service Costs

This section provides guidance on how to apply the identified methodologies for calculating corporate service cost transfers as well as some general principles or parameters that should be considered.

- **A Direct Cost Transfer** is based on the direct cost of providing corporate services. This approach is most appropriate when resources and/or costs for corporate services are separately identifiable, which is typically the case for agencies with a distinct corporate service function or a contractual model. In these cases, the transfer will represent the current budget for delivering the corporate support services.
- **Standard Cost Per FTE** is a calculation of corporate service costs using a standard cost per FTE based on the number of operational/functional (non-corporate support) resources transferring. Mathematically, the calculation of corporate service costs can be represented as follows:

Corporate service cost = Standard cost per FTE x Number of non-corporate support FTEs transferring

The following should be considered when applying this methodology:

- The methodology is based on the expectation that a reasonable standard cost per FTE can be agreed by the affected agencies.
- The estimation of a standard cost should generally be driven by the current cost incurred by the transferring department and not by the model in place at the receiving department in alignment with the ‘net neutral transfer’ principle.

It will be the responsibility of the two involved parties to determine a reasonable cost per FTE to use for the transfer of budget. A simple calculation would look at the total cost of delivering corporate support across the originating department divided by the total FTE that the support function is servicing (prior to the MoG change). However, it would be up to the negotiating parties to determine if this is a fair representation of the actual costs, or if there is a need to adjust based on the specific needs of the agency/function being moved if this differs from the broader group (eg more complex digital, information and technology environment) currently being supported.

- **Percentage of Allocation of Gross Expenses** is a calculation of corporate service costs using a percentage allocation of gross expenses is based on an allocation rate applied to gross expenses. Mathematically, the calculation of corporate service costs can be represented as follows:

Corporate service cost = Allocation rate x Gross expenses (net of adjustments eg grants and subsidies, accommodation costs and depreciation)

The following should be considered when applying this methodology:

- The methodology is based on the expectation that a reasonable allocation rate can be agreed by the affected agencies.
- The estimation of an allocation rate should generally be driven by the current corporate services model at the transferring department, in alignment with the 'Net neutral transfer' principle.
- If there is uncertainty around a reasonable allocation rate or agencies cannot reach consensus on a rate in a timely manner, 6% has been determined as a fair and reasonable percentage to represent the efficient cost of corporate functions for supporting agencies, based on past experience and cost analysis in previous MoG exercises.
- The most recent total budget for the transferring agency should be used for the calculation.

In addition to the principles above, there will be specific considerations to be applied for the adjustment of gross expenses:

- **Grants and subsidies** – by default, it will be more practical for grants and subsidies to be excluded from gross expenses on the basis that these attract minimal corporate overheads to support compared to core staffing budget. However, consideration is required as to the nature of the grants and subsidies for the specific affected agency/function and if it is a material driver of corporate support costs.
- **Pass-through costs** – as with 'grants and subsidies', there may be specific and material expense line items that are not a direct driver of activity within the organisation (eg pass-through expenditure). In these cases, it may be necessary to exclude specific expense lines from the calculations to calculate a more accurate activity-driven cost.
- **Depreciation and accommodation costs** – similar to pass-through costs, depreciation and accommodations costs are typically not a direct driver of activity that attracts overhead support and should be excluded from the calculation.

It will be the responsibility of the negotiating parties to agree an appropriate allocation rate and basis for gross expenses (with the option to use the default 6% and exclusion of grants and subsidies). A simple calculation might look at the total current cost of delivering corporate services from the originating department divided by the total gross expenses (net of adjustments). However, it is important for the negotiating parties to consider whether the specific needs of the agency/function being moved differ from the broader group (eg complexity of grants and subsidy arrangements) currently being supported to determine if this is a fair representation of the actual costs, or if there is a need for specific adjustments.

8.13 Considerations for the Application of the Cost Transfer Methodologies

There may be situations where it is appropriate to apply more than one methodology to improve the accuracy of the calculation for the corporate service transfer. This will be a combination of direct cost transfer with either the standard cost per FTE or percentage allocation of gross expenses approach. This approach will be most relevant for particularly complex MoG changes or current state service delivery arrangement. In these cases:

- **Direct cost transfer** can be used where there are separately identifiable components of the corporate support model or particularly complex components that will not be fairly costed under a more generalised approach.

- **Calculated cost transfer** should be used for the remainder of the cost transfer, utilising one of the methodologies that have been identified. It is recommended that this approach is left to one of the methodologies identified unless there is a specific reason why a single approach will not result in a fair calculation.

Differences between the current structure of corporate support services between the originating and receiving agencies may impact on the classification of expenditure for the transfer of budget. As part of the negotiation and agreement process, changes to classification should be identified and are expected to be agreed by NSW Treasury to facilitate the transfer. This may occur due to:

- **Differences in support models** – where one agency is supported through an external service provider and the other is directly funding corporate support resources either through a shared service or direct support model. In this case, it will be necessary to agree to the reclassification between labour expenditure and operating expenditure to account for the difference in delivery model.
- **Continuation of support models** – in some cases, it may be preferable for the receiving agency to continue the current support model either in the interim or for an indefinite period. In this case, if the two agencies agree to continue the current model, there will be a need to agree with NSW Treasury the impact from a budget and funding perspective. The result of this arrangement will be the creation of a new operating expense for the receiving agency and continuation of the labour expenditure in the supporting agency to be offset from revenue to be paid by the receiving agency.

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Digital, Information and Technology

9 Digital, Information and Technology

Digital, Information and Technology matters need to be addressed early in the MoG change process. They can absorb significant amounts of time and resources. Poor planning will increase risk and the cost of getting it wrong can be significant. To assist with planning of the technology transition, the following needs to be considered for technology components of MoG changes:

- Dedicated technology Project Managers, change managers and architects (SME's) from both the transferring agency and receiving agency.
- The MoG Steer Committee agrees to “high level costs” and ownership of costs for technology transition. These costs are provided by the technology working groups within a defined timeframe.
- Governance arrangements should be established between the transferring and receiving agency with clear roles and responsibilities defined (particularly in relation to shared systems that may span across multiple networks and clusters). Clear timelines should be set and communicated to ensure smooth handover points and business continuity.

In developing a Digital, Information and Technology strategy for the MoG change, a detailed due diligence exercise is required to understand the complexities, scale, efficiencies, cost, criticality and risks involved with implementing the change. The due diligence exercise should be clearly factored into project timelines. Consideration should be given to:

- Downloading and re-loading databases, electronic mail, and personal drives
- Diverting electronic mail and phone calls for an agreed period (usually three months) where necessary (generally only necessary if a function has many external stakeholders or where policy guidelines have recently been widely promulgated)
- In some cases, working with relevant teams or third parties to ensure there are programs to upload personnel data from the transferring agency's human resources system to the receiving agency's human resources system
- Arranging for transfer of software (having due regard for any licensing issues) and hardware, (having due regard for any compatibility issues), including desktop computers, printers, file servers, specialised software and servers for example ARCGIS (mapping and analytics software), telephony systems, network switches, internet and WAN connections
- Arranging for transfer of domain names and websites, ensuring any renewals and vulnerability scanning service responsibilities for each are updated and transferred to avoid interruption to services
- Whether novation of contracts relating to outsourced computer services is required
- Arranging for employees to transfer to the receiving agency's systems and products, including provision of training, as required
- Updating receiving and transferring agencies' internet sites to reflect changes, arranging pointers from the transferring agency's site where needed
- Updating receiving and transferring agencies' intranet sites
- Creating new log-ons, email addresses and Microsoft Teams Enterprise Voice phone numbers
- Arranging for information in all formats including records and data to be transferred from the transferring agency to the receiving agency or archived (note that website data must be retained)
- Installing servers, network switches, printers, monitors (with network hub built in), monitor arms for desks, cabling and outlets in new accommodation
- Providing information on disaster recover/business continuity plans, including information on critical assets and/or Crown Jewels documented
- Providing interim and final support arrangements by managed services agreements with strategic partners

- People, processes and technology that support the technology function including any Cyber security function
- Audio Visual Link Services and Equipment
- End User Computing (Laptops, tablets, smart phones)
- Workplace Technology (Printers, Wifi Access Points, Docking Monitors, Meeting Room Tech)
- Public/private cloud server hosting management and commercial arrangements, and
- Identity Management.

Digital, Information and Technology items for consideration:

- Assets
- Business and corporate systems
- Contracts and procurement
- Directory services/email arrangements
- Domain names and websites
- Government online services
- Intellectual Property Rights
- Meeting Room technology
- Network services, digital, information and technology infrastructure including cloud services, integration services and storage
- Parliamentary workflows
- Records management systems and archiving
- Cyber security (infrastructure, governance and migration of understanding of accountability/responsibility over controls). This should include the cost and timing of remediating any security issues. Note further information on cyber security is provided in [Section 12.1](#)
- Critical assets and/or Crown Jewels
- Risk, audit and compliance accountability and responsibility streams for both small-scale and large-scale MoGs
- Integration and interconnectivity with external parties, government bodies and vendors
- Security passes
- Service desks
- Social media accounts (and records or data held in the accounts) and passwords
- Shared services/hosting arrangements
- Telephones and other mobile devices (and records or data held on the devices)
- MoU and charges for any ongoing support arrangements with other agencies.

10

Records Management

10 Records Management

10.1 Movement of Records

Information held by agencies is a valuable State resource.

Records are a core strategic asset. The protection and management of all forms of records (paper-based and digital) is a key consideration in a MoG change. Records should be managed and disposed of in accordance with the requirements of the *State Records Act 1998 (NSW)*.

Agencies are expected to implement changes for records and information (including the transfer of records, information, and data) according to an agreed plan.

Questions about records management matters following a MoG change may be referred to SARA.

There is useful information for agencies on the [SARA website](#).

As soon as practicable, agencies are expected to advise SARA on how functions have been re-allocated so that:

- Administrative histories and metadata maintained by SARA can be updated
- The agency responsible for controlling records in SARA's custody can be updated
- Records retention and disposal authorities can be re-attributed to receiving agencies as necessary.

10.2 Managing the Transfer

Deciding what happens to agency information, records, data, and records management systems is a key component of due diligence.

Each agency's Senior Responsible Officer for records management should be involved in the planning and oversight of the arrangements for the records.

Consideration will be given to which records are required to be transferred from the transferring agency to the receiving agency. For example, legacy records that may not be required by the receiving agency but have not yet met their minimum retention period could be retained by the transferring agency. In this case, the MoU should establish responsibilities for handling GIPA requests and arrangements for the receiving agency to access the records if required. This should include an agreement as to how any costs will be split and/or recovered.

The transferring agency needs to transfer to the receiving agency:

- Records held in physical form such as paper-based files, together with the systems that control such records, such as databases, spreadsheets, and records management systems
- Records, data and datasets held in digital form, including all metadata for the records – this means identifying appropriate mechanisms for exporting records from the transferring agency's systems and importing them into the receiving agency's systems and managing the migration of records in accordance with General Authority 48. More information about this can be found on [the SARA website](#).
- Information held on the internet and intranet or held in social media accounts – this may need to be captured, archived or transferred
- Consider costs associated with transferring physical or digital records that the transferring agency has failed to archive and for storing physical or digital records that are not yet time expired.
- Personnel records for affected employees such as attendance records, medical certificates and leave forms.

In managing records in implementing a MoG change, agencies must consider the implications for privacy, GIPA Act applications, legal matters, and ongoing access to records.

Agencies must also ensure that any records storage providers (for physical records or cloud-based services) are informed which agency is now responsible for the records in storage and given the contact details of employees who can access the records in storage.

10.3 GIPA Act Applications

Agencies should assess any open GIPA Act applications that may be affected by records transfers as a result of a MoG change.

Applications should be transferred between agencies as necessary noting that the function of making a decision under the GIPA Act will need to be made by the head of the agency or their delegate who receives the records as a result of the transfer.

It will be important for the receiving agency to ensure that appropriate delegation instruments for the delegation of decision-making responsibility under the GIPA Act are in place as soon as possible. This is because decisions made out of time are considered to be deemed refusals and the agency's failure to make a decision within time may be the subject of an external review (appeal) to the NSW Civil and Administrative Tribunal.

Under the GIPA Act, when an agency ceases to exist:

- Any government information taken to be held by the former agency is instead taken to be held by the successor,
- An access application made to the former agency is taken to have been made to the successor agency, and

A decision under the GIPA Act made by the former agency is taken to have been made by the successor agency.

11

Cost Benefit Analysis

11 Costs and Benefits Associated with MoG Changes

11.1 Requirements for Identifying Costs and Benefits

The following guidance for capturing and reporting benefits and costs has been developed to be applicable for both the transferring agency and the receiving agency in the case of MoG changes.

11.2 Identifying benefits through a MoG change.

When provided with notification of the intention for a MoG change, it will be the responsibility of the accountable authority (Agency Head) of the affected agency to assess the intent of this change and put in place appropriate processes for capturing and reporting on these benefits. The agencies should consider:

- | | |
|--|--|
| 1.
Administrative
Arrangement
Orders | • Review of the AAOs and supporting/referenced material that outlines proposed changes for any specific references to expected benefits. |
| 2. Media
releases and
other public
material | • Review of any related media releases from the Premier, DPC or involved Ministers to identify any additional references to proposed benefits to be considered through the framework. |
| 3. Department of
Premier and
Cabinet (DPC) | • Follow-up with DPC as required where potential benefits may be identifiable in existing material but lack the clarity required to understand in more detail the intent of the government. |
| 4. Other readily
identifiable
benefits | • Outside explicitly stated benefits, the agency should identify other distinct benefits through the change (eg corporate support efficiencies, improvements to outcome delivery) for consideration in the benefits capture framework. |

The decision to make a MoG change is at the discretion of the Premier and may be made for any number of reasons based on the objectives of the government of the day. It is important to recognise that these changes may not include a 'specific intent' to drive a realisable benefit outside the administrative realignment of agencies (eg realignment of agencies across or within agencies to align to changes in ministerial or administrative accountabilities).

As part of the assessment of the intent, it is important to consider if there is any evidence of intended benefits and if there is the potential for material indirect benefits that may be driven through the change. If this is not the case, it may be considered that the benefit from the MoG changes is the 'realignment of accountabilities'. In this case, the successful implementation of the proposed change may be all that is required to drive the expected benefit.

Where potential benefits have been identified, it will be the responsibility of the agency to determine how reasonable it will be to report these benefits as part of the implementation of the change. In determining this need, agencies should consider:

- **Materiality** – there should be clear evidence or logic to support the link between the implementation of the MoG change and the proposed benefits with an expectation of a material impact that can be measured or confirmed

- **Practicality** – the effort or cost required to track and report on the benefit should not outweigh the value of providing increased transparency into the change and the outcomes achieved
- **Simplicity** – the tracking and reporting of potential benefits and related metrics should consider where existing metrics, data and reporting can be leveraged, even where these may have a more indirect linkage to outcomes, to track benefits without creating new processes, system or data requirements

Once benefits have been identified and tested through the principles above, the agency should then validate and confirm the proposed benefits to be tracked with DPC. This discussion should include reference to those benefits that are not to be tracked with justification based on the principles above (ie immateriality of outcome, option to use an alternative benefit for ‘simplicity’). The confirmation with DPC will ensure that benefits to be captured and reported by the agency align with the intention of government through the MoG change. It is noted that thereafter, DPC does not play a role in tracking or monitoring benefits.

11.3 Capturing and Reporting Identified Benefits

Where potential benefits have been identified through the MoG change, there are multiple forms these may take that will inform the expectations around how they are captured and reported. Benefits should be classified in terms of:

- **Tangible** – quantifiable benefits that can be tracked and measured as part of ongoing operations. These benefits will be supported by appropriate metrics that allow for their measurement over time. Capture and reporting of these benefits should include a clearly defined benefit, the supporting metrics and a view to the actual performance over time through ongoing tracking for reasonableness of timelines for reporting. These can include:
 - Financial – benefits that are expected to have a positive impact on the ongoing cost of delivering programs within the scope of the agency post the MoG change (eg cost efficiencies that can be redirected to the delivery of other services)
 - Non-financial – non-budget/non-financial based measures that can be tracked and have a measurable impact on operations (eg improved service delivery metrics, reduction of risk)
- **Intangible** – non-quantifiable benefits that cannot be tracked in a measurable term but may be described in terms of an outcome (eg administrative realignment). Capture and reporting of these benefits should include a clearly defined set of benefits and any criteria that will be applied to determine if the benefit has been achieved

Entities should establish, or make use of existing, processes to capture and report benefits through the change. This should include:

- **Governance** – appropriate governance across the monitoring and reporting of benefits to ensure accuracy and consistency. This should identify the responsibility of the appropriate authority (eg CFO, relevant leadership team) to approve the approach and estimates.
- **Process** – establishment of any additional processes required to support the capture and reporting of benefits.
- **Data capture** – identification of the data elements and capture requirements to support benefits management.
- **Internal reporting** – development of reporting outputs (or identification of existing outputs) that can be used to support internal reporting and management of outcomes. This will include periodic reporting to the appropriate authority (eg CFO, relevant leadership team) to provide visibility over benefits tracking and sign-off for inputs into external reporting.

As with the identification of benefits, the effort required to capture and report benefits should be proportional to the materiality of the change and expected benefits. While there is a need to be clear on how benefits are being captured and reported, this can be embedded within existing

governance structures, processes, data capture and internal reporting if this supports the requirements of the identified benefits.

Entities should consider the reasonable time over which benefits will be tracked post their initial identification. In determining an appropriate time frame, agencies should consider:

- **Timing of changes** – the timeline for implementation of the proposed changes that will be required for benefits to be realised
- **Sensitivity** – the potential lag time post implementation that will be required before benefits are measurable based on the identified metrics
- **Sustainment** – the timeline post realisation of benefits (full or partial) that is required to validate if benefits can be maintained through the transfer to BAU operations

Based on these principles, the agency should determine an appropriate timeline for measurement which may extend across multiple reporting periods for material benefits. While the decision for timing may be determined by the agency during establishment of the benefits capture and reporting approach, there is no requirement that this is communicated externally through the process. Entities should retain the flexibility to adjust these timelines as required to reflect the realisation of benefits (eg changes to implementation timelines).

Entities should report benefits that have been captured as part of MoG changes through the annual reporting process. This reporting will be focused on the actual benefits that have been realised through the reporting period (tangible and intangible). As the focus is on 'realised' benefits, there is no requirement for the agency to communicate or provide a comparison to any internal targets or forecasted benefits.

Disclosure of benefits is expected to be treated similarly to other non-financial statement disclosures that form part of the annual reporting process. Any additional guidance required to support the disclosure through this process will follow existing procedures.

11.4 Capturing Costs Attributed to MoG Changes

Agencies should undertake a fair effort to capture directly attributable costs for the implementation of MoG changes. In determining the costs that should be captured, the following principles should be considered:

- **Materiality** – agencies should only undertake the effort to capture material costs associated with implementing the change. As a rule, agencies should consider costs that will exceed either \$500k or represent greater than 5% of the major expense type (face of statement expenses categories) for the reporting year
- **Connection** – identified costs should be directly related to the implementation of MoG changes. Where part of costs that would have been otherwise incurred as part of BAU operations, agencies should separately identify the components related to the change (eg incremental effort as part of a planned digital, information and technology refresh)
- **Practicality** – agencies should not incur significant costs due to the effort or process required to capture the associated costs. Where possible, existing processes and structures should be used to capture related costs and where direct capture is not practical, a reasonable estimate or calculation approach should be applied (eg percentage allocation of time instead of time sheeting).

It is also important for agencies to understand that the recognition of additional costs is not for the purpose of driving funding requirements. Unless outlined as part of the MoG change, the implementation of changes will be cost neutral from a budget perspective. The cost captured through this process will represent the 'opportunity cost' associated with effort or direct expenditure that may have otherwise been directed for other uses.

As part of the recognition of associated MoG costs, agencies should consider if it has incurred any of the following categories of costs (these are intended as a guide and may not be exhaustive):

- **Internal resource delivery costs** – internal resourcing costs incurred through the redirection of BAU effort or specific project resourcing for the implementation of the change. In addition to the redirection of standard BAU effort, agencies should also consider if there are material overtime costs that are incurred through the transition across employees
- **External resource costs** – external costs incurred through professional service fees or contractor resourcing supporting the design and implementation of the change
- **Staff related costs** – costs associated with redundancies, recruitment costs, salary increases (eg award differences), training or consultation with employees
- **Digital, Information and Technology (including records management)** – investment required in digital and information systems, consulting support or costs resulting from changes to contracts (eg termination fees)
- **Accommodation costs** – costs related to changes to accommodation including lease exit payments, restoration costs, exit fees for service provider contracts and physical movement.
- **Branding and communication** – costs related to changes to branding, websites, stakeholder communication and public awareness, and
- **Corporate functions** – cost incurred in the establishment or changes to corporate support including fees associated with changes to shared services or other outsourced arrangements.

Due to the administrative nature of MoG changes, there are likely to be costs that are incurred through resources that are not easily separable from standard BAU activities. In the specific case of internal resourcing costs, the following criteria should be considered in addition to the threshold established through the materiality principle:

- If the resource is spending greater than 50 per cent of their time supporting the implementation, and;
- If the resource will be supporting the implementation for greater than 20 working days

Where there are resources that meet this threshold, there is then a need for the agency to consider the most practical approach for capturing the cost. While there is a preference for accurate capture of related costs, there is also a recognition of the potential complexity associated with time capture for resources. Where there is no existing process in place to capture the effort, agencies may choose instead to provide an estimate of the resource cost based on the approximate allocation of time between support for the MoG change and their BAU responsibilities. In this estimate, agencies should take a 'conservative' basis for estimation to ensure they do not overstate the related cost.

11.5 Capturing and Reporting Identified Costs

The agency should make use of existing cost management capabilities to provide a process to capture and report the cost related to the implementation of the MoG change. Consideration should be given to:

- **Governance** – the accountabilities assigned for capturing and monitoring costs through the implementation and signing-off to ensure accuracy and appropriateness of reported outcomes. This should identify the responsibility of the appropriate authority (eg CFO, relevant Leadership Team) that will approve the approach and estimate.
- **Enterprise structures** – where existing structures or capabilities within Finance technologies can be used to accurately classify, capture and report on direct implementation costs (eg project structures)
- **Process** – establishing any additional processes that are required to accurately capture and report on associated costs (eg models for capturing and allocating BAU resourcing costs), and
- **Reporting** – how existing reporting (eg current project reporting) can be used or supplemented to maintain visibility over costs for internal management. This should include periodic reporting to

the appropriate authority (eg CFO, relevant leadership team) to provide visibility over costs and sign-off for inputs into external reporting.

As with all the requirements outlined in this guidance, design and delivery of the cost capture and reporting approach should be proportional to the materiality of the change and associated costs to be captured. As far as practical, agencies should look to leverage the existing capabilities, processes and reporting within the organisation where this can be used to support the requirements identified.

The agency should consider the reasonable time over which costs will be tracked and reported through the management process. In determining an appropriate timeframe, agencies should consider:

- **Timing of changes** – the timeline for implementation of the proposed change over which costs are expected to be incurred
- **Integration/separation approach** – the approach to implementation of changes and potential for stepped or phased costs (eg tactical manual processes with longer term strategic technology changes), and
- **Long-tail costs** – the nature of the costs to be incurred and recognition of the potential for costs to continue past the peak of implementation (eg physical branding changes extending beyond administrative realignment). With long-tail costs, consideration is also required to the materiality of costs beyond the period covering the majority of the cost.

Based on these principles, the agency should determine an appropriate timeline across which to plan, track and measure the cost of implementing the MoG change. Through the supporting governance process, consideration should then be given to the ongoing evaluation of this timeline to identify when the implementation can be considered ‘complete’ and cost capture is no longer required.

Costs captured related to MoG changes should be reported through the annual reporting process. This reporting will be focused on the actual costs that have been realised through the reporting period. As the focus is on ‘realised’ costs, there is no requirement for the agency to communicate forecasts, plans or targets related to these costs. Where included costs have been based on estimates (eg allocation of BAU resource costs), this should be identified in the reporting with reference to the methodology that has been applied to generate the estimates.

Disclosure of costs is expected to be treated similarly to other non-financial statement disclosures that form part of the annual reporting process. Any additional guidance required to support the disclosure through this process will follow existing procedures.

12

Resources and Templates

12 Resources and Templates

12.1 Resources

For more information relevant to this Guide, please see the links below:

- Public Service Commission | *Government Sector Employment Act 2013*:
 - [The GSE Act](#)
 - [Home | NSW Public Service Commission](#)
 - [Disability employment | NSW Public Service Commission](#)
 - [Assignment to role guidelines | NSW Public Service Commission](#)
 - [Transfer and Secondment Guidelines | NSW Public Service Commission](#)
- Treasury | *Government Sector Finance Act 2018*:
 - [The GSF Act](#)
 - [Machinery of Government Changes](#) – *Guidelines for general government agencies (Prime) *Note updated guidance to be circulated by Treasury in the event of a MoG Change*
 - [Machinery of Government Changes](#) – *MoG Change Scenarios in Prime*
- Department of Premier and Cabinet | GOView, the Guide to the NSW Public Sector and the Governance Arrangements Chart
 - [GOView](#) - is a web-based application used by the public sector to capture information about NSW Government boards and committees, positions and position holders, and the relationships between them, including key governance arrangements and remuneration details. GOView is administered by DPC.
 - [Guide to the NSW Public Sector](#) - information about the structure of, and governance arrangements for the NSW Government and NSW Government entities.
 - [Governance Arrangements Chart](#) – a high-level summary of NSW Government agencies under the GSE Act and state-owned corporations.
- The Department of Customer Service | Directory of the Departments and their related agencies, presented with contact details, and useful information about cyber security:
 - [Service NSW Government Directory](#)
 - [Digital NSW](#)
 - [Cyber Security NSW](#)
 - [NSW Government Communications](#)
- Parliamentary Counsel's Office - Administrative Arrangements Orders:
 - [NSW legislation](#)
- State Archives and Records Authority of NSW
 - [Managing records in administrative change](#)

12.2 Templates

The following templates have been endorsed by Secretaries Board and should be used during any MoG as outlined in this Guide:

- **Complex Memorandum of Understanding (MoU)** – to be used where ongoing or complex services are required to be provided by the transferring cluster to the receiving cluster.
- **Simple Memorandum of Understanding (MoU)** – to be used where services are required to be provided for a shorter period or services required are less complex in nature.

12.3 References

The following resources were used as reference when drafting the NSW MoG Guide 2022:

- *NSW Department of Planning and Environment | MoG Better Practice Guide April 2019*
- *Audit Office of NSW – Performance Audit Report on Machinery of government changes | 17 December 2021*
- *Commonwealth Government of Australia | Machinery of Government Guide 2021*

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