

Northern Territory Government Agency Organisational Review Framework

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Acronyms	Full form
BRS	Budget Review Subcommittee of Cabinet
DCDD	Department of Corporate and Digital Development
DTF	Department of Treasury and Finance
FTE	Full-time equivalent
FRSC	Fiscal Repair Standing Committee
FSP	Fiscal Strategy Panel
ICT	Information and communication technology
NTG	Northern Territory Government

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1. Introduction

In November 2018, the Northern Territory Government established the Fiscal Strategy Panel (FSP) to provide an independent assessment of government's fiscal outlook and develop a plan for budget repair.

The FSP's final report, *A plan for budget repair*, included two recommendations to establish organisational reviews to ensure agency expenditure is aligned to government priorities and that services are being provided efficiently:

- Recommendation 5.4.4: Implement a rolling program of organisational reviews.
- Recommendation 5.4.5: The annual schedule of reviews should be determined by the Budget Review Subcommittee of Cabinet (BRS) as part of the annual budget development process.

Both of these recommendations were accepted in full by government.

In general, organisational reviews vary in scope, objectives and methodology, and are instigated by a range of triggers such as strategic misalignment, inefficiency or budget overspending. A number of jurisdictions have implemented rolling organisational review schedules, often centrally coordinated by treasury, finance or first ministers' departments.

Historically, Northern Territory Public Sector organisational reviews have been conducted on an ad hoc basis, with minimal sharing regarding the process and outcomes of reviews, limiting the opportunity to identify whole of government issues. In addition, timing has not always aligned with Budget development, missing opportunities to inform Budget planning and funding decisions.

The majority of agency funding over the budget and forward estimates is adjusted by annual indexation for cost and demand growth, less any efficiency dividends (percentage deflators applied to encourage agencies to improve processes and deliver services more efficiently).

The annual Budget development process generally only focuses on new initiatives and policies, which typically only account for a small fraction of total expenditure in each budget (usually around one per cent). Up to 99 per cent of government expenditure is rolled over from one year to the next with little assessment of effectiveness, efficiency, and alignment to government priorities, and generally remains unscrutinised outside of any internal agency reviews.

This framework implements the FSP's recommendations and aims to address the above issues and limitations by:

- ensuring that each review is specific to the agency's needs, circumstances and capabilities, with clearly specified terms of reference established for each review
- taking into consideration the agency's entire budget (not just recent or forthcoming funding decisions)
- aligning outcomes from the reviews with the budget development process to better inform planning and funding decisions
- providing a whole of government approach to organisational reviews, with support and backing by Cabinet
- providing public reports and recommendations for each review to assist in government's objective of accountability and transparency.

2. Types of agency organisational reviews

This framework broadly outlines three main types of review:

- 1. Functional alignment review (low to medium complexity)**
 - Do the agency's functions and activities align with Government priorities?
- 2. Effectiveness and efficiency review (medium to high complexity)**
 - Are there opportunities to improve the agency's impact and is the agency fulfilling its functions and activities at the lowest possible cost?
- 3. Capability review (medium to high complexity)**
 - Do the agency's operating model, people and enablers support it to deliver Government's objectives?

These reviews will support budget repair by identifying both opportunities to maintain existing service levels at a lower cost and activities that are no longer aligned to government's strategic priorities. These reviews contain different elements as shown in Figure 1 below.

Figure 1: Broad review elements



The type of review to be used will be determined by BRS, depend on the agency's needs, circumstances, capabilities and challenges, and will be also be informed by the nature of outcome required. Depending on an agency's individual situation, a combination of different elements and review types may be required.

2.1. Functional alignment reviews

Overview

Functional alignment reviews aim to ensure that the agency's functions and activities align with Government priorities. These reviews evaluate the agency's vision and mission statements and determine the clarity of the agency's strategic direction.

These reviews will also determine:

- if this is a function or activity that should be provided by government (e.g. whether there is a market failure or other imperative for government intervention)
- whether the NT Government is the appropriate level of government to undertake the function or activity, or whether this should be undertaken by local or federal government

- if the function or activity would be best placed with another agency or organisation
- whether the function or activity is required in its current form or at all.

What good performance looks like

Vision and mission

- The agency's vision and mission align with government priorities and with its external environment, particularly the factors shaping its future.
- The agency's vision is a forward looking, aspirational view of where it is heading and what it is setting out to achieve. It is regularly communicated to the whole organisation.
- The agency's mission defines the value it will deliver to its stakeholders, including Government, citizens and staff.

Strategy

- The agency's strategy articulates the key challenges to achieving its vision and mission, and hence Government priorities, and how it will address them, including specific priorities, actions and measures of success.
- The challenges could be internal (e.g. issues with financial performance or business processes) or external (e.g. changes in citizen preferences, technology or policy).
- The agency's functions and activities are clearly aligned to the delivery of the vision/mission.
- The strategy is current and relevant.

2.2. Effectiveness and efficiency reviews

Overview

Effectiveness and efficiency reviews aim to determine if there are any opportunities to improve the agency's impact and whether the agency is fulfilling its functions and activities at the lowest possible cost.

These reviews will also determine:

- whether the agency has fit-for-purpose service delivery, financial performance and business processes
- how well the agency delivers to Government and the public
- to what extent the agency operates within its budget
- how well the agency undertakes processes that underpin its service delivery
- how well the agency complies with its legislative and statutory requirements.

What good performance looks like

Service delivery

- The agency delivers the required outputs (e.g. services, products and advice) to the required clients (e.g. Government, citizens, business) at the required standard of quality (e.g. in terms of volume or experience).
- Good performance is evidenced on a regular basis.

Financial performance

- The agency operates efficiently and within its budget.
- The agency manages demand (e.g. through management strategies), maximises revenue (e.g. by optimising prices and volumes), maintains reasonable costs (e.g. by limiting staffing levels) and actively anticipates and manages potential issues.

Business processes

- The agency has good core and enabling processes to deliver services to its clients in a timely manner.
- The agency seeks to continuously improve its financial performance, quality and timeliness (e.g. by embracing new technologies and learning from monitoring and evaluation).
- The agency has a strong relationship with the Department of Corporate and Digital Development (DCDD).

2.3. Capability reviews

Overview

Capability reviews provide a forward-looking examination of an agency's capability to deliver against future objectives. They aim to provide a high level assessment of how an agency's people, processes and systems enable outcomes, and identify opportunities for an agency to position itself so that it is best equipped to meet future challenges.

These reviews will also determine:

- the extent to which the agency has the required capability, capacity and culture
- the extent to which the agency has fit-for-purpose governance, structure, systems and assets/facilities
- the strength of the agency's relationships and partnerships with its stakeholders.

What good performance looks like

People, structure and governance

- The agency has an appropriate volume and mix of people with the required skills and attributes.
- Individual professional development and performance plans align with the agency's strategy and Government's priorities.
- The agency's culture enables its performance while maintaining a positive experience for staff.
- The agency's structure and oversight mechanisms create roles, accountabilities and reporting lines.
- The leadership leads and manages change effectively.

Data, technology and assets

- The agency collects and analyses data and information in a way that ensures its security while maximising its value (e.g. in informing delivery and decision-making).
- The agency's technology and digital platforms facilitate internal and external collaboration and communication.

- The agency's assets, both physical (e.g. facilities) and intangible (e.g. reputation) are fit-for-purpose.
- The agency has a strong relationship with, and seeks the advice of, DCDD.

Relationships and partnerships

- The agency maintains strong relationships and partnerships with any stakeholders it relies on or who rely on it, including Government and Ministers, other agencies, communities and industry stakeholders.

3. Review implementation process

Although differing in complexity, at a high-level the different reviews outlined above share a similar four stage process, and are expected to be conducted intensively over a period of around four months. This process is outlined at Figure 2 and explained in more detail below.

Figure 2: Review implementation process



3.1. Establish review

The first stage of the review is expected to take around four weeks. At this stage project stakeholders will confirm the project charter and terms of reference, appoint a reviewer, and establish a review secretariat and governance structure. This will ensure that each review is specific to the agency's needs, circumstances and capabilities.

The project stakeholders will agree on a detailed project plan and develop a tailored methodology for the review, including mapping the current organisational structure to the methodology. The reviewers will also confirm a detailed understanding of existing agency functions and programs.

3.2. Assess performance

The second stage of the review will primarily involve collecting, reviewing and analysing documentation and data for the agency's entire budget and is expected to take around eight weeks. Consultations will be conducted with management, staff at all levels, and external stakeholders (such as Ministers, other agencies, industry and the public) to determine opportunities for improvement and analyse benefits and costs of functions and programs.

A draft report will be prepared, which will include an assessment of the agency's current state, any recommendations for improvement based on benefits and costs, and a draft implementation plan.

3.3. Prepare for implementation

The next stage of the review will primarily involve finalising the report and implementation plan. It is expected to take around four weeks. The reviewers will engage with project stakeholders to incorporate feedback into the final report and finalise any recommendations for improvement. The final report will then be submitted to relevant stakeholders.

3.4. Respond and implement

The agency and the Department of Treasury and Finance (DTF) will analyse the report, and provide the report, along with the agency's proposed response and any further advice, to BRS and Cabinet for consideration.

BRS and Cabinet will consider the report, confirm Government's position regarding the review's recommendations and issue any directions for the agency and government to implement.

4. Annual review process

This agency organisational review framework will set a whole of government standard and precedent for agency organisational reviews, which will be conducted on an annual basis and timed to provide outcomes and recommendations to include as part of the Budget development and Mid-Year Report processes.

4.1. Agency scope

This framework will cover all Northern Territory Government general government sector agencies subject to the *Financial Management Act (1995)*, excluding agencies which support independent statutory officers as listed below:

- Auditor-General's Office
- Ombudsman's Office
- Northern Territory Electoral Commission
- Office of the Independent Commissioner Against Corruption.

4.2. Budget Review Subcommittee of Cabinet

An annual schedule of agency reviews will be determined by BRS and ratified by Cabinet each year.

4.3. Agency selection process

The following criteria will guide the selection of agencies for review:

1. The selection process will seek to maximise improvement in the performance of the NT Government (in terms of effectiveness, efficiency and alignment to government priorities).
2. A diverse range of agencies will be reviewed each year (in terms of size or function).
3. Preference will be given to agencies that have not been reviewed recently.

Given only a small number of agencies (two to three) are expected to be reviewed each year, it may not always be possible to satisfy all three criteria, in which case the first criterion will be prioritised.

4.4. Integration into the budget process

The annual Budget development process generally focuses on new initiatives and policies, with the majority of agency expenditure rolled over from one year to the next.

Agency organisational reviews will enable assessment of an agency's entire budget for effectiveness, efficiency, and alignment to government priorities to better inform planning and funding decisions.

Reviews are expected to be undertaken from June or July each year, to enable the recommendations and outcomes of the reviews to be incorporated into the following year's Budget development process.

4.5. Implementation and monitoring

DTF will coordinate and collate an annual report to BRS and Cabinet outlining the process towards implementing any outcomes and recommendations at the agency and whole of government level resulting from the organisational review process. Agencies will be responsible for implementing review recommendations and providing timely reporting on implementation progress to DTF.

This report will also include an evaluation of the outcomes and identify whether intended benefits were achieved. This will allow Government to monitor progress towards implementation and determine the success of new approaches and strategies that may have been developed.

Successful evaluation activities require adequate resourcing and early planning. Resources to establish a methodology for collecting and maintaining data, conducting evaluations and engaging stakeholders will need to be addressed by the reviewer when developing the implementation plan.

BRS and Cabinet may request further updates on implementation as required.

5. Governance structure

The governance structure for each review will be determined at the start of each review process, and will include oversight from the Fiscal Repair Standing Committee (FRSC), engagement with the agency minister and a representative from DTF. In general, each review will:

- be led by a reviewer with significant experience in the portfolio (in the public or private sector)
- report to the responsible Minister and the head of both the agency and DTF (further roles and responsibilities are explained in more detail at Table 1)
- be conducted in consultation with, and supported by, each individual agency under review
- provide clear terms of reference (described in more detail below) and boundaries
- be supported by a joint secretariat, including seconded agency staff if applicable
- engage the agency's management and stakeholders (including Government and the public, if appropriate)
- have consequences if poor participation in the review process is provided (a second round of reviews governed independently and/or conducted by external stakeholders).

5.1. Terms of reference

Clearly specified terms of reference will be established for each agency's organisational review as part of the 'establish review' stage. While this will be tailored for each agency, the general layout will include:

1. **Focus:** the review will assess the performance of the agency for each element identified in Figure 1
2. **Method:** the indicative method and timeframes for the review are summarised in Section 3
3. **Data:** the agency will provide various data to assist reviewers, including information on existing reviews, program resources, program outcomes, department expenses, department staffing, property, ICT expenditure, capital expenditure, culture, workers compensation, procurement and corporate functions

4. **Stakeholders:** a range of stakeholders will be consulted, including Government and Ministers, other agencies, communities and industry
5. **Resourcing and governance:** governance arrangements will be agreed between the agency and the lead reviewer at the start of the project, and will include oversight from FRSC, engagement with the agency minister and a representative from DTF
6. **Affected parties and consultation:** other parties and stakeholders may be consulted as required during the review to gather required data and information.

An example terms of reference is provided at the end of this document.

5.2. Funding

All costs incurred by an agency to conduct an organisational review under this framework are to be met from within the agency's existing resources.

5.3. Roles and responsibilities

At a high level, each review will include oversight from FRSC, engagement with the agency minister and a representative from DTF. Key roles and responsibilities for the project stakeholders for the agency review process are outlined in Table 1.

Table 1: Key roles and responsibilities

Project Stakeholder	Accountable To	Responsibilities
BRS	Cabinet	<ul style="list-style-type: none"> • Set an annual schedule of reviews • Review preliminary and final outcomes of each review
Cabinet	Government and the public	<ul style="list-style-type: none"> • Ratify the annual schedule of reviews • Consider the final outcomes of each review and provide direction on implementation as required • Release public outcomes of each review
Agency Minister	Cabinet	<ul style="list-style-type: none"> • Endorse terms of reference for their agency's review • Participate as required in their agency's review
FRSC	BRS and Cabinet	<ul style="list-style-type: none"> • Provide strategic guidance in setting the schedule of reviews • Endorse terms of reference for each review
Under Treasurer / DTF	FRSC, BRS and Cabinet	<ul style="list-style-type: none"> • Assist FRSC and BRS in setting the annual schedule of reviews • Report to FRSC, BRS and Cabinet on the status of reviews and outcomes • Provide a DTF representative for each review
Agency	Agency Minister, FRSC and DTF	<ul style="list-style-type: none"> • Work with DTF and FRSC to establish the terms of reference for each review • Select a lead reviewer (potentially an external consultant), in consultation with their minister, to undertake the review • Provide appropriate resourcing to facilitate each review • Encourage staff to participate in reviews

Project Stakeholder	Accountable To	Responsibilities
		<ul style="list-style-type: none"> • Implement review findings and recommendations • Report on implementation progress to BRS via DTF
Lead Reviewer (potentially an external consultant)	Agency Minister, FRSC and DTF	<ul style="list-style-type: none"> • Confirm governance arrangements and terms of reference with the agency minister and FRSC at the start of each review • Consult with other stakeholders as required during the review to gather required data and information • Ensure reviews are completed on time and to a good standard
Review Secretariat in the agency being reviewed (including external agency staff)	Lead Reviewer	<ul style="list-style-type: none"> • Provide secretarial assistance to the lead reviewer as required • Provide updates to the agency and DTF regarding the status of the review as required
Agency Staff	Review Secretariat and Agency	<ul style="list-style-type: none"> • Provide frank and honest feedback about the status of the agency if consulted as a stakeholder • Provide data and documentation in a timely manner to facilitate an effective review

Terms of Reference Template

1. Focus

The review will assess the performance of the agency, including its functional alignment/effectiveness and efficiency/capability. Specifically, it will consider the key questions shown in Table 1. It should also make recommendations to improve in these domains.

Table 1: Key questions for the review

Domain	Element	Key question
Functional alignment	Vision and mission	How robust is the agency's vision and mission and do the agency's functions and activities align with the vision and mission?
	Strategy	How clear is the agency's strategic direction and is it aligned with Government's strategic priorities?
Effectiveness and efficiency	Service delivery	How well does the agency deliver to its clients, including government, citizens and others?
	Financial performance	How does the agency seek to operate within its budget, and to what extent does it achieve this?
	Business processes	How well does the agency undertake business processes, including those underpinning service delivery?
Capability	People enablers	How strong are the agency's people enablers, including capability, structure, culture and governance?
	Other enablers	How strong are the agency's other enablers, including data and analytics, technology and digital platforms, and physical and intangible assets?
	Relationships and partnerships	How strong are the agency's relationships and partnerships, including with Government, Ministers, other agencies, communities and industry?
Other	As required	As required

2. Method

The indicative method and timeframes for the review are summarised in Table 2.

The review will commence no later than [INSET DATE].

Agencies and the lead reviewer are welcome to propose alterations or additions to the proposed method. If they do so, they should justify what additional benefit this would provide. The overall timeframe must be maintained, though the timeframes for individual stages may be altered.

The agency and its stakeholders will consider the recommendations from the review, respond to them and commence implementation following the project.

Recommendations with financial implications will be subject to usual Budget processes.

Table 2: Indicative method

Stage 1: establish review	Stage 2: assess performance	Stage 3: prepare for implementation
Timeframes		
Four weeks	Eight weeks	Four weeks
Activities		
Initiate project <ul style="list-style-type: none"> • Confirm terms of reference • Establish review secretariat and governance • Submit data request Agree on detailed project plan Develop tailored methodology Map current organisational structure to methodology Confirm detailed understanding of functions and programs	Review documentation and analyse data Conduct consultations <ul style="list-style-type: none"> • Leaders • Staff at all levels • External stakeholders (e.g. Ministers, other agencies, communities, industry) Prioritise identified opportunities for improvement based on estimate of their benefits and costs Prepare draft report, including assessment of current state and recommendations for improvement, and submit	Incorporate draft feedback Finalise implementation plan for recommendations Submit final report
Key deliverables		
Terms of reference Project plan and methodology	Draft report	Final report and implementation plan

3. Data

The agency will provide the data identified in Table 3 below to assist reviewers.

Table 3: Data requested for the review

Information provided	Key question
Existing reviews: Any reports, reviews or evaluations conducted on the agency going back 5 years.	Functional alignment / effectiveness and efficiency / capability
Program resources: List of programs and sub-programs with associated FTE, administered and departmental expenditure (historical and projected over forward estimates).	Functional alignment / effectiveness and efficiency / capability
Program outcomes: Any data or reports on relevant "measures of success" (e.g. outcomes defined in agency budget statements, management reporting and program monitoring process).	Effectiveness

Information provided	Key question
Department expenses: Departmental expenditure going back to the creation of the Department (or earlier if possible) and projected over the forward estimates. This will include totals of the highest cost centre as well as the breakdown of every cost centre that sits beneath it.	Efficiency
Department staffing: Department FTE, going back to the creation of the Department (or earlier if possible) and projected over the forward estimates.	Efficiency / capability
Property: Departmental buildings, including ownership types (lease, sub-let, own), lease dates, rent, number of desk spaces and FTE per square metre.	Capability
ICT expenditure: ICT expenditure data since the creation of the Department (or earlier if possible).	Capability
Capital expenditure: Historical and anticipated capital expenditure (to the extent that it can be readily isolated) for the Department.	Capability
Culture: Culture surveys and other measures of staff engagement since the creation of the Department (or earlier if possible) and agency responses.	Capability
Workers compensation: Workers compensation data.	Capability
Procurement: Procurement data by spend category.	Capability
Corporate functions: Information on any corporate services managed internally by the agency, including their cost and services provided.	Capability
Other: Other data as required.	Other

4. Stakeholders

Internal stakeholders to be consulted include:

- agency Minister
- the Chief Executive and Deputy Chief Executives (or equivalent)
- staff down to the Senior Administrative Officer 2 level (or equivalent).

External stakeholders to be consulted include:

- consumer groups
- industry stakeholders
- non-government organisations
- Aboriginal community controlled organisations.

The lead reviewer is encouraged to specify how they propose to consult the above stakeholders.

Agencies and the lead reviewer are welcome to propose additional stakeholders. If they do so, they should justify what additional benefit this would provide.

5. Resourcing and governance

An independent lead reviewer, appointed by the agency and supported by a review secretariat within the agency will conduct the review in accordance with the scope defined in this document.

The agency will provide staff members from within existing resources to work on the review. The number of staff may vary depending on the size of the agency and scope of the review, but would generally be expected to include:

- one at Executive Contract Officer level
- two at Senior Administrative Officer 1 or 2 level
- one Executive Assistant.

The agency will also nominate staff members from relevant areas or the Department of Corporate and Digital Development to act as contact points. These staff members will provide and assist with the interpretation of relevant data and documentation.

Governance arrangements will be agreed between the agency and the lead reviewer at the start of the project, and will include oversight from the Fiscal Repair Standing Committee and engagement with the agency minister. Review Terms of Review require endorsement from the relevant agency Minister(s).

6. Affected parties and consultation

The lead reviewer and agency will consult with other parties and stakeholders as needed during the review to gather required data and information.