Machinery of Government Guidance

Cabinet Office

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Introduction

This guide provides an overview of the process for how to plan and deliver a Machinery of Government (MoG) change. It is intended for those leading MoG changes. It cannot be definitive and it does not seek to be prescriptive, because all MoG changes are different and it is for those involved to put in place the most appropriate level of process. This document seeks to set out the things that should be considered before and during a MoG change, some key principles and key contacts for further information.

The first page of this guide is a one-page overview of the process, the responsible parties, and the products needed at each stage. It divides the process into three distinct parts. The remainder of this guidance provides further information on each of those three parts.

There are more detailed products available, as well as practical support, to help plan and implement MoG changes. If a MoG change is being considered within a department, contact should be made with the Economic and Domestic Secretariat in the Cabinet Office in the first instance. See Annex 4 – Key Contacts.

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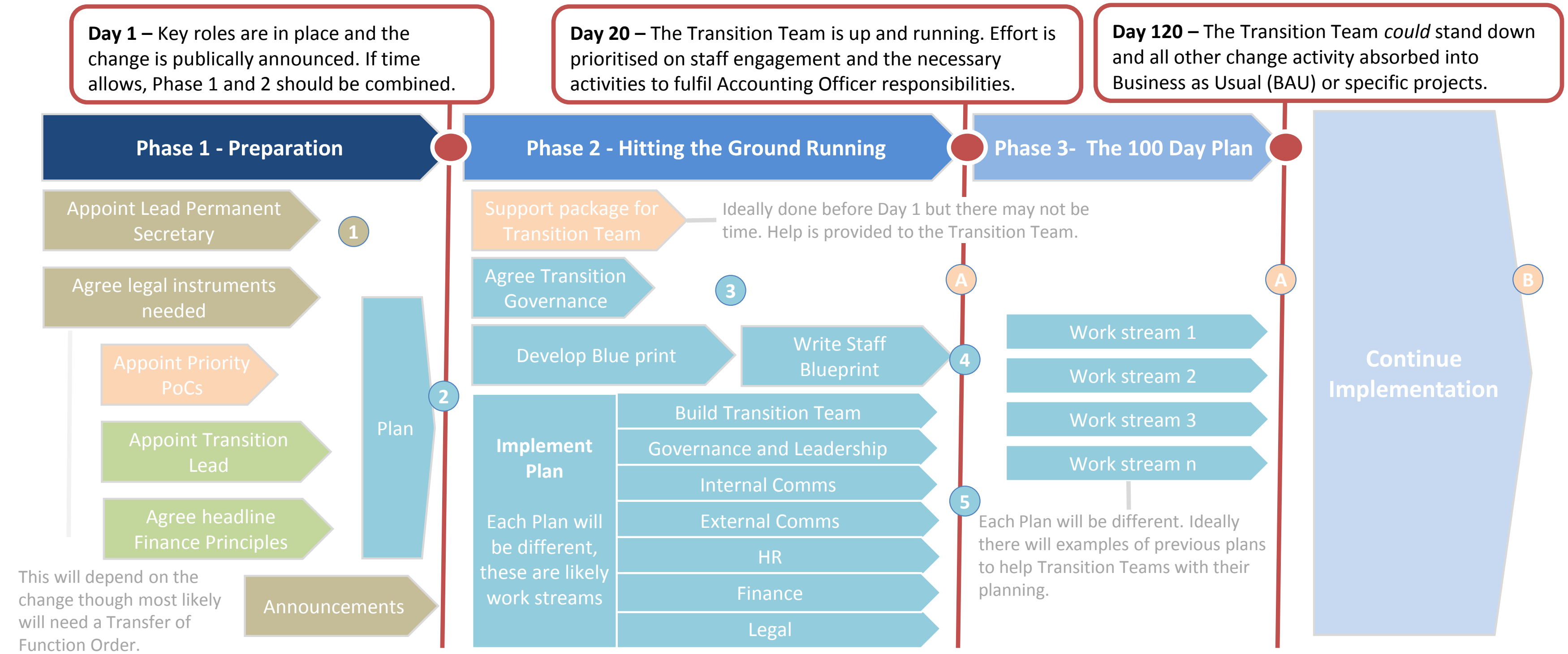

Role	Description
Economic & Domestic Secretariat	Overall responsibility for Pre Day 1 Activity, working to the Cabinet Secretary and Prime Minister.
Chief Executive Team	Custodians of best practice and lessons learned to share with Transition Teams; role is currently filled by the Civil Service Group (CSG).
Lead Permanent Secretary	There will be Lead Permanent Secretary for the Transition from one of the affected departments.
Transition Lead	This would normally be a full time role, at least at the start; this person is responsible for the Transition.
Priority Point of Contacts	Each Transition will have a named lead from EDS, the Office of Parliamentary Counsel, HM Treasury, Legal Teams, the Functions.

1. A short **Cabinet Office Note** to affected Permanent Secretaries setting out, at the highest level, the agreed changes and what they are being asked to do.
2. An **Initial Plan** at whatever level of detail is appropriate given the amount of time available. At a minimum it will be an action list of week 1 activity with clear owners and must cover Day 1 communications..
3. A **Blueprint** setting out in clear language what the change is, the rationale for it and the key delivery principles. This is the basis of agreement between affected departments. Small numbers of senior staff involved from all affected departments.
4. A **Staff Blueprint** provides staff with details of the change and how it's going to be delivered including details of the Transition Team.
5. A **100 Day Plan** sets out the plan for the first 100 days

A. A **Checkpoint Meetings** including all Priority Points of Contacts (PoCs)

B. A **Lessons Learned Session** within a year including all Priority PoCs, guidance and tool kits.

Overview

What is a MoG change?

As set out in the *Ministerial Code* and *Cabinet Manual* the Prime Minister "is responsible for the overall organisation of the executive and the allocation of functions between ministers"[1].

In detail, the *Ministerial Code* says:

> *4.2 The Prime Minister's approval must be sought where changes are proposed that affect this allocation and the responsibilities for the discharge of ministerial functions. This applies whether the functions in question are derived from statute or from the exercise of the Royal Prerogative, or are general administrative responsibilities.*
>
> *4.3 The Prime Minister's written approval must be sought where it is proposed to transfer functions:*
>
> *a. between Ministers in charge of departments unless the changes are de minimis, can be made administratively and do not justify public announcement.*
>
> *b. within the field of responsibility of one Minister when the change is likely to be politically sensitive or to raise wider issues of policy or organisation.*
>
> *c. between junior Ministers within a department when a change in ministerial titles is involved.*
>
> *4.4 In addition, the Prime Minister's written approval should be sought for proposals to allocate new functions to a particular Minister where the function does not fall wholly within the field of responsibilities of one Minister, or where there is disagreement about who should be responsible.*
>
> *4.5 Unresolved disputes concerning the allocation of functions should be referred to the Cabinet Secretary before a submission is made to the Prime Minister.*

[1] *Cabinet Manual* 1st Edition, October 2011, section 3.48; Ministerial Code 2015, section 4

The Machinery of Government (MoG)

The Prime Minister is responsible for the overall organisation of the Government and the allocation of functions between ministers.

It is essential that the Prime Minister is able to structure the Government as he/she sees fit to respond to new challenges. This can mean that MoG changes happen very quickly.

Role of the Cabinet Office

The Cabinet Secretary is responsible for advising the Prime Minister on MoG issues, and he/she is supported by the Economic and Domestic Affairs Secretariat (EDS) in the Cabinet Office. Departments involved in MoG changes, or considering proposing such changes to the Prime Minister, should establish early contact with the Economic and Domestic Affairs Secretariat. A list of additional Whitehall contacts is available at Annex 4.

Transfer of Functions Order

Advice should always be sought from departmental legal advisers, who will consult parliamentary counsel and Cabinet Office Legal Advisers (COLA) as necessary, because it is not usually obvious whether an order or primary legislation is needed. A transfer of functions order (an Order in Council under the Ministers of the Crown Act 1975), is frequently needed for MoG changes involving ministerial departments. Examples include where there are any references in legislation to specific Secretaries of State; where the functions have previously been transferred by transfer of functions orders; where any of the affected ministers are not Secretaries of State; and where a new Secretary of State, who needs to be made a corporation sole, is being created. In some cases, it will not be possible to implement the change until the order has been made. But where the change involves the transfer of functions between Secretaries of State it will usually be possible to implement much of the change in advance of the order being made. Primary legislation may be needed for MoG changes extending beyond ministerial departments. The Office of Parliamentary Counsel is responsible for drafting transfer of functions orders.

Experience from previous MoG changes

The experiences of senior leaders who have participated in MoG changes tells us that:

- Planning must consider communications (with staff, external partners, Parliament and others), IT, HR, finance, legal issues, property, information management, and branding, as well as how to realise the strategic policy objectives the MoG was intended to achieve. Good and early planning can avoid problems in the longer term.

- Senior leaders need to consider how to engage staff in the change, and need to pay attention to the practical, technical and logistical issues, alongside strategic policy objectives.
- In both importing and exporting departments, staff can be affected by uncertainty and by change. In addition, recognising potential cultural differences between organisations is important.
- Conversations about money should be well structured to enable effective decisions to be taken. The amount of resource transfer available for the function transferring is often material to the Prime Minister’s consideration, so transferring budgets ideally need to be understood and agreed by both the importing and exporting department, in advance of advice going to the Prime Minister. Alternatively a clear plan for resolving the finances should be in place, with the understanding that this will not interrupt the implementation of the decision.
- The centre can play an important role in offering support and brokering between organisations and provide expertise on the nuts and bolts of change.

Phase 1 – Preparation

All MoG changes will be different, ranging from the creation of new departments through to small changes to a number of teams.

All MoG changes are a decision for the Prime Minister. The Cabinet Secretary is responsible for providing advice to the Prime Minister, particularly those larger changes where swift and confidential reviews are required. This advice would usually set out the issue, provide an assessment of the options and make a recommendation. The Economic and Domestic Affairs Secretariat supports the Cabinet Secretary in this role, and will advise on the history and nature of the function, the strategic objectives to be achieved, alternative options, the administrative and financial implications of the change, the costs and benefits of change, and devolution and legal implications.

For smaller MoG changes, which are often initiated by departmental Ministers or Permanent Secretaries, the approval of the Cabinet Secretary and Prime Minister **must** be sought. Cabinet Office will advise the Cabinet Secretary. Once content, the Cabinet Secretary will advise the Prime Minister.

Whilst the level of options analysis will vary depending on timescales involved, the core test for organisational change should be whether it will achieve a sufficient improvement in performance over time to offset the costs.

The Cabinet Office and Number 10 should agree between them, in the light of individual circumstances, who is best placed to communicate the Prime Minister's decision to the relevant Permanent Secretaries, so that - where the Prime Minister's decision is not immediately public - Permanent Secretaries can coordinate how staff and stakeholders hear of the decision. It is essential that communication with staff is coordinated and sensitive, with leaders being visible and present. It is the responsibility of the Permanent Secretaries and the Departmental Board to implement that decision, alongside the transition lead (see below for description of the transition lead).

Any changes to the roles of individual Ministers and Permanent Secretaries will be agreed at this point.

Key Actions

Appoint Transition Lead Permanent Secretary

Owner: Cabinet Secretary

To be successful there must be a clearly accountable lead for the Transition before it is announced.

The choice of the Transition Lead Permanent Secretary will be based on the individual circumstances, though should always come from one of the importing or exporting departments. Usually they will be from the importing department though there is no hard and fast rule.

Appoint Transition Lead

Owner: Transition Lead Permanent Secretary

A Senior Civil Servant needs to be appointed to take responsibility for the Transition. For a larger transition, this is usually a full time role and requires commitment for at least the first 100 days and possibly for at least a year.

The Transition Lead is appointed by the Transition Lead Permanent Secretary. They will have a range of skills including project management, communication and influencing skills. Along with being good at delivery, the Transition Lead needs to be an effective communicator and be able to command the confidence of all affected parties.

To help with selection the following are potential points to consider, especially for larger MoG changes:

- Candidates could come from either the exporting or importing departments, depending on what would be more appropriate.
- If possible, the person should be involved as early as possible, and before the public announcement, so they fully understand the rationale, the benefits and the key risks.
- Many organisations choose to put individuals from their talent pools on big projects like this. It can be a stretching role and needs someone with strong skills. Accordingly, it may be appropriate to define the period of the role and agree an exit strategy and next role for them.
- The Transition Lead may need to be supported by people with complementary skills in other areas e.g. programme office, communications, team building. Previous responsibilities may need to be delegated elsewhere as it is usual for it to be a full-time role.
- The Transition Lead should have full sponsorship at the most senior level with immediate access if necessary. It is likely they will report directly to the lead Permanent Secretary.

- Objectives for the Transition Lead should be set at the start and aligned with the programme e.g. delivery of synergy benefits, critical milestone achievements, retention of key staff.

Appoint Priority Points of Contact

Owner: Chief Executive's Team (CEX)

A large number of decisions, across a wide range of areas, will need to be taken during the course of the Transition and working out the correct sequence and their relative importance is critical.

To help with this, named Points of Contacts (POCs) will be assigned to provide support from the centre of Government. The exact nature of the support will vary depending on the change. Their initial role will be to work with the transition lead to ensure the right package of support is put in place. POCs will be named individuals covering the Economic and Domestic Affairs Secretariat, Cabinet Office Legal Advisers (COLA), HM Treasury Spending Teams, Office of Parliamentary Counsel (OPC), HM Treasury Legal Advisors (TLA) and one person to coordinate input from the CEX's Team.

Agree legal instruments if needed

Owner: Lead Permanent Secretary.

When undertaking a MoG review, and following a MoG change, legal advice will be required. This can range from advice on whether legislation is needed and ministerial appointments to staff movements and pensions.

The Office of Parliamentary Counsel (OPC), Cabinet Office Legal Advisers (COLA) and Treasury Legal Advisers (TLA) and the Government Legal Department Employment Group (GLD E3) provide advice on MoG issues to Cabinet Office. Importing and exporting departments should consult their departmental lawyers in the first instance who will liaise with COLA if they have any questions or concerns. OPC is responsible for drafting the transfer of functions orders on instructions from departmental lawyers in the transferring department to ensure that following a MoG change the responsible minister can legally carry out his or her statutory functions.

Agree headline Finance Principles

Owner: Lead Permanent Secretary, working with other affected Permanent Secretaries and HMT.

Changes in allocation of budgets are a critical part of any MoG change, particularly for large scale changes. Ideally at this stage the exact changes should be agreed. Where there is insufficient time to agree the exact changes, the affected parties should agree what areas of budgets should be transferred and the principles that will guide detailed budget transfers. This should include the roles of respective Finance Directors. The output of this activity should be built into the Initial Plan (see below)

Plan

Owner: Transition Lead

The level of detail will vary significantly based on the time available and the complexity of the change. It is extremely important to focus on communication to staff. In most cases there should be a Day 1 communication from the Lead Permanent Secretary and other affected Permanent Secretaries, in person where possible. It is also important to agree the process for working across the affected departments. In most cases there will need to be a lead person for each department and they should ideally be involved prior to the end of this Phase. Much of the advice on what a good overall Transition Lead looks like applies to those with departmental Transition responsibility, even where the department is not in the lead (for example, in an exporting department, where the importing department takes the lead in the Transition).

Communications

Owner: Departments lead communications with their staff and stakeholders. The Economic and Domestic Affairs Secretariat, liaises with Number 10, Transition Team and departments as necessary, over a press notice and a Written Ministerial Statement to Parliament.

Effective communication of MoG changes is very important as there are a number of different audiences, including the public, Parliament, Trade Unions, staff and those outside Government (such as arm's length bodies, customers, business or other parts of the public sector) who will be affected.

Issuing a Press Notice. Number 10 will normally issue a press notice on behalf of the Prime Minister announcing any significant MoG changes.

Informing Parliament. The Government should notify Parliament of significant MoG changes, usually through a Written Ministerial Statement in the Prime Minister's name. The Cabinet Office may also publish an explanatory document and place it in the libraries of both Houses. These help explain to Parliament and the public the Prime Minister's reasons for making the changes. This also ensures Parliamentary oversight and scrutiny of significant MoG changes. Transition Leads may also want to consider writing to any Select Committees with an interest in the change to explain the rationale behind it. The Public Administration and Constitutional Affairs Select Committee also has an interest in examining the implementation of such changes and may call on ministers to give evidence.

Wider communication. Communication to other audiences is the responsibility of the transition lead and the relevant departments and is considered further in Phase two.

Phase 1 Products

P1: A *short communication* from the Cabinet Secretary's Office to the department, which sets out the decision and agreed changes. This will provide a common basis for proceeding along with the details of the Transition Lead Permanent Secretary.

Owner: Economic and Domestic Affairs Secretariat coordinating with No10 and Cabinet Secretary's Private Office.

P2 - An *Initial Plan* that sets out the activity that will immediately follow Day 1. This will look different based on the nature of the change and the length of Phase 1. At a minimum, it will provide a list of priority actions and owners which focuses on immediate communication to staff and other stakeholders.

Owner: Transition Lead

Phase 2 – Hitting the ground running

The key action in this phase is developing the overall blueprint for how things will work post transition and also the best way of getting there - whilst ensuring that business as usual continues to be delivered during the transition

If there is enough time, Phase 2 activity should be completed prior to the announcement and therefore this Phase will not be needed at all. MoG changes can vary in scale and although the principles set out below hold true whether you are dealing with a small or large MoG change, the transition lead will of course want to take a view on the most appropriate level of activity.

Support is available from the Chief Executive's Team (currently the Civil Service Group), which has some more detailed materials, and which can connect those working on MoG to others who have been involved with MoG changes previously. Please see Annex 4 for contact details.

By the end of this phase, there must be a 100 day plan. It is usually helpful to hold a meeting at this point with the priority points of contact to discuss progress and any changes that might be required to the plan.

The exact length of this phase will be determined by the amount of work done in Phase 1. A limit of 20 days for this phase is recommended, to minimise uncertainty and ensure momentum is maintained.

Key Actions

Provide Technical Support to transition team

Owner: Chief Executive's Team

Whilst every MoG change is different there are some common lessons learned and repeatable approaches. At the end of each MoG change, transition leads will be asked to contribute to the Civil Service Group's library of good practice, guidance and products. This library will be used to help other transition teams. In addition, they will have a list of civil servants who have experience of MoG changes and can facilitate lessons learned and 'top tips' workshops.

Agree Transition Governance

Owner: Transition Lead

Early in Phase 2 and ideally in Phase 1 the governance model for making transition decisions needs to be in place. This will vary on a case-by-case basis; however, it must cover all activity. There must not be separate governance chains for each affected department.

In most cases a Steering Group should be put in place with appropriate representation from all affected departments. The group should be chaired by the Transition Lead Permanent Secretary. The governance arrangements must include clear escalation routes. These will vary in each instance though the Chief Executive of the Civil Service will normally fulfil the Civil Service Board level sponsorship and escalation routes.

Develop Transition Blueprint

Owner: Transition Lead

It is critical to develop a single blueprint for what the transition will achieve and what the organisations will look like after the transition. It forms the basis of all other decisions and is intended to:

- Set out the strategic rationale for the change
- Provide an overview of the benefits to be realised
- Sets out the material decisions that will guide all others
- Provide an overview of the key objectives and broad timelines
- Establish the key deliverables for the Transition Programme
- Establish the key principles for the Transition

Develop Staff Blueprint

Owner: Transition Lead

Based entirely on the overall Blueprint this is a version to be sent to all affected staff setting out details of the changes. It will be written in a style designed to engage with staff.

Implement Plan

Owner: Transition Lead

Each plan will be different, though all will need robust project management.

An early priority will be to build the transition team around the transition lead, prioritising communication, HR, IT and finance activity. One of the challenges can be to prevent people misunderstanding the scope of their roles, and doing nugatory work.

Below is some high level advice to consider when developing the plan:

- Establish key roles and responsibilities.
- In particular, the Accounting Officer has responsibility from day one so it is important that they know who they are and take action accordingly even if the formal appointments follow later. The appointment of the Accounting Officer is a decision for the HM Treasury Permanent Secretary. They are responsible for ensuring adherence to the principles of *Managing Public Money*. Further, essential detail about finances is in Annex 1.
- The importing department must agree with HM Treasury the authority to commit expenditure. This will be supported by a schedule of accountabilities, agreed between the respective Accounting Officers, for the transition period.
- Work with all those involved to develop a communications plan. It may also be advisable to draw on the experience of Directors who have managed MoG communications previously.
- Notify Trade Unions of the change.
- For detailed HR queries, please consult 'Machinery of Government changes - HR practitioners guide' produced by Civil Service Employee Policy.
- Consult the *Cabinet Office Statement of Practice on Staff Transfers in the Public Sector 2000* (revised December 2013) (COSOP).
- Staff generally transfer with a function when it moves from one department to another, subject to the importing Permanent Secretary's judgement about the most appropriate fit of people to roles at the most senior level.
- The transfer of business is important. Historically significant records, information and knowledge need to transfer without loss of information, interruption to business continuity or a reduction in customer or end-user services provided. A security risk assessment should be carried out to ensure that appropriate levels of security are being applied.
- Set up interim private offices, communications and press office.
- Set up an interim handling centre for correspondence, PQs, Freedom of Information (FOI), and Cabinet Committees.

- Focus on the basic things that will matter to staff doing their jobs well – such as plans for accommodation, IT, ensuring staff will get paid accurately and on time, staff working conditions and an address network so that staff in new teams can establish contact easily. Where the current arrangements cannot change immediately, it is important to communicate that such things are being sorted out quickly.
- Roll out new branding, as far as possible. Creating a new culture and sense of identity is very important from the offset and is shown to have a big impact on long-term performance.
- Find homes and accountability chains for the new department(s)/arms length bodies. Think about which objectives, targets and relationships have changed as a result of the MoG change.
- Consider how the changes may impact other departments that are not directly affected by the Transition. For example, they may impact similar or related policy areas in other departments.
- Decide on and then implement a transitional organisational structure. It is important that senior people are clear about their roles and responsibilities from the start. At the same time, the lead Permanent Secretary may want to make it clear when a settled structure will be finalised.
- Consider the volume of correspondence, and the volume of parliamentary and press business, attached to policy areas. Ensure transitional arrangements are in place to manage an increase in correspondence in the wake of the change.

Phase 2 - Products

P3: A *Blueprint*, which sets out in clear language what the change is, the rationale for it and key delivery principles. This will be agreed by a small number of senior people involved from all affected departments.

Owner: Transition Lead

P4: A *Staff Blueprint* that provides an update to all staff setting out the rationale for the changes and practical decisions such as office location, branding etc.

Owner: Transition Lead

P5: A *100 Day plan* that sets out the overarching plan for the next 100 days.

Owner: Transition Lead

Phase 3 - Implementing the 100 day plan

The focus of this stage is continuing to implement the MoG plan, and starting to think about how the success of the MoG change will be evaluated.

Overall the plan should focus on stabilising the organisation, delivering quick wins such as efficiencies or new policies and then setting out the activity to complete the transition.

Some of the things that may be considered in this phase are:

How to involve staff in shaping the change: This is good change management practice, and staff will understand much better than others what the impact of changes will be on stakeholders and on the work in hand. The Cabinet Office *Code of Practice on Informing and Consulting Employees* says that, as a matter of practice, Civil Service organisations should have regard to the general principles set out in the EC Information and Consultation Directive 2002/14/ EC and the Information and Consultation of Employees Regulations 2004 (which generally do not apply to the civil service). Consultation with staff should take place while proposals are being formulated. However, the guidance does recognise that there will be occasions in relation to decisions on MoG changes when there can be no expectation of prior consultation. In these circumstances, employees will be given information and, where possible, should be consulted about the implementation of such decisions.

Where to guide the Departmental Board and Ministerial time: It is vital not to lose sight of major policy issues and stakeholders.

Whether additional assistance is required: Many small changes can be implemented by existing staff, but larger changes are likely to require more significant resources dedicated to managing the implementation, at the same time as the department is working to deliver any policy changes. For larger changes departments can draw on the expertise of people within Government who have experience of similar changes or outside advisers. The Chief Executive's team can direct transition leads to civil servants who have managed previous MoG changes. In addition, professional services firms will have experience of helping private sector organisations on projects of a similar type.

Advice for Exporting Departments

Departments will encounter a number of key challenges when they lose elements of their business. There are also several areas where they may have short-term responsibilities and/or can provide support to the new department. Providing HR services and secondments to assist with the transition is one such example. This section highlights the major issues to focus on, although the level of action required might be lower in some cases.

Over the first few weeks departments may want to give consideration to:

Policy: Departments will want to work out the fine details of what policy stays and goes, liaising with the Cabinet Office as necessary. Departments may also want to consider whether the residual policy mix and strategy of the exporting department needs to be refreshed.

Communication with staff: Calling an all-staff meeting to share information and be open about where uncertainties lie can be really important. This is most effective when followed by regular bulletins informing staff about the change, and more tailored sessions for those most affected.

Key stakeholders or partners: They may have moved to the new department, or now be divided between two departments. The importing and exporting departments need to liaise to ensure that communication of the changes has taken place to these stakeholders.

Support for the new department: If the MoG change happens at short notice, for a period of up to three months (or longer in some cases) exporting departments will need to continue to provide services to staff who will be moving to the new department. Such services may include paying salaries and handling legal or procurement queries, or support for press, correspondence teams, or private offices.

Annexes

Annex 1 – Finance and resource transfers

A significant part of any MoG change concerns the transfer of resources between the importing and exporting department. Such resources may be of a financial nature, or relate to headcount or assets. Whilst HM Treasury will have a strong interest in the appropriate level of resources to be transferred, departments should seek to negotiate the transfer of resources between themselves. It is important to follow the basic rule that the resources to be transferred should be sufficient to support the functions being transferred, on the basis of existing policies and any collectively agreed changes to these policies. They should not be excessive however. Resources transferred should match those received, so in particular:

- there is no claim on or benefit to the Reserve; and
- any costs associated with transition and merger are therefore managed within existing funding levels. Each department - both exporting and importing - should expect to meet some of the costs.

This section sets out a number of 'rules of the game' which departments should follow, as well as some key steps they should take early on in the process, such as establishing who the Accounting Officer is and appointing a Finance Director.

Appointing Accounting Officers and Finance Directors

It is important to establish from day one who the Accounting Officer(s) is/are in the new structure. Formal responsibility for appointing the Accounting Officer rests with the HM Treasury Permanent Secretary. Until new Estimates have been approved by Parliament, the exporting department's Accounting Officer remains personally responsible for their current request for resources including for making judgements in respect of regularity and propriety. However, for the benefits of the MoG change to be realised as intended, it is important for the new or importing department to take effective, practical responsibility for policy, decisions and processes as soon as possible. To allow this to happen, a schedule of accountabilities needs to be agreed between the respective Accounting Officers for the transition period. The HM Treasury Officer of Accounts in the HM Treasury should be consulted on the terms of the schedule of accountabilities and the National Audit Office will need to be made aware of the arrangements.

While acknowledging that the exporting Accounting Officer retains accountability to Parliament until a new Estimate is in place, the importing Accounting Officer should be invited to take responsibility for ensuring that the requirements of the Treasury's guidance 'Managing Public Money' are complied with in respect of the resources transferred to the new department as if the Estimate was in place. This responsibility would therefore include regularity and propriety, value for money, compliance with delegated authorities, liaison with Treasury on novel or contentious cases, observing control totals, management of future liabilities and arms length body compliance with their Framework Documents. However, the exporting Accounting Officer for this period will need to take assurances from the importing Accounting Officer in respect of those funds and decisions, and also from his own Head of Internal Audit.

A qualified Finance Director should also be appointed to the Departmental Board within a week at most of a new department being formed. This is a pivotal control issue which should not be deferred. Resource transfers are one of the main issues to resolve immediately when a MoG change occurs and it is crucial to have a qualified Finance Director in place who has a strong understanding of the numbers and the authority to speak for the department.

Financial provision

Wherever possible, exporting and importing departments should reach agreement on transfers, with support and guidance as necessary from the Treasury. The resources transferred should be sufficient to support the functions being transferred on the basis of existing policies and any collectively agreed changes to these policies. They should not be excessive, however. Resources transferred should also match those received, so in particular there is no net claim on or benefit to the Reserve. Where there is a dispute about resources, the Chief Executive of the Civil Service's Function should seek to resolve it.

In all the following categories the exporting department has an obligation to open its books, display the policies it has adopted and satisfy the importing department that the resources it has provided are consistent with the principle above. If they are not, adjustments should be made. Importing departments have an obligation to satisfy the exporting department that the resources they have identified for transfer do not exceed what is necessary to support the transferring functions. It is important that departments share any relevant information and recognise that the importing department is reliant on the information provided.

To calculate the financial provision to be transferred (resource Departmental Expenditure Limit (DEL) – ringfenced, non-ringfenced and administration - resource Annually Managed Expenditure (AME), capital DEL and capital AME), the normal starting point is the budget for the transferring functions in the current year. This should take into account any agreed budget exchange attached to the functions established by the transferring department.

Calculating financial provision in later years will depend on whether both departments have agreed Spending Review (CSR) settlements for the years in question and have allocated them to functions. If they have then the approach is the same as for the current year. If neither department has agreed a settlement then future funding will be decided in a Spending Review. If one department has settled and the other has not then Treasury should be consulted at an early stage on the approach to adopt.

The importing department will normally have a claim on a proportion of the exporting department's unallocated provision or departmental reserve and a proportion of any Budget Exchange (BX). The right proportion will depend on an assessment of the extent to which the risks and unforeseen liabilities for which the 'reserve' is being held back are being transferred to the importing department.

This assessment should take account of the fact that the importing department normally becomes responsible for the historic liabilities associated with the transferred functions. In general liabilities should be the responsibility of the department best able to manage them. This is usually the department taking responsibility for ongoing functions in an area. See detailed Treasury guidance for how to assess the assets and liabilities being transferred.

Efficiency assumptions should be those of the exporting department, so if the importing department can secure greater (or lower) improvements it will retain the benefit (or bear the cost). The importing department can challenge such assumptions if the efficiency assumptions established for the transferring functions are greater than for the transferring department overall.

It is expected that departments should actively look for opportunities to make efficiency savings through closer collaboration and sharing of corporate services. They nevertheless need to recognise that a department receiving a new function needs to be confident it is properly resourced.

Transfers must follow the guidance in *Managing Public Money*.

Headcount

Staff generally transfer with a function when the latter moves from one department to another. This is also the case for non-ministerial departments and non-departmental public bodies. The new headcount needs to be based on the established headcount total for the transferring functions.

Assets

Buildings (leasehold or freehold) and associated financial provision should transfer if the majority of staff in the building transfer. If this leaves either the exporting or importing department with a minority of staff in the building they should pay rent to the other, with a compensating adjustment to the financial transfer.

Other assets should transfer if they are primarily linked to the transferring functions.

Corporate Services

In some case a new department will need to establish its own corporate services such as HR and IT. However, it is important to consider whether this is required or whether these services can be provided on a shared services basis, either by a transferring department or another provider.

Where corporate services do move, additional transfers for a share of corporate services should generally be based on the marginal cost (usually per head) of the functions being transferred. These will vary according to whether the staff in question are directly reliant on the department's corporate services, or have a more distant relationship (agency staff for example). One exception is accommodation, where the associated cost should be agreed as part of any transfer of buildings. Another may be contracts for outsourced services, if they have to be renegotiated as a consequence of the transfer.

Transfers for the cost of ministerial, senior official, correspondence and press offices should depend on the proportion of the activity that is linked to the functions being transferred.

Transition costs

MoG changes can generate up-front transitional costs, such as aligning staff pay, re-branding or making changes to buildings. They also have the potential to generate long term savings. For example, either or both departments may wish to rationalise their estate following a change. In such cases they should each bear their own upfront costs and secure downstream benefits. Importing departments should expect to manage pressures for pay alignment within their (new) total budget.

The general rule is that transition costs should be absorbed; there should no net claim on the Reserve. Where this looks impossible to deliver, departments must get in touch with HM Treasury directly.

Financial and accounting adjustments

Following a MoG change a number of financial and accounting adjustments need to take place between departmental budgets. HM Treasury have separate guidance to help those involved navigate the various changes. However the main elements to consider in relation to the financial and accounting adjustments are:

- Budgets
- Supply Estimates
- Performance management
- Risk management
- Pay and workforce issues
- Resource accounts
- OSCAR adjustments (see below)

Within each of these spending areas a number of financial tools and processes need adjustment following MoG change. There are several different teams within HM Treasury who deal with the different aspects of spending control, but a department's HMT spending team are a good first point of contact. These teams need to be engaged early on to allow time for the necessary changes to be made.

A major financial change concerns the preparation of the Supply Estimates and the end-year resource accounts. While HM Treasury involvement should be sought as early as possible regarding accounting changes, guidance on Supply Estimates can be found at

https://www.gov.uk/government/publications/supply-estimates-guidance-manual

And guidance on resource accounts at:

https://www.gov.uk/government/collections/government-financial-reporting-manual-frem

Those involved in MoG changes should not underestimate the scale of the practical issues concerned with effecting financial changes. The processes concerning these changes are complex and can be time-consuming, and so sufficient time should be factored into any programme in order to allow these to be completed.

Arbitration

Departments should keep the HM Treasury and Cabinet Office informed about progress of resource transfers. In exceptional circumstances where agreement cannot be reached, the Chief Executive of the Civil Service will arbitrate, involving HM Treasury. If an issue remains, the Cabinet Secretary will be consulted, and as per the Ministerial Code, final decisions on disputes rest with the Prime Minister.

Annex 2 – Transfer of records, information and knowledge

It is important to ensure that official papers, electronic records and informally held information and knowledge are transferred to importing departments as soon as possible. Ideally this should be factored into the initial planning phases of the MoG work, since inability to access the information would present considerable risks to the conduct of business. The consequences of this risk could include the loss of vital information which could lead to substantial additional costs and reputational risk.

Senior management has an important role to play and need to take responsibility to ensure that the transfer is taken forward without loss of information, interruption to business continuity or reduction in customer or end-user services provided. A specific budget is often required to meet the costs of transfer and monitor progress.

The National Archives provide detailed guidance and advice on the transfer of records, knowledge and information. Guidance is available on The National Archives website at:

http://www.nationalarchives.gov.uk/documents/information-management/machinery_of_government.pdf

Departments should contact their Information Management Consultant at The National Archives for advice on the transfer.

This guidance is in two parts. Part 1 outlines the key lessons and guiding principles to be applied in transferring records, information and knowledge in the event of a MoG change. It is designed to be particularly relevant to senior management and those overseeing the change. Part 2 contains detailed guidance, including task lists for both exporting and importing departments. It is designed for those carrying out the transfer.

Scope

The transfer should ensure that all staff have access to the information they need to support public services. This should include information relevant to newly acquired functions. The forms of information for transfer include:

- Paper files - relevant paper records, including personnel and index files. These may be stored in a central registry or in business units. Paper should only be discarded according to a departmental retention schedule and under the guidance of the Departmental Records Officer.

- Electronic information – for example, documents held on shared drives and contacts databases, messages and attachments held on e-mail systems, and information stored in Electronic Records Management Systems, Geographical Information Systems, case management systems and datasets, or made available via wikis or the website or intranet.
- Relevant publications, guidance or training manuals and procedural information, whether in hard copy or electronic format.
- Information and publications held in departmental libraries.
- Knowledge held informally (in personal folders or not written down). To ease the transition between the two organisations maximum use should be made of existing knowledge management tools such as staff directories and intranets.

Management of the transfer process

The information transfer process needs to be owned by the departments involved, although close working with IT solutions providers and other contractors (e.g. document storage companies) will be necessary.

Depending on the size of the change, a joint Information Transition Team might be set up to carry out the work required and should be represented on the wider MoG transition team. Each stage of the transfer should be planned and documented with all parties understanding their responsibilities. The departmental record officers of both organisations should sign a formal transfer agreement once the transfer has been completed.

Management of risk and legal obligations

A security risk assessment should be carried out to ensure that appropriate levels of security are being applied. Implications for compliance with relevant legislation, including FOI and Data Protection, should be identified before information is transferred.

Digital continuity (the continued availability, usability and completeness of information) is of paramount importance, and risk to digital continuity should be identified in advance. The Senior Information Risk Owner (SIRO) should take responsibility for ensuring the identification of all information assets, their technical environment and usage and for conducting a digital continuity impact assessment. Further guidance is available at www.nationalarchives.gov.uk/digitalcontinuity

IT challenges

Any potential problems arising from the transfer of information between systems, or from the continued use of multiple legacy systems, should be identified in advance.

The transfer of electronic records poses particular difficulties because of the wide range of systems used by government departments and the need to maintain accessibility protocols. Detailed guidance has been provided and can be accessed from this page: http://www.nationalarchives.gov.uk/electronicrecords/advice/default.htm

Gaining benefit from the transfer

Opportunities to manage records and information more efficiently and effectively should be identified and acted upon, and the possibility of sharing services should be considered. The draft guidance on managing digital continuity provides a framework for identifying efficiencies arising from the disposal of unrequired information assets and technical capability - see www.nationalarchives.gov.uk/digitalcontinuity

Departments can consult with their information management consultants from The National Archives for advice on the identification of business and historically significant information to transfer.

An options appraisal for the future storage of paper records should be carried out before firm decisions are taken. Equally important, training in new information and other systems must be provided for appropriate staff at all levels.

Annex 3 – Arm’s Length Bodies

Clarity must be reached quickly about the sponsorship arrangements for any affected arm’s length bodies. There are three main types of arms-length organisations:

Non-ministerial department (NMD) - a central Government department, staffed by civil servants. It will be headed by a Board, which may be statutory, rather than by a minister.

Executive agency - a well-defined business unit, with a clear focus on delivering specific outcomes. It is part of a central Government department and is staffed by civil servants.

Non-departmental public body (NDPB) - this is not a Government department or part of one but operates at arm’s length from ministers. An executive NDPB would usually have its own legal personality and would not be part of the Crown. Such bodies would usually employ their own staff who would not be civil servants.

In some cases the announcement of a MoG change may also explicitly cover relevant arm’s length bodies. This is particularly true for large and high-profile bodies that carry out statutory or executive functions. In other cases the parent departments and accountability chains for some bodies will need to be determined in the days and weeks immediately after a change. Establishing clear lines of control and accountability is a priority. This may be straightforward but there can be issues to resolve, including consideration of mergers of NDPBs. Cabinet Office and HM Treasury should be involved in any discussions if resolution cannot be reached between departments and if proposals could lead to the creation, merger or abolition of public bodies.

The Cabinet Office’s Public Bodies Team can provide advice and guidance as needed.

Annex 4 – Key Contacts

Economic and Domestic Affairs Secretariat, Cabinet Office: 020 7276 0124 / 0631

Supports the Cabinet Secretary in providing advice on MoG changes. The Cabinet Office's primary role is to advise the Prime Minister on what changes should take place rather than implementing them. You should make contact with your department's desk officer early on in any MoG change.

Civil Service Group, Cabinet Office: 020 7271 2603 / 3510

Provides a coordination role across the Chief Executive's teams and provides advice to Transition teams. They are responsible for capturing good practice and sharing it amongst Transition teams.

Propriety and Ethics Team, Cabinet Office: 020 7276 2471
proprietyandethicsteam@cabinetoffice.gov.uk

Responsible for offering views on general propriety queries, Civil Service Code and management code issues.

Public Bodies Reform Team, Cabinet Office: 020 7271 6325 / 020 7276 2124

Responsible for the Public Bodies Reform Programme and for providing policy advice and guidance on the public bodies landscape

Parliamentary Counsel: 020 7276 6563 / 020 7276 6560

Responsible for providing advice on ministerial appointments, the establishment and dissolution of government departments and the transfer of functions between ministers and departments; and on the instructions of departmental lawyers, for drafting transfer of functions orders.

Cabinet Office Legal Advisers: 020 7276 5078 / 020 7270 5731

Responsible for ministerial salaries, status of staff, including management of civil servants, and agencies and public bodies. Cabinet Office Legal also acts as a point of contact for departmental lawyers on MoG issues.

Civil Service Employee Policy Support:

It's important to remember the people throughout any transfer and the effect the change will have on them. Civil Service Employee Policy can provide expert advice, support and guidance throughout the process and have the following dedicated teams which can be contacted via contact.us@csep.gov.uk:

- TUPE/COSOP
- Employee Relations
- Pay and Reward
- Job Evaluation
- Redundancy and redeployment

Civil Service Employee Policy also delivers a programme of introductory and advanced TUPE/COSoP Master classes in collaboration with lawyers in the Government Legal Department. For further information and dates please email: masterclasses.mailbox@csep.gov.uk

HM Treasury – please contact relevant **Spending Teams** and, on public service pensions and Fair Deal, **Treasury Legal Advisers (TLA)**.