



Financial Management of Secondments – Guidance

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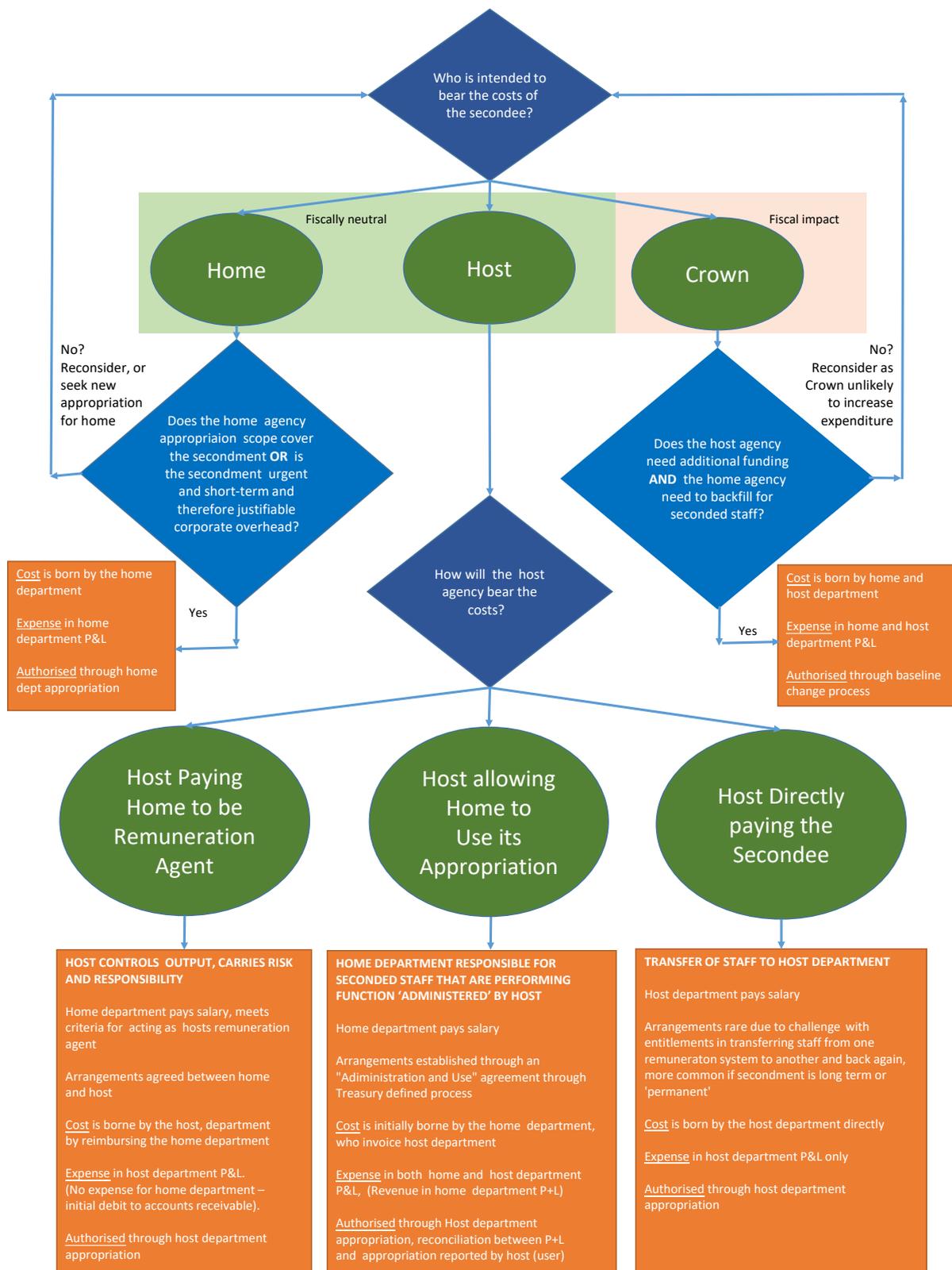
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The Treasury URL at May 2021 for this document is <https://www.treasury.govt.nz/publications/guide/financial-management-secondments>

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Overview: Guide to secondments



Scope of this guidance

This guidance covers secondments of staff from one government department (the **home**) to another government department (the **host**). While the accounting criteria in this guide may apply to Crown entities, the appropriation issues covered in this guide apply only to departments.

Secondments and redeployments are terms that can be used interchangeably for financial management purposes – this guide does not distinguish between them.

This guide does not cover relocations, where the home department staff member continues to work on home department outputs while working at another department location eg, Ministerial secondees, as these do not have financial management implications. It is intended that this guidance will be supplemented with interpretation and application guidance as best practice secondment processes evolve.

Financial management objectives of secondments

Three objectives guide the financial management of secondments and redeployments. These objectives are to ensure:

1. The desired benefits from the secondment or deployment of personnel resources are realised.
2. The costs of the secondment or deployment are appropriately allocated to the correct outputs and appropriation, and the transaction costs are minimised.
3. The risk is eliminated of inadequate statutory and financial authorisation to permit the costs to be incurred.

Note that the use of invoicing between departments is a means of achieving the second objective and is likely to be the simplest way of doing so, when the criteria set out below are met.

Ensuring benefits are realised

The baseline management requirements set out in CO(18)2 creates a set of resource allocations that represent the sum effect of Ministers approvals of proposals with financial implications. Often a staff secondment that causes a deviation from these baselines will result in net benefits. This can occur when unforeseen shocks or stresses impact either the short-term supply of staff, or the demand for their services. In such cases redeployments or secondments of staff are likely to be a valuable tool in the management of public services. Secondments are also a means for staff development, by providing for a range of experiences without the need to shift employer. Also, they recognise the spirit of public service for staff who may wish to serve where the need is greatest.

In any secondment arrangement, these expected net benefits should be articulated. Strategic financial managers, from both the home and host department, need to be able to measure the benefits and the costs, ex-ante and ex-post, to be assured that the benefits outweigh the costs. This will most commonly be able to be done by estimating the outputs enabled and outputs given up by the secondment.

Reviews of whether or not the expected benefits of the secondment or redeployment were realised should be undertaken in conjunction with performance review cycles (usually quarterly) so that lessons learned can be applied in the future.

Ensuring the costs are appropriately reported

Reporting the costs of seconded staff follow public finance accountability and funding arrangements. The personnel costs of seconded staff can be reported either:

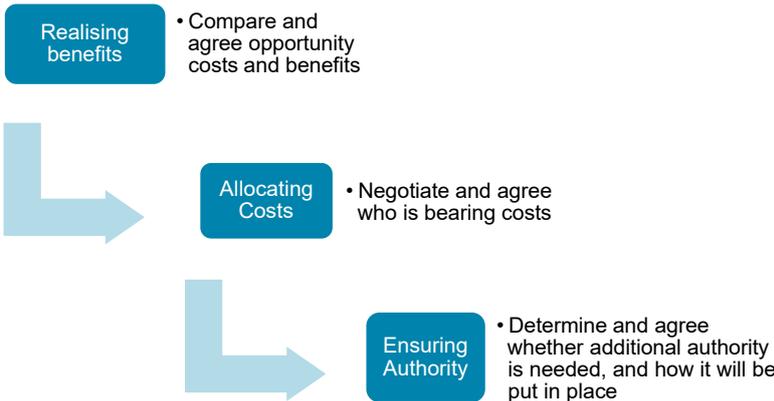
- **By the host department:** This should happen where the host is taking responsibility for the seconded staff and receives the benefits of their outputs. Responsibility for the seconded staff will include managing the secondee providing performance appraisal covering the period of the secondment, and carrying the risks associated with their work.
- **By the home department:** This should happen where the home is taking responsibility for the outputs of the host department. The essence of this arrangement is that rather than staff being transferred out of the home, work is being transferred from the host to the home.

Any well managed secondment or deployment must entail an agreement between the host and the home as to which party will bear the costs. The appendix to this guidance contains a checklist of what should be covered in such an agreement.

Ensuring statutory and financial authority is in place

It is a fundamental tenet of the public sector system that statutory (Parliamentary) and financial (Ministerial) authority must be in place to incur costs. These authorities must align with the costs as reported above.

Figure 1: Achieving financial management expectations for secondments and deployments



Options for financial treatment of secondments

Where the costs are met by the home

If the home is reporting the costs, then the home is retaining accountability for the services being produced by the seconded staff member.

If the services are within the current scopes of the home department's appropriations no additional authority will be needed. If they fall outside existing authority, then a fiscally neutral adjustment (FNA) will be required requesting Ministers to transfer authority either from an existing home appropriation or from a host appropriation. More detail on FNAs can be found in CO 18 (2).

Urgent and short-term secondments

There will be some cases where a secondment is required at very short notice to meet an emergency in the public interest, for a very limited period. These cases will usually not be accompanied by a process to reimburse the costs of the home department, because of the speed and the urgency of the secondment.

Expenditure to meet an urgent need of government, can be fairly considered to be part of risk management activity and can therefore be allocated to overhead by the home. There is an implicit expectation that public servants will organise themselves as needed to respond in the occurrence or immediate aftermath of an emergency event.

In the view of the Treasury and the Controller and Auditor-General, it is reasonable to assume the costs of secondments in such circumstances are overhead costs of the home department. Therefore, Treasury has agreed with the Controller and Auditor-General that urgent, limited secondments in the public interest may be met by the home, in the following circumstances:

- natural or manmade disasters, environmental emergencies, and health emergencies (eg, pandemics)
- failure of critical systems, infrastructure, or equipment (ie, that could critically affect NZ citizens)
- political or security emergencies/crises
- events that could not be reasonably anticipated and that make it impossible for a department to perform a statutory or critical function in the necessary timeframe or to the required standard.

Urgent situations that are created by a department through lack of planning or lack of risk mitigation do not constitute an urgent situation.

Appropriation scope risk

Note that appropriation rules continue to apply. Departments should be alert to the risk the home department is breaching its constitutional requirement to have statutory authority to incur costs that are outside its appropriations.

This guidance sets out three ways the home department can counter scope risk when it (rather than the host) is bearing the costs of the secondment:

1. **Wording of appropriations:** Ensuring the wording of appropriation scopes allows for such expenditure to be incurred within the appropriation. For example, policy advice appropriations could be worded in a sufficiently broad manner to allow different subject matters to be covered, without breaching the home department's policy advice appropriation. Also, agencies that commonly provide support for all-of-government deployments in civil defence emergencies should have appropriation scopes that permit deployments in emergency situations. However, departments should be mindful that appropriation scopes should not be too broad and/or generic so as to lose their intended purpose.
2. **Overheads:** Being able to justify incurring the secondment cost/s on the basis that it is part of the corporate risk management of government and government departments to meet emergencies in the public interest. This rationale allows such urgent inter-departmental support to be fairly allocated to overhead by the home. Departments should note that emergencies should not be considered as standard operational practice. Departments should revert to other arrangements as emergency response moves to recovery.
3. **Cabinet processes:** Making use of Cabinet processes for FNAs whereby the home's appropriation is increased, and the host's appropriation is decreased to allow the home to incur the costs of the seconded staff.

Where the costs lead to increased Crown funding

The secondment may lead to an increase in costs to the Crown if the home department "backfills" for the seconded staff, and the host needs additional funding. In such cases an imprest supply authority will be required, and an agreement that appropriations will be amended in a subsequent Appropriations Bill. This additional authority would usually be expected to be provided to the department that is responsible for the seconded or redeployed staff costs.

Where the costs are met by the host

The host is responsible for ensuring the costs of the secondee can be managed within the host department's baseline. Often the current baseline can be used by the host, for example when the secondment is addressing issues of undersupply. Alternatively, a fiscally neutral adjustment (FNA) may be agreed with the home department to request Ministers to transfer authority.

If the host is reporting costs, then this will be either because the host is:

- reimbursing the home via the payment of agreed invoices
- permitting the home agency to use its appropriations through an "Administration and Use" agreement, or
- paying the secondee themselves.

If the home is receiving reimbursement for remuneration of personnel being managed by the host, then either

- the home is acting as the host's agent in remunerating the secondee (this is likely to be the norm), or
- the home is using the host's appropriation.

Processes for when the host agency bears the cost of secondments

The following options apply where the host department has agreed to be responsible for the costs of the redeployed or seconded staff:

1. Putting in place an "Administration and Use Agreement" whereby the home department "uses" the host's appropriation to remunerate the seconded staff.
2. Putting in place a secondment agreement where the home department acts as the host's payroll agent, for which it is reimbursed. This option is expected to be the norm. However, to qualify for this approach, the home department and host department must be confident that the test is passed for the home department being the host department's agent in remunerating seconded staff.

The **criteria** for making that judgement are:

- host department and not home department manages seconded staff
 - host department and not home department does performance evaluations
 - host department rather than home department receives the output of the secondee's work (ie, host benefits)
 - host department can return secondee to home department
 - host department carries risks associated with secondees' work.
3. Putting in place a fiscally neutral adjustment (FNA) from the home to the host, with the host taking over the responsibility of remunerating the seconded staff.

The process for these three options is summarised below:

	Admin and Use Agreement	Home Agency Agreement	Fiscally Neutral Transfer
Summarised Process:	1. Agree Admin and Use Arrangements	1. Agree departmental arrangements (use checklist)	1. Agree FNA request for Joint Ministers
	2. Register agreement with Treasury	2. No Treasury involvement	2. Seek Treasury support for FNA request
	3. Finalise documentation	3. Exchange documentation	3. Obtain Joint Minister approval
	4. Home Pays seconded staff and invoices host	4. Home pays seconded staff and invoices host	4. Host pays seconded staff
	5. Host pays invoices, reports expense against appropriation	5. Host pays invoices, reports expense against appropriation	5. No inter-dept invoices, host reports expense against appropriation
	6. Home records costs against the P&L but not against appropriation, and a reconciliation item on statement of appropriations	6. Home shows no costs nor revenue (offsets the cost and revenue as agent) no P+L or appropriation impact	6. Home shows no costs or revenues

Comparison between approaches

Either one of the three approaches will successfully implement agreements where the host department has agreed to be responsible for the costs of the redeployed or seconded staff. Comparing them, the home agency agreement has the lowest transaction costs, and therefore is preferred for most secondment or deployment arrangements where the host is paying.

The revealed preference is that payment by the host directly to the seconded employee is rare, as aligning deductions, allowances and entitlements causes complications for the host seeking to pay redeployed staff the equivalent of their current remuneration. Reimbursements from the host to the home are more common and the cost of entitlements can be built into them. Similarly, the preference is for host departments to reimburse home departments without the additional work of establishing an “Administration and Use Agreement” or seeking a FNA which requires a baseline impacting agreement between host and home agencies.

The option that is then preferred, if it is available, is a secondment arrangement that establishes the home department as a remuneration agent for the host. The Controller and Auditor-General and the Treasury have discussed and agreed the criteria above in determining if the substance of the arrangement is where the home is acting as agent for the host, and should report on that basis, in accordance with PBE IPSAS 9.

If the criteria are not met, or if there is doubt that they are met, then the best option is likely to be to use an “Administration and Use Agreement” approach.

Appendix 1

Secondment Agreement Financial Management – Checklist

Note to Users: This is a checklist of questions to consider when drafting a secondment agreement. It is intended as a tool to assist in ensuring the secondment is consistent with good financial management practice. In some cases, example working for a secondment agreement has been provided.

This checklist is particularly focused on a secondment arrangement where the costs are to be reported by the host department and the home is to act as the host's payroll agent.

This checklist is not intended to provide answers to questions on secondments, but rather to encourage important questions to be settled. Compliance or non-compliance with the checklist does not permit or constrain secondment activity.

<ul style="list-style-type: none">• Is the purpose of the secondment clear? Is the person going to be working on a particular project or assisting generally with the duties and responsibilities of the Host Department?• Are the respective responsibilities of the Home Department vs Host Department vs secondee clear? <p>The Financial Management of Secondments – Guide sets out the following criteria that must be met when the home is to act as the host's payroll agent. If that is desired, these should be addressed in the secondment agreement.</p> <ul style="list-style-type: none">○ Host department (rather than home department) manages seconded staff.○ The Host department (rather than home department) will carry out performance evaluations.○ The Host department (rather than home department) has outputs delivered to them (ie, host benefits).○ Host department can return the secondee to the home department.○ Host department carries risks associated with secondees' work. • Who is responsible for paying the secondee's remuneration? The Financial Management of Secondments – Guide recommends that in relation to secondment arrangements where the <i>costs are to be reported by the host department and the home is to act as the host's payroll agent</i> the default arrangement should be that the Home Department is responsible for payment of the Secondees' remuneration on behalf of the Host Department. See below some example wording: <p><i>The Home Department will be responsible at all times for the payment of the Secondees' remuneration, on behalf of the Host Department. For the avoidance of doubt the Home Department is considered a remuneration agent for the Host Department.</i></p> <p><i>The Host Department will reimburse the Home Department for the gross remuneration paid to the Secondees for the work done during the secondment period.</i></p>	
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- How will expenses be reimbursed? See below some example wording which can be used where the Host Department is responsible for reimbursing the secondee directly:

Actual and reasonable authorised expenses incurred in carrying out the duties of the seconded position (eg, travel expenses) will be met or reimbursed directly by the Host Department on production of receipts.

- How will leave entitlements and notification work during the secondment? Below is some example wording which reflects the standard position around entitlements:

The Secondee will continue to accrue annual leave on the terms and conditions set out in their employment agreement with the Home Department. The Host Department manager will be responsible for managing any leave taken by the Secondee and for advising the Home Department during the secondment period.

Sick leave, bereavement and any other leave arrangements will remain as set out in the Secondee's employment agreement with the Home Department.

- Where will the secondee be located? Will they be based at the Host Department's or Home Department's offices? Or will they be working remotely from another location (eg, home)?

- Is the secondment part-time or full-time?

- If part-time, are the hours/days the secondee is required to work and how the hours will be recorded specified.
- If full-time, is it clear what this means i.e. is the secondee expected to work a certain number of hours a day or only on a per week basis?

- What is the term of the secondment? If it is unclear how long the secondment will last for, it may be useful to include a provision for parties to mutually agree to vary the term of the secondment. See below some example wording which addresses different circumstances:

The secondment begins on [Start Date] and will end:

- *on [End Date], although the parties may mutually agree to vary the term of the secondment and change the end date, or*
- *on expiry of the notice period required under the Secondee's employment agreement in the event that the Secondee resigns from the Home Department, or*
- *on the giving of four weeks' written notice (or less if agreed by all parties) by any one of the parties to this Agreement to the others, or*
- *in the case of serious misconduct, upon such notice, if any, as the Host Department considers appropriate.*

- Who holds the intellectual property rights for work produced by the secondee while on secondment? See below some example wording which can be used where the Host Department retains IP rights in respect of the secondee's work:

Unless otherwise agreed in writing, all work produced by the Secondee in the course of their secondment duties, and copyright in that work, shall belong to the Host Department and will continue to do so after the termination of their secondment.

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| <ul style="list-style-type: none">• Is it clear what codes of conduct, policies, procedures and practices the secondee needs to follow? Are there any inconsistencies between the policies or protocols of the Home and Host Department (eg, regarding risk tolerances).• Is it clear what the process is for performance management and/or managing any misconduct? Is there a process for the Home Department and Host Department to keep one another informed (and involved if needed) if any disciplinary action needs to be taken in respect of the secondee?• Have provisions been included covering dispute resolution, confidentiality, security, training and development? | |
|---|--|