Guidance document: Machinery of government changes

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| Acronyms | Full form |
| DTF | Department of Treasury and Finance |
| FMA | *Financial Management Act 1995* |
| FTE | Full Time Equivalent |
| GAS | Government Accounting System |
| LTF | Ledger Transfer Facility |
| MoG | Machinery of government |
| SDC | Source Destination Code |
| TD | Treasurer’s Direction |
| PSEMA | *Public Sector Employment and Management Act 1993* |

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# Introduction

## Purpose

To provide better practice guidance to assist accountable officers and agencies to meet their obligations under the Treasurer’s Direction (TD) – Machinery of government changes, the *Financial Management Act 1995* (FMA)and other relevant legislation.

Guidance material in this document is not mandatory. If a conflict arises between this guidance document and TD or other legislative requirements, the legislation takes precedence followed by the TD.

The TD’s generally designate responsibility to the accountable officer. Unless specifically excluded by the FMA or TD, accountable officers may choose to delegate certain responsibilities and functions to agency employees. This can be through a number of mechanisms, such as accountable officer approved policies, procedures and agency delegations.

## Statement

The objective of the TD – Machinery of government changes and this guide is to provide a framework for agencies to follow in administering and accounting for Northern Territory Government machinery of government changes.

## Legislative basis and related documents

* FMA
* *Interpretation Act 1978*
* Legal Note 30 – Delegations – How are they affected by changes of staff and position restructures?
* *Public Sector Employment and Management Act 1993* (PSEMA)
* TD – Machinery of government changes.

# What is a machinery of government change?

Machinery of government (MoG) refers to the underlying structures that direct the way the public sector operates and includes the parliamentary system, Cabinet, the ministry and legislation. This structure includes the allocation of functions and responsibilities between agencies and ministers.

A MoG change refers to the reallocation of certain functions and responsibilities, arising from revisions to the Administrative Arrangement Order by government or at the discretion of the relevant ministers, chief executives or by Cabinet decision.

A MoG change includes:

* transferring a function or parts thereof, from one agency to another
* amalgamating two or more agencies into one agency
* ceasing an individual function or agency
* creating an individual function or agency.

# Process for machinery of government changes

## Agreements

### Whole of government perspective

Agencies must discuss the transfer of functions with a whole of government perspective, with a focus on the best outcome for government rather than for the individual agency. Where possible transfers should be aligned to government objectives and aimed at improving the delivery or outcomes of the functions transferred.

Agencies are to ensure sufficient resources are provided to support any function being transferred.

### In good faith

Agencies must conduct discussions in good faith. This implies fair, open and honest discussion where all relevant resources and costs attached to a function are identified and made available to all affected agencies.

Examples of resources and costs that should be identified include:

* budgets
* assets and liabilities
* employee numbers and positions, pay and conditions, and details of employees on leave or temporarily reassigned
* contract registers
* intellectual property
* information and communication technology
* legislative responsibilities
* contracts, licences, guarantees and indemnities, tax rulings, risks and compliance programs
* shared corporate services that support the function.

Where there are difficulties with clearly identifying resources or costs associated with a partial transfer of a function or program transfer, agencies must agree on a methodology for estimating these resources or costs. Section 3.1.6 provides examples of budget transfer methodologies which agencies can use for agreeing transfers of budget.

### Key outcomes and decisions clearly documented

An agency must clearly document the outcomes and reasoning it has agreed with the other agency. This should include the following at a minimum:

* a description of what parties have agreed to transfer
* total amounts to be transferred
* methodologies used in determining the transfer amount
* when transfers are to occur.

Where agencies are unable to come to a complete agreement, they must still clearly document any positions agreed on by all parties to assist with a dispute resolution process, should it be required.

### Timeframe for agreement

Given MoG changes can occur at any time, discussions should be conducted as soon as possible to ensure sufficient time is given to agree on function transfers and meet agency reporting requirements.

Agencies impacted by a MoG change must agree on the amount and methodology for budget transfers within 30 days from the commencement date of the revised Administrative Arrangements Order or as soon as practicable for all other transfers.

### Dispute resolution

Agencies are encouraged to reach an agreement for staff, asset and budget transfer relating to MoG changes independently, however, where this is not possible, the Department of Treasury and Finance (DTF) may be engaged as an independent arbitrator.

Agencies must notify the Under Treasurer as soon as practicable where they cannot reach an agreement for budget and actual transfers within timeframes stipulated in the TD – Machinery of government changes. The Under Treasurer will make a binding decision on the transfer.

Where the Under Treasurer intervenes to make a binding decision for budget and or actuals transfer amounts, affected agencies will be asked to supply relevant information to assist the Under Treasurer to make this decision. Agencies must provide information within the timeframe specified in the request from DTF to ensure the decision can be based on adequate information, noting that the strength of each agency’s case is dependent on the quality of supporting information provided. Information provided may include resources and costs identified in good faith outlined in section 3.1.2 and documentation on what has been agreed by parties during earlier discussions, if any.

### Budget transfer methodologies

The table below lists a number of methodologies that could be used for determining the budget amounts to be transferred. Where actual resources or costs can be reliably determined, agencies should rely on these as a basis for allocating resources or costs over the use of estimates and ensure that budget transferred is no less than actual costs.

| Transaction type | Components | Methodology |
| --- | --- | --- |
| Transfer of position | Salary | Actual salary for occupied position |
|  | Salary | Mid-range salary of designation for unoccupied position |
|  | Salary | Proportion of total personnel budget that reflects proportion of total full-time equivalent (FTE) to be transferred |
|  | Personnel on­­‑costs | Percentage of salary to cover payroll tax, superannuation and other relevant allowances |
|  | Personnel on­­‑costs | 15 to 20 per cent of salary |
|  | Salary and personnel on­­‑costs | Proportion of total personnel budget that reflects proportion of total FTE to be transferred |
|  | Operational costs | $10 000 for positions with minimal travel requirements |
|  | Operational costs | $20 000 for positions with regular or extensive travel requirements (for example, executive contract officers) |
|  | Operational costs | Proportion of total operational costs budget that reflects proportion of total FTE to be transferred |
| Transfer of whole work unit or a cost centre | Direct expenses | Total work unit or cost centre budget |
|  | Corporate and overhead expenses | Proportion of total corporate and governance output budget based on a proportion of the work unit or cost centre’s FTE or employee expense budget compared to the agency’s total FTE or employee expense budget |
|  | Revenues | Agency revenue, including Commonwealth payments and Territory income |
| Transfer of an output or output group | Direct expenses | Budget for the output or output group as published in the latest Budget Paper No. 3, plus relevant material variations approved by Cabinet since publication |
|  | Corporate and overhead expenses | Proportion of total corporate and governance output budget based on a proportion of the work unit or cost centre’s FTE or employee expense budget compared to the agency’s total FTE or employee expense budget |
|  | Revenues | Agency revenue, including Commonwealth payments and Territory income |

## Transfer of functions

### Cost neutral

The transfer of functions must be cost-neutral from a whole of government perspective. There should be no impact on whole of government financial statements as any transfers of revenues, expenses, assets or liabilities from one agency should be recognised in a receiving agency’s financial statements. The transferring agency should ensure sufficient budget is transferred to cover the cost of all actual positions transferred (noting that a reasonable allowance can be made for vacancy rates). Receiving agencies should not inherit unrealised savings that have been managed through underspends in other areas of the agency.

For example, where partial positions are transferred (for example, a senior executive position that oversees multiple functions, only some of which is being transferred), accountable officers are expected to negotiate in good faith and understand the requirement for MoG changes are to be cost neutral at the whole of government level and will require one or both parties to manage any resulting cost pressures through efficiencies across the broader organisation(s).

### Costs to include in a transfer of functions

The transfer of a function must include any associated corporate costs and employee costs including personnel and operational on-costs. These costs are to be clearly identified by the transferring agency in accordance with the agreement principles discussed in section 3.1. Where costs are not clearly identifiable, agencies may refer to section 3.1.6 for examples of methodologies that may be adopted in determining these costs.

### Budget transfer agreements

The transfers of functions must be formalised with budget transfer agreements signed by the accountable officers of all agencies involved in the transfer, unless a decision was made by the Under Treasurer.

A template budget transfer agreement is provided at Appendix A. Agencies may use their own budget transfer agreement templates, however must include the following information at a minimum where applicable:

* names of the transferring and receiving agencies
* functions or outputs to be transferred
* details of revenue, expenses, assets and liabilities to be transferred including their agreed budgeted amounts
* total number of FTE positions to be transferred
* date of the transfer of 1 July unless otherwise agreed by DTF
* signatures of the accountable officers of both the transferring and receiving agencies.

# Accounting for machinery of government changes

## Effective dates

There are a number of effective dates that may be referred to during a MoG change. A list of effective dates including an explanation of what each relates to is summarised below:

* effective date for the transfer of budget and accounting purposes
* effective date for the transfer of legislative responsibilities.

### Effective date for the transfer of budget and accounting purposes

The effective date for the transfer of budgets and accounting purposes is the date that any budgets and actuals associated with a MoG change is considered to have been transferred from the transferring agency to the recipient agency. This date is usually 1 July of the financial year in which the MoG change occurs, unless agreed otherwise by DTF.

### Effective date for the transfer of legislative responsibilities

The effective date for the transfer of legislative responsibilities is the date of an Administrative Arrangement Order or date of any other relevant legislative instrument where applicable. Issue dates for legislative instruments cannot be backdated unlike the effective dates for the transfer of budget and accounting purposes, therefore the effective date for legislative responsibility is generally the date of issue of the legislative instrument.

## Transfer of budgets

### Overview

Both transferring and receiving agencies must submit budget adjustments for MoG changes within the timeframes set by DTF and provide copies of the signed budget transfer agreement(s) at the time of submitting the budget journals. Budget amounts submitted must reflect budget amounts inclusive of parameters (unless otherwise advised by DTF) from the effective date outlined in section 4.1.1.

Agencies must action separate budget transfers for opening balance accounts as at the effective date and budgeted balances in the current and forward estimates.

### APEX budget journals

Agencies must submit budget adjustments in the APEX system to reflect amounts agreed to in the signed budget transfer agreement or binding decision made by the Under Treasurer where applicable.

Each agency must submit two separate budget journals for each output group or function transferred (that is, an adjustment to transfer opening balances and another journal to transfer current and forward estimate budget).

## Transfer of actuals

### Overview

All revenue, expense and balance sheet transactions, including administered items, incurred prior to a MoG change are deemed to have occurred and taken effect in the recipient agency from the effective date outlined in section 4.1.1.

Agencies must transfer assets and liabilities at the value recorded in the transferring agency’s financial statements at the time of transfer. Where the asset’s value is not known at the time of transfer, the recipient agency must revalue the asset after the transfer has occurred.

Agencies must action separate actual transfers for opening balance accounts as at the effective date, and movements that have occurred in the agency’s accounts from the effective date to the date of transfer.

Opening balance adjustments are generally actioned using Government Accounting System (GAS) general ledger journals. The transfer of transactions that have occurred in the agency’s accounts from the effective date to the date of transfer are actioned through the Ledger Transfer Facility (LTF) wizard where it affects agency cash balances, otherwise, a GAS general ledger journal should be processed (that is for non-cash account codes).

### Timeframes for actual transfers

Agencies must action the transfer of actuals related to MoG changes in their general ledger within 60 days of either:

* signing a budget transfer agreement
* or binding decision is made by the Under Treasurer.

DTF is authorised to change timeframes, as necessary, to meet government reporting requirements.

### Ledger Transfer Facility wizard

Agencies must transfer cash balances or accounts that affect agency’s cash balances through the LTF wizard. The LTF wizard has a limitation on the number of lines that can be populated in one transfer. As such, where an agency intends to action a transfer with transaction lines exceeding the system limit, the agency may use a clearing account to capture the transactions transferred and subsequently disburse this to the appropriate standard classification codes using a GAS general ledger journal.

In addition, the LTF wizard generally defaults to the Source Destination Code (SDC) of the transferring or recipient agencies. Where transactions are transferred using the LTF wizard, the transferring agency must provide a listing of transactions transferred including the original SDC’s to their DTF analyst and contact in the recipient agency to ensure whole of government statements accurately reflect parties agencies have transacted with.

### Government Accounting System (GAS) general ledger journals

Where an agency cannot use the LTF wizard to transfer a balance due to the nature of the account (that is, amounts relating to the transfer of an opening balance or movements in non-cash accounts), it must use the GAS general ledger journals to transfer actual amounts.

To avoid whole of government consolidation issues, both the transferring and receiving agencies must process GAS general ledger journals within the same month. Both agencies must ensure the appropriate SDC’s are reflected in the transfer journals to ensure the whole of government financial statements reflect the entities that agencies have transacted with. Both the transferring and receiving agency must provide a copy of the GAS general ledger journal processed and supporting documentation to their DTF Analyst on request.

## Infrastructure

The infrastructure program, including capital works, minor new works, and repairs and maintenance, is managed at the whole of government level, with notional program allocations to individual agencies. DTF, in consultation with Department of Infrastructure, Planning and Logistics, will determine the revised capital works and minor new works program, and repairs and maintenance allocations associated with a MoG change.

## Exclusions

There may be instances where the timeframes and effective dates stipulated within the TD – Machinery of government changes may need to be altered to facilitate the processing of MoG changes and meet government requirements.

DTF is authorised to change the effective date, timeframes and due dates referred to within the TD – Machinery of government changes and also determine the exclusion of parameters from budget transfers where necessary. Where changes are required, DTF will formally communicate revised timeframes or requirements to agencies.

# Key roles and responsibilities

Administrative rearrangements generally require a whole of government coordinated approach with various agencies assuming key roles and responsibilities during the process. Key agencies and relevant responsibilities have been summarised below.

### Department of the Chief Minister and Cabinet

The Department of the Chief Minister and Cabinet will:

* inform agencies of the Chief Minister’s decisions on MoG changes
* assist with clarifying agencies’ new and existing functions and transfers outlined in the Administrative Arrangements Order issued by the Administrator.

### Commissioner for Public Employment

The Commissioner for Public Employment will:

* assist with clarifying and implementing the transfer of staff between agencies where necessary
* provide advice to chief executives in relation to the change management requirements under the relevant industrial instruments
* advise the date of effect for the PSEMA Instruments of Transfer where necessary
* provide support to chief executives and the Northern Territory Public Service (NTPS) through the provision of documents, templates, advice and establishing a high level NTPS/Union MoG consultative committee.

### Department of Treasury and Finance

DTF will:

* provide organisation numbers for new agencies and government business divisions (for reference in GAS/ APEX and other reporting systems)
* advise the date of effect for budget transfers for reporting purposes
* provide advice to agencies on budget transfers and establishment of new agency budgets in the APEX reporting system
* determine the revised capital works and minor new works program, and repairs and maintenance allocations
* make a binding budget and or actual transfer decision where agreement cannot be reached between the transferring and receiving agencies within required timeframes.

### Department of Corporate and Digital Development

The Department of Corporate and Digital Development will:

* coordinate the transfer of core resources to new or receiving agencies, that is, budget, people and access to business systems that allow an agency to operate in accordance with the new agency arrangements
* establish ledger changes and transfer finance data, as required
* coordinate transfer of remaining resources, open jobs and transactions for the reporting period, from the transferring agency to the receiving agency, including records management, bank accounts, contracts and procurement, assets and outstanding debtors

### Department of Infrastructure, Planning and Logistics

The Department of Infrastructure, Planning and Logistics will update the government land register to align with new departmental structures.

### Chief executives

Chief executives of affected agencies will:

* agree on details of budget and people transfer arrangements subject to MoG principles and business rules
* sign the PSEMA Instrument of Transfer and the budget transfer agreement (both transferring and receiving agencies)
* undertake change management requirements in accordance with relevant industrial instruments including consultation and keeping employees informed on the progress of changes, prior to the changes being implemented
* appoint an appropriate senior officer as Agency Transition Manager who must be appropriately delegated with authority to act as coordinator of all change activity for the agency.

# Delegations

Section 38 and 39 of the *Interpretation Act 1978* allows delegations to continue operating in certain circumstances, even where there are changes to the person delegating the power or the person receiving the delegation. A delegation will generally continue to have effect, despite changes to minister, chief executive or other people or positions either giving or receiving a delegated power. For example, a former accountable officer of an agency that no longer exists will exercise delegations for agreeing transfers of budget and staff.

Where a position has been abolished and it can still be identified that the role exists, albeit with some other person or position, the delegation will generally flow to that new person or position. If a role has been transferred to another agency, then the delegation may follow the person or position performing the role in the new agency.

However, delegations to a named individual (rather than a position) will generally not continue in effect if that named individual changes.

Therefore, during a MoG change agencies may continue to rely on existing delegations to operate until a revised delegation is issued. Agencies may refer to Legal Note 30 on [NTG Central](https://ntgcentral.nt.gov.au/legal-note-30) for further information on how delegations are affected by changes of staff and position restructures.

# Recordkeeping and reporting requirements

An accountable officer must keep appropriate documentation to support the budget and actual transfers actioned under a MoG change. These records should be retained for the specified minimum period, in accordance with the agency’s records disposal schedule.

An accountable officer must provide DTF with copies of documentation which support the budget and actual transfer process and any other relevant information as and when required.

Where a MoG change occurs, DTF will communicate reporting requirements for budget publications and agency financial statements to agencies.

| Appendices | |
| --- | --- |
| Appendix A | Budget transfer agreement |