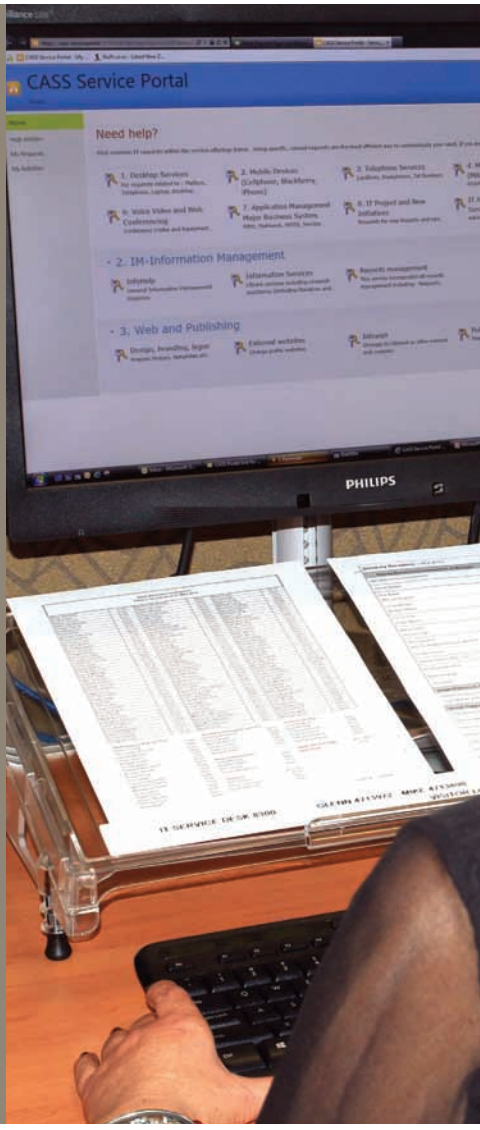
Controller and Auditor-General
Tumuaki o te Mana Arotake

Setting up Central Agencies Shared Services



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Setting up Central Agencies Shared Services

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Auditor-General's overview

In March 2012, the Department of the Prime Minister and Cabinet, the State Services Commission, and the Treasury (the central agencies) launched a shared services organisation – Central Agencies Shared Services (CASS). CASS provides human resources, financial, information management, and information technology support to the central agencies.

Using one shared services organisation to support a number of others is not a new concept. It has been tried in many countries, with varying success in achieving effective and efficient delivery of services. Within our public sector, this approach is not common. In setting up CASS, the central agencies wanted (together with other objectives) to show leadership and have CASS as a potential model for the public sector.

I wanted to know whether CASS was set up well, how effectively and efficiently CASS is performing, and whether it is proving to be a good model for others to follow. I particularly wanted to see whether the approach to setting up CASS provides lessons for other public entities.

CASS has commissioned several reviews evaluating aspects of its progress. For example, EY (Ernst & Young) carried out a review of CASS after one year of operation, which CASS delivered to the Treasury in July 2013.

My staff used EY's findings as a starting point for a performance audit. This report of our performance audit is the first review to be made public.

It is not yet clear whether CASS provides a useful model for the public sector to follow. Many lessons have been learned from setting up and operating CASS. Although some improvements have been made along the way, more are still needed.

The central agencies did not follow best practice in setting up CASS. CASS was set up by the intended date, but important and fundamental aspects of the change were not done well.

For example, the central agencies did not plan effectively for setting CASS up. They did not determine early on how CASS would operate and how it would support the central agencies' strategic objectives – the "big picture" of CASS. This "big picture" was not clear, and the move to one support agency was not well planned.

There were also weaknesses in governance and management as CASS was set up. Overall, consultation was poor and fewer experienced staff transferred than anticipated, resulting in a loss of skills and knowledge of how DPMC and SSC

worked. There was not enough focus on building a culture for CASS. The transfer of functions to CASS resulted in some avoidable initial operational difficulties.

Most significantly, the central agencies did not effectively collect baseline data to inform change management plans and allow the performance of CASS to be measured. The time and resources needed to bring systems together and to get CASS up and running smoothly were underestimated.

CASS staff should be commended for putting in extra time and effort to get services functioning effectively. However, work pressures on CASS staff have been severe in the first 18 months, with staff working long hours for many months. Morale has been low and CASS has needed more temporary staff than predicted. As an operating model, this cannot be sustained. Although we heard that the work burden is lessening, a significant risk to the sustainability of CASS remains.

Setting up CASS has benefited service users in the Department of the Prime Minister and Cabinet, who have experienced some important improvements in services. Some improvements have allowed the central agencies to better work together. However, CASS functions are performing at different levels of effectiveness. The finance function is performing most effectively. The human resources function has been the most difficult to establish and slow to improve its effectiveness. The effectiveness of information technology was strained at first by having to address problems more serious than anticipated in the Department of the Prime Minister and Cabinet, but is now improving.

CASS is not yet consistently providing services at the level expected by service users. Some service users told us that they might look elsewhere for the services they need. This could incur further costs to the central agencies. Further work is needed to improve the effectiveness of services and strike a balance between standardisation of services and flexibility that appropriately accommodates the differences between the central agencies.

CASS has estimated some savings since it was set up and forecasts further cost reductions. However, the baseline information collected before CASS was set up was not robust. Despite some effort to gain good information after CASS was set up, the baseline information used for comparisons includes some estimates, and I cannot confirm whether the estimates are based on reasonable assumptions. It is important for CASS to set realistic targets that do not undermine its resilience and sustainability.

The central agencies are committed to improving CASS and have now formed a short- and long-term view of CASS's role and strategic priorities. CASS and the central agencies recognise the importance of making improvements to ensure a

smooth running operation before considering expansion. The recommendations I have made should help.

My report also includes a list of important points for other entities that are considering a shared services arrangement. These points are drawn from the lessons learned in setting up CASS and from good practice in other organisations and jurisdictions.

I thank the staff of CASS and the central agencies for their time and assistance during our audit.

Lyn Provost
Controller and Auditor-General

18 June 2014

Our recommendations

We recommend that:

1. the State Services Commission, the Department of the Prime Minister and Cabinet, and the Treasury (the central agencies), together with the CASS Partnership Board:
   - provide clear strategic direction for CASS;
   - improve and clarify responsibilities for strategic decision-making about how CASS prioritises and delivers services; and
   - support the Director of CASS to ensure that CASS policies, services, and capability are in line with its strategic direction.
2. the central agencies, the CASS Partnership Board, and the Director of CASS ensure that CASS is staffed in a way that enables effective, efficient, and sustainable delivery of services;
3. the central agencies, the CASS Partnership Board, and the Director of CASS ensure that CASS is operating effectively and efficiently in delivering services before extending CASS to include other functions or support other public entities; and
4. the Director of CASS:
   - use the results of internal and external reviews of CASS, as well as its service user survey, to improve how effectively and efficiently CASS operates;
   - through a systematic approach, build the effectiveness of CASS human resource services to fully meet the human resources needs of the central agencies; and
   - comprehensively review the state of CASS information communication technology services and use the results to set and action information communication technology priorities to achieve CASS objectives.

Part 1
Introduction

1.1 In this Part, we discuss:

- why we carried out our audit;
- why Central Agencies Shared Services (CASS) was set up;
- how CASS has been set up;
- how CASS is funded; and
- how we carried out our audit.

Why we carried out our audit

1.2 The Government's Better Public Services programme has, as a priority, achieving a more effective and efficient public service.[1] Functions such as human resources (HR) and finance underpin the effective and efficient delivery of public services. Agencies are exploring how these functions are best organised and delivered. One approach is for one agency to carry out such functions for several other agencies. This is commonly referred to as a shared services arrangement.

1.3 CASS was set up in March 2012 to merge corporate functions from the Treasury, the Department of the Prime Minister and Cabinet (DPMC), and the State Services Commission (SSC).[2] These agencies are known as the central agencies because they share a State sector-wide perspective. Along with the General Chief Information Officer and other functional leaders[3] in government, they also refer to themselves as "the Corporate Centre". This "Corporate Centre" positioning – working together to lead, co-ordinate systems, and support the public sector – was part of the expectation that CASS would be a model for others to follow.

1.4 The CASS "decision document" (December 2011) described CASS as a way for the central agencies to lead the public sector by example. The senior leaders of the central agencies also saw CASS as a way to show leadership to the rest of the public sector on sharing service delivery.

1.5 Because this approach was relatively new in our public sector, we wanted to assess how well CASS was operating and whether the central agencies had successfully managed the changes needed to set up CASS. To achieve good outcomes, it is important to effectively manage any change process. We wanted to find out whether, in setting up CASS, the central agencies had shown leadership and provided a model for the rest of the public sector to follow when setting up

1 The Better Public Services programme encourages agencies to change, develop new business models, work more closely with others, and use new technologies to meet challenges. See the State Services Commission website at www.ssc.govt.nz.

2 *Memorandum of Understanding relating to CASS between the Department of the Prime Minister and Cabinet, the State Services Commission, and the Treasury*, page 1.

3 See www.ssc.govt.nz/bps-functional-leadership-papers-released.

a shared service. Importantly, this was one of the main objectives for setting up CASS when it was approved by the Government.

1.6 The four functions that were transferred to CASS were:

- information technology and information management, referred to collectively in this report as information and communications technology (ICT);[4]
- people management (human resources, or HR); and
- financial management (finance).

1.7 CASS had been operating for about 18 months at the time of our audit fieldwork. This was enough time to assess whether the central agencies had shown leadership in how CASS was set up, and to assess CASS's progress towards delivering the intended outcomes. We also wanted to draw out any early lessons for the public sector.

1.8 At the time of our audit, CASS was in its "transition" phase of standardising and developing operational processes and systems. We assessed whether CASS was delivering services at the level we would have expected after 18 months of operation.

Why Central Agencies Shared Services was set up

1.9 The central agencies had been talking for some years about restructuring support services in the Treasury and setting up a shared service. In a paper to Cabinet in July 2007, the Treasury concluded that sharing services would provide limited cost savings but might provide other benefits. In 2008, the central agencies commissioned EY to consider options for improving the central agencies co-ordination.[5]

1.10 In May 2011, the chief executives of the central agencies decided to set up a shared services arrangement. The merging of corporate services was intended to:

- increase overall effectiveness, efficiency, and consistency of corporate services;
- address "urgent" capability and resilience[6] problems in DPMC;
- act as the basis for closer working between the central agencies; and
- show leadership to the public sector.

1.11 The chief executives agreed to situate CASS as a business unit within the Treasury, which had office facilities available and would supply most of the staff for the new

4 The New Zealand Government ICT Strategy and Action Plan states that: "ICT spans Information Management, Technology Infrastructure, and technology-enabled business processes and services."

5 EY is a global professional services firm based in London. EY may refer to one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. See the EY website, www.ey.com.

6 By "resilience", we refer to an organisation's ability to support its core business and delivery of services effectively now and in the future.

organisation. This required relocation and bringing together different systems and organisational cultures. Although cost savings were not highlighted as an objective in the CASS vision statement, the chief executives expected that savings and efficiencies would be gained through streamlining services and economies of scale.

1.12 CASS describes the merger, in its 2013 business plan, as being in three phases:

- **Establishment** – from the decision to proceed with CASS ("initiation") to the establishment (or "go live") date, 7 March 2012;
- **Transition** – from the establishment date to the end of 2013; and
- **Transformation** – from the end of the transition phase to the point when CASS is fully operational. (This phase might continue beyond the first four years because CASS expects to continue to enhance and improve its operation).

1.13 Figure 1 outlines the timeline for CASS from initiation to full operation.

Figure 1
Time line for managing the change to a shared services arrangement

Phase	Date	Milestones
Initiation	August 2010	Appointment of the Integrated Corporate Services (ICS) Steering Group
	May 2011	Paper advising Cabinet of proposal to set up a shared service
	July 2011	Decision to merge
Establishment: design of CASS, planning and change management process, and relocation of staff to the Treasury.	July 2011	Appointment of the CASS Change Management project manager, the "Establishment Director"
	December 2011	Appointment of a new Establishment Director on departure of the original Establishment Director
		Staff reconfirmation process
		Shift to the Treasury's premises
	7 March 2012	Establishment ("go live")
	12 March 2012	Set up of CASS Partnership Board
Transition: "bedding in", standardising and building common processes and systems, and finalising service-level agreements.	July 2012	Approval of the Central Agencies Development Programme
	July 2013	Review of lessons from CASS – One year on (EY review)
	September 2013	Completion of the Central Agencies Development Programme
	19 December 2013	Revision of Partnership Board Charter

Phase	Date	Milestones
Transformation: further development and full standardisation of processes and systems, and long-term strategic planning for CASS.	2016/17	Expected that CASS will be fully operational by this time, but will continue to improve and enhance its operation.

How Central Agencies Shared Services has been set up

1.14 CASS is a business unit of the Treasury and its staff are employees of the Treasury.[7] In June 2014, CASS had 65 full-time equivalent staff and 26 fixed-term staff (some of whom have been contracted to cover the move from the Ministry of Civil Defence and Emergency Management into DPMC). CASS is a relatively small shared service operation compared to overseas shared service organisations. CASS provides services to about 700 staff in the central agencies.

1.15 CASS is headed by a Director who has decision-making responsibility for CASS's day-to-day operation. The Director of CASS reports to the Partnership Board (the governance body for CASS), and to the leadership teams of the central agencies.

1.16 The Partnership Board has responsibilities for strategic decision-making and prioritisation for CASS, delegated by the chief executives. Senior managers from the central agencies sit on the Partnership Board as representatives of their agencies and as advocates for CASS in their agencies. The Deputy Secretary (Strategy, Change, and Performance) from the Treasury chairs the Partnership Board.

How Central Agencies Shared Services is funded

1.17 The central agencies contributed to setting up CASS on a proportional basis. Figure 2 shows that the establishment costs, as estimated in the business case for CASS in December 2011, totalled $6.27 million.

Figure 2
Establishment costs of Central Agencies Shared Services, by funding agency

	The Treasury $m	SSC $m	DPMC $m	Total $m
Operating expenditure	2.26	0.85	0.53	**3.64**
Capital expenditure	1.64	0.61	0.38	**2.63**
Total capital and operating expenditure	**3.90**	**1.46**	**0.91**	**6.27**

Note: Figures have been rounded.

7 In this report, we use "CASS" to refer to the business unit and its staff and operations.

1.18 According to information provided by the Treasury, CASS establishment costs are estimated at about $3.2 million, about $3.07 million less than estimated in the 2011 business case.[8] These figures include redundancy, implementation, and transition and capital expenditure costs, but do not include subsequent enhancements and replacements.

1.19 The central agencies fund CASS's operations from their budgets proportionally, working out the amounts every year based on how services are used. Figure 3 shows the funding allocation set for 2012/13 in the 2013 business plan.

Figure 3
Funding allocation set for Central Agencies Shared Services, for 2012/13

The Treasury	SSC	DPMC	Total
56.8%	24.5%	18.7%	100%
$8.14 million	$3.52 million	$2.69 million	$14.35 million

Note: Figures have been rounded.

How we carried out our audit

1.20 We interviewed and held focus group meetings with a range of CASS staff and staff in each of the central agencies to gather their experience of CASS's establishment and service delivery. We reviewed a wide range of documents, including internal and external review reports and policy documents of the central agencies. We drew on our own in-house ICT expertise and from overseas sources about shared services to help inform our expectations and assess CASS against them.

1.21 In March 2013, the Treasury commissioned EY to evaluate how CASS had been set up (the EY review). In July 2013, EY provided its report, *Review of lessons from CASS – One year on*, to the Treasury. SSC's Performance Improvement Framework reviews of the central agencies also comment on the performance of CASS. Our performance audit built on the findings of the EY review and also considered findings from SSC's reviews and other internal reviews. This report about our audit is the first review of CASS to be published.

8 See the Treasury's *Annual Report 2011/12*, available at www.treasury.govt.nz. Additions for 2011/12 include $1.25 million transferred from SSC and DPMC with the set-up of CASS.

Part 2
Planning and managing the change

2.1 In this Part, we look at how the central agencies managed the change to set up CASS, up to its start date on 7 March 2012. We assess whether the central agencies achieved the goal of showing leadership to the public sector in how they set up CASS, including:

- whether there was a clear rationale for a shared services arrangement;
- whether the central agencies defined how CASS would work and effectively planned the change;
- whether governance and management was effective when CASS was being set up;
- whether the central agencies managed setting up CASS well; and
- whether the central agencies collected appropriate baseline information about corporate functions and used this information effectively to set up CASS.

Rationale for a shared services arrangement

2.2 The central agencies identified the drivers for improved delivery of corporate services but those drivers changed in emphasis in the lead-up to setting up CASS.

2.3 The proposal provided to Cabinet in May 2011 focused on value for money, estimating cost savings of $245,000 in the two years after establishment due to more efficient, integrated services. In December 2011, the business case for CASS identified risk reduction, efficiency, and leadership of the public sector as drivers. Improving the resilience of back-office services for DPMC and SSC was also a driver. The small size of these entities had made it difficult for them to ensure that they had effective, efficient, and resilient support services. For example, DPMC had made little investment in its systems, particularly in ICT.

2.4 The chief executives of the central agencies decided to set up CASS after carrying out an options appraisal. An options appraisal is strongly advisable for an organisation working on solutions to service delivery problems. The central agencies' Integrated Corporate Services Project commissioned EY to produce a report, *Central Agency Collaboration*, in 2008. That report outlined various options for better collaboration of front- and back-office (corporate) functions, including setting up a shared services arrangement. In 2011, the Integrated Corporate Services Project further refined options for better collaboration of corporate services. The shared services arrangement was the preferred and subsequently agreed option, based on an assessment of strengths, weaknesses, and risks.

Not enough operational definition and planning

Lesson 1

A clearly defined operating model together with detailed change management plans are essential to an effective change.

2.5 Overall, the merging of functions into CASS was carried out under significant time pressure. There was no cohesive or comprehensively detailed change management plan that reflected an understanding of the different businesses' needs.

2.6 The central agencies produced high-level plans for setting up CASS. The business case outlined a broad approach to managing the change and there were some overarching plans for communication, consultation (with affected staff and service users), and the transition to a shared services arrangement. These plans provided some broad timelines for actions but did not include details, were not clearly resourced, and were not flexible enough to allow for developments along the way.

2.7 We did not expect planning in minute detail for every eventuality, but the plans we saw were not detailed enough for the purpose they were meant to serve.

2.8 There were no detailed plans for transferring the four corporate support functions. Much had to be done in a short period of time (10 months), and it was clear from talking to staff that many problems were not planned for or resolved.

2.9 Despite deficiencies in planning, senior management insisted on no delay in setting up CASS. DPMC's needs were seen as increasingly urgent and the SSC's lease for its premises was due to expire. The intention was that further planning to stabilise and consolidate operations would continue after CASS was established.

2.10 There were no effective plans for how CASS would support three different agencies with different cultures and operating processes. There was no clear view on what processes might be standardised and by when, nor consideration given to ensure that there were appropriate resources to support three different agencies.

2.11 The business case envisaged setting up transactional services by March 2012 and developing a more standardised and integrated approach to service delivery after CASS was set up. However, the lack of detailed and effective functional planning adversely affected some areas of service delivery. These problems are recognised by the central agencies and clearer plans for how CASS should operate are being developed.

2.12 Detailed plans were produced for consulting staff, for the redundancy process for staff directly affected by the structural change, and for recruitment. The change management team broadly adhered to the dates in these plans. These aspects of the change were better managed because of more effective planning, but, as we discuss later in this Part, did not include effective enough consultation.

2.13 As part of the planning for a shared service, the central agencies looked at international experience. The business case referred to international experience on how shared services had operated. Potentially valuable lessons were drawn from the United Kingdom and Australia. The lessons were that it was important to:

- retain institutional memory and knowledge on the governance board to help keep traction and initiative;
- gather accurate information and data to provide baselines; and
- consult and communicate with those affected by changes.

2.14 These lessons were not fully applied during the change to a shared services arrangement.

Weaknesses in governance and management

Lesson 2

Clear and effective governance and management arrangements are important for successful change.

2.15 The chief executives set up a project governance group with representatives from each agency and appropriately delegated responsibility for decision-making about the change process, monitoring progress, and managing risk. There was also clear direction and leadership to set up CASS by 7 March 2012.

2.16 However, because plans for setting up CASS assigned responsibilities for strategic but not operational actions, we found it difficult to identify how the project governance group was kept informed of progress and able to ensure that change was introduced effectively. Staff we talked to also viewed the project governance group as ineffective, because it was too removed from the process to influence it. Instead of carrying out a key role, the project governance group played a peripheral and detached role throughout the change to a shared services arrangement.

2.17 The three chief executives also appointed a consultant to the position of "Establishment Director" to manage the change process. The Establishment

Director reported to the governance group and led a change management team. Although this was an appropriate decision, it appeared from the documentation we reviewed that responsibilities and accountabilities for effectively managing the change were unclear. This contributed to some staff (those directly affected by the change) feeling unsupported.

2.18 The original consultant left midway through the change process and a new Establishment Director was recruited.

Important set-up elements not done well

Lesson 3

An effective change management process needs to be well executed and well resourced, and should include effective communication and consultation, retention of essential skills and knowledge, and clear processes for recruitment and transfer of functions or activities.

2.19 Some aspects of the change process were effective. The change team kept on track in terms of timelines, and the governance group acted quickly to replace the Establishment Director. The change team ran an effective process to recruit staff to fill permanent positions, used the learnings from the consultation process to improve further consultation, and brought in extra staff where it identified the need as the process progressed.

2.20 However, important aspects of setting up CASS (such as consulting staff and service users, retaining skills and institutional knowledge, and building a culture for CASS) were not handled well. There were initial operational difficulties that should have been foreseen and mitigated.

2.21 In addition to insufficient detailed planning for the change and weaknesses in governance and management, not enough resources were allocated to carry out the change. There was no dedicated HR support until later in the process, and there were no change "champions" or staff dedicated to ensure clear and effective communications.

2.22 Feedback to us from staff directly affected by the change process indicated that initial consultation was poor. Staff received a comprehensive consultation document in October 2011. This document outlined the proposed functional elements to be transferred, staffing structure, and recruitment timeline. However, the document contained a number of inaccuracies about functional transfer and staffing structure, overstating the number of potential redundancies. A revised, more accurate, consultation document was then released, but staff confidence in

the process had already been damaged. The recruitment and selection process for the new structure generally went well, although several positions remain unfilled and many temporary staff continue to be employed.

2.23 Staff in the central agencies who would be users of CASS services (service users) were not consulted effectively during the change management process. Ineffective consultation resulted in inaccurate information about services. This meant that CASS did not meet the expectations of service users. This was particularly apparent in the Treasury, where staff we interviewed expressed disappointment with the level and type of service that they were receiving. As well as not managing expectations, unsatisfactory consultation also led to a perceived lack of customer focus from CASS, because the needs of service users were not perceived as being fully considered.

2.24 In the HR and finance functions, fewer staff (and, therefore, less knowledge of DPMC and SSC processes and culture) transferred than anticipated. This, combined with the lack of detailed planning for permanent staffing resources required after setting up CASS, contributed to staff working long hours. The use of temporary staff helped with some resourcing problems. In Finance, efforts made to fill these gaps of knowledge included retaining two key accounts staff from DPMC and SSC for some months after the establishment date. However, a lack of knowledge – particularly of DPMC and SSC processes and culture – resulted in operating problems after establishment.

2.25 Although there was documentary evidence to suggest that cultural change was considered, there was little in the way of a managed approach to build a clear culture for how CASS would operate internally. An important part of setting up an effective team is for management to understand the type of culture that they would like staff to aspire to. Without that clear view, the culture of CASS has been allowed to develop in an unplanned way. This has sometimes limited CASS's customer focus and has affected how well the organisation has functioned.

2.26 The transfer of the four functions varied in effectiveness. CASS experienced many initial operational problems after the March 2012 establishment date, such as ICT staff not having access to some areas of DPMC because appropriate security clearance was not applied for, or CASS staff not having security passes to visit DPMC or SSC. This affected the ability of CASS staff to quickly introduce changes for critical services. More effective planning should have resolved or mitigated these and other problems by the time of establishment. Instead, CASS experienced delays in further developing the shared service function while sorting out establishment and service delivery problems that could have been resolved

earlier. We discuss the differing rates of progress for the four functions in more detail in Part 3.

Ineffective collection of baseline data to measure progress

Lesson 4

It is essential to gather detailed data about the range and level of services, functional costs, and the level of maturity of the service functions, to provide accurate baselines for determining future investment and to measure progress.

2.27 The most significant problem we found in our audit was a lack of thoroughness in gathering information to form a basis for working out what CASS needed to include in its scope, and to inform the change planning. Although CASS commissioned a later analysis of ICT functions, carrying out this work sooner would have helped establishment planning.

2.28 The central agencies used Benchmarking and Administrative Support Services (BASS) data to set the level of service delivery required. Appendices to the business case issued in December 2011 outlined baseline information on cost and numbers of staff for each of the four transferring functions. However, the collection and use of detailed information on the level and type of service delivery was not good enough, requiring further work after the establishment date.

2.29 We were told that, in some instances, extensive information was collected by some staff within the central agencies but not "picked up" by the consultants tasked to produce initial baseline data. It was clear from the first consultation document that there were several inaccuracies in describing the services transferring, such as information management services and HR's capacity required to deliver transactional services.

2.30 Detailed assessments of how well the four functions were functioning in each agency (maturity assessments[9]) should have included the collection of data about the level and type of services that were being delivered, accurate costs of the delivery of these services, and the performance level of these services before transferring.

2.31 There was no evidence of any performance information collected before the transfer of services to set a common understanding and planned approach to service delivery. This information would have also supported a better understanding of the resources and capability required and where to focus future investment.

9 "Maturity assessments" measure functional and organisational capability and performance effectiveness.

2.32 CASS carried out its own review of early lessons learned in August 2012. The review highlighted the need for better understanding of the business needs of the central agencies and the potential benefits of a shared services arrangement. CASS management and the Partnership Board acknowledge that the collection of better information on how services were delivered before establishment would have improved initial delivery after establishment.

Part 3
Progress in achieving the desired objectives

3.1 When CASS was set up in March 2012, its objectives were:

- minimising risk through increased resilience;
- increasing efficiency and effectiveness of services; and
- enabling closer working between the central agencies and showing leadership to the public sector.

3.2 In this Part, we discuss whether CASS:

- monitors and reports on progress adequately;
- has reduced risk through increased capability and resilience;
- is performing its functions effectively and providing services at a level expected after 18 months of operation;
- has achieved cost savings; and
- has enabled closer working between the central agencies and shown leadership to the public sector.

Incomplete measures for monitoring and reporting on progress

Lesson 5

Define clear operational objectives (matched to the strategic objectives of the businesses being served), set measurable performance targets, and report accurately and promptly against those targets to monitor progress.

3.3 The central agencies have not yet adequately defined how they expect CASS to operate and deliver its services, and CASS does not yet have good performance indicators. Because of this and the lack of baseline information, CASS has not adequately monitored and reported on its progress so far.

3.4 CASS has reported progress against a limited set of service performance measures based on a Service Catalogue[10] that it has prepared. At the time of our audit, the measures were incomplete – they were mostly for Finance and the IT service desk, with only a few for HR. The Treasury's *Annual Report 2012/13* noted this limited set of performance measures and stated that CASS was making progress as expected.

3.5 The 2013 business plan for CASS acknowledged that its performance measurement processes were still being developed. CASS is carrying out some

10 The Service Catalogue and its companion document, the Service Level Agreements, set out the range of services that CASS provides to the central agencies, and the level and timeliness of provision that service users can expect. The documents are available to service users on the agencies' intranets.

performance reporting improvements, such as monthly reports to the Partnership Board on progress against budget.

Improved service resilience but sustainability risks remain

3.6 Setting up CASS has significantly improved the capability and resilience of DPMC's corporate services, which was one of CASS's primary objectives. CASS and DPMC staff told us that some functions are now much improved, such as payroll, ICT helpdesk response, and ICT resilience. Better ICT capability is still needed to respond to urgent requests (for example, to enable DPMC support for Cabinet) and security requirements.

3.7 These improvements are in line with the June 2013 Performance Improvement Framework report by the SSC about DMPC.[11] The report noted that CASS has a vital task to perform in supporting DPMC to prevent a failure of ICT infrastructure, which could lead to "undue risk" to the Government. DPMC did not have the budget to upgrade its ICT system, or to meet expansion requests for enhanced security. DPMC needed to gain broader staff capability within a small workforce, and to mitigate the risk of depending on one individual for specific responsibility or knowledge.

3.8 The lack of effective planning for the early phase of operations after March 2012 meant that permanent and temporary CASS staff worked many long hours to set up CASS core business. This adversely affected staff morale; we were told that CASS risks staff "burnout" and high turnover, and might find it difficult to attract suitable staff. CASS relied on temporary staff to supplement the 65 permanent, full-time equivalent staff, and to provide flexibility to cover peaks in activity.

3.9 At first, 13 temporary staff worked in CASS. At the time of our audit (two years on), there were 26 temporary staff, including staff brought in to cover the move from the Ministry of Civil Defence and Emergency Management into DPMC. In our view, a risk to the sustainability of CASS remains through having a high proportion of fixed-term staff. Although we heard that the work burden (and need for temporary staff) is reducing and staff turnover is at an acceptable level, future growth in operations could increase the workload again.

3.10 We note that CASS is now setting up a programme office to manage ongoing projects and to avoid the costs and continuity problems of recruiting fixed-term staff.

11 Available at the State Services Commission website, www.ssc.govt.nz.

Not all functions performing effectively

Different functions are performing at different levels of effectiveness

3.11 In March 2013, CASS carried out maturity assessments on the effectiveness of each of the four functions that transferred (now in three teams, Finance, HR, and ICT). The assessments showed that they are performing at different levels of maturity, with all functions yet to achieve full effectiveness. The 2013 business plan set targets to improve the performance of all of its functions.

Finance is the most effective function

Lesson 6

Working to get processes and systems in line before establishment helps to speed up transition and ensure that services are delivered better.

3.12 Finance is the most effective of the transferred functions and has been the most successful in supporting the central agencies at both transactional and strategic levels. The finance team achieved a range of improvements as well as completing the change process effectively. The team then produced a strategic plan in August 2012 that clearly set out its purpose and intentions. The finance team has provided managers with effective financial reporting and with support and training for managing their budgets. Staff in the Treasury told us that the service had reduced while CASS built up its services, but the finance team has now enhanced the financial support provided to all three central agencies.

3.13 Putting a common financial system into effect early helped set up this function faster and ensure that it was operationally effective. Before CASS was set up, the three finance teams had been working towards a common system and process, getting financial management functions and systems into line, which greatly helped service delivery. Most of the permanent finance staff were already employed in the Treasury. This made the staffing transition easier and avoided the effects on productivity or loss of morale that were experienced by the other functions.

3.14 The CASS Finance Manager role currently incorporates the role of Chief Financial Officer for the three central agencies. This means that the CASS Finance Manager is responsible for:

- providing strategic advice to the central agencies about financial services, as Chief Financial Officer; and
- delivering those services, as CASS Finance Manager.

3.15 It will be important for the central agencies to keep this arrangement under review to ensure that there is appropriate separation between these responsibilities.

HR function is operating effectively in some areas but has been slowest to gain momentum

Lesson 7

For functions such as human resources, ensure that adequate attention is given to respecting and supporting the different cultures within the agencies and, where appropriate, bringing together those different cultures in a more standardised approach.

3.16 The HR function was adversely affected because the team did not start with a systematic, co-ordinated approach to the services it should provide. At first, HR did not have enough staff to support three different cultures with diverse processes and practices. This has resulted in inconsistent service delivery (as indicated in its maturity assessment). We heard from some service users (senior staff) that the HR team's service delivery reduced in terms of systems, management information,[12] and capability. This reduced the effectiveness of aspects such as recruitment, organisational development, and staff learning and development.

3.17 Difficulties have arisen from:

- having to do many transactional tasks in three different ways to suit each agency;
- a lack of capability and flexibility to support high-demand or peak periods, such as recruitment campaigns;
- not yet enough understanding of how to work effectively with the organisational cultures and practices of the central agencies; and
- a lack of effective consultation and communication to work out how to support the central agencies' differing strategic objectives for organisational and staff development.

3.18 CASS is reviewing the HR model. The HR team is working on policies and processes that support the central agencies' strategic priorities, such as the Treasury's diversity policy, and learning and development opportunities that are tailored to the needs of the individual agencies. The team is also introducing a new electronic recruitment system for the three agencies. The HR team has made other improvements, such as dashboard reporting and providing employee information

12 We note that the 2013 business plan states that: "[CASS is working to implement] a Human Resources Information System (HRIS) to provide a single, reliable source of information for Managers, Staff, Finance, and HR ... within a highly automated environment."

to service users, introducing a new payroll system, and greater transparency and consistency in remuneration processes. The HR team has improved in capability and the overall resilience is stronger than it was before CASS was set up.

3.19 In our view, HR would benefit from developing its capacity further to support the three different cultures and operating procedures of the central agencies. Where appropriate, it would also be helpful to work with the central agencies to standardise some process and procedures. This could lead to efficiency savings. The central agencies (through the Partnership Board) have agreed on some processes that can be aligned, such as remuneration and setting employment terms and conditions. In our view, the central agencies need to further consider whether other processes should be aligned.

ICT effectiveness was strained at first due to weak systems and is now improving

Lesson 8

Use appropriate industry or government standards to work out levels of capability in each function and to prepare processes for addressing agency needs. Develop an Information and Communications Technology strategy to ensure that the technology work programme is prioritised to meet strategic business needs.

3.20 Effective planning for ICT systems and processes and how they would work was lacking. This contributed to increased demand for ICT services and "help desk" requests in the months after CASS was set up. Soon after CASS was set up, it became clear that the central agencies had considerably underestimated the work needed to allow the central agencies to operate with common or compatible ICT systems and processes.

3.21 CASS commissioned a comprehensive analysis from Davanti Consulting (the Davanti review), produced in June 2012. The Davanti review showed that DPMC and SSC required greater investment and resources for ICT. The Davanti review identified the existing state of affairs in detail, linked functionality requirements to the business objectives, and included some "transformation mapping" (laying out the order and prioritisation of work to complete the transition).

3.22 Based on the Davanti review, CASS put in place the Central Agencies Development Programme (the Development Programme). This was a series of projects for improving ICT maturity to support each function within CASS and for achieving a unified and centralised ICT structure to serve and support the central agencies. After a lack of direction and planning early on, CASS and the Partnership Board revised the Development Programme to allow it to be completed.

3.23 Overall, CASS carried out the Development Programme effectively and to time. The "Final Closure" report of the Development Programme showed that many significant ICT and finance projects were completed, including several strategies for aspects of ICT, standard operating procedures, the Service Catalogue, and prioritisation frameworks for business transformation and consolidation. Reviews of the Development Programme indicated that CASS adhered to good practices in project management and that reporting was regular and sound.

3.24 CASS has now completed a draft overall strategy for ICT that aligns projects and activities with strategic objectives. The Development Programme is being completed, but it was unclear how the Development Programme projects matched CASS's strategic priorities. In some instances, the lack of an overall strategy until now has allowed less urgent projects to be prioritised over basic functional needs. Staff are capable and committed but have been stretched with these competing priorities. CASS has drawn from day-to-day staff resources to complete essential work on its ICT infrastructure and install necessary systems in DPMC.

3.25 In our view, CASS has not used the most effective framework for understanding the current state of ICT maturity of the central agencies. CASS has used the Information Technology Infrastructure Library, a sound framework for managing ICT service delivery, to deliver and improve its operational services. A more comprehensive framework – for example, the COBIT[13] standard – would ensure a sound alignment of the ICT strategy with CASS's objectives and goals.

CASS not yet consistently providing services expected by users

3.26 Service users we talked to have experienced some improved services, such as progress with IT help desk, financial reporting, and supporting managers to better manage their budgets. However, many service users, including some at senior levels in the central agencies, expressed concern about whether CASS would improve enough to provide the support they required or expected.

3.27 The service users we talked to indicated that they expected CASS to make more progress towards delivering services effectively. The time and effort that CASS has put into building the basic systems and processes that support the central agencies has not always been visible to service users. Also, workload pressure has meant that CASS staff have not always been able to deliver the expected level of service, and users have become dissatisfied.

13 COBIT (originally, Control Objectives for Information and Related Technology) is a framework for developing, implementing, monitoring, and improving information technology governance and management practices. It incorporates many industry standards and resources, including Information Technology Infrastructure Library and related standards from the International Organization for Standardization. See www.isaca.org for more information.

3.28 CASS staff are expected, as part of their job description, to build and maintain relationships with service users, to manage expectations and improve responsiveness to users' needs. However, the Partnership Board and CASS need to ensure that there is better communication to support improved service delivery and help to better manage the expectations of service users.

3.29 The results of a service user survey carried out in September 2013 indicate that service users do not fully understand what CASS does. CASS has set out in detail the services that it provides in its Service Catalogue and Service Level Agreement documents to make clear to service users what level of service to expect. However, service users have found the Service Catalogue difficult to use. Service users said that it was difficult to access the Service Catalogue or training in how to access services, and that CASS neither focused on customers nor communicated effectively.

3.30 In our view, CASS has responded too optimistically to feedback from service users. Feedback from the service user survey in 2013, and through SSC's Performance Improvement Framework reviews, pointed to some service delivery improvements, but also to the need for significant progress.

3.31 Contrary to CASS's assessment of risk, some service users told us that they were considering seeking independent solutions to their service needs, which may incur further costs to the central agencies. At the time of our audit, CASS had yet to work out how to improve its response to the survey. CASS needs to quickly plan and put into effect its response, and communicate this effectively to service users.

Limited information about cost savings

Lesson 9

Good information about costs is needed to provide a baseline to estimate savings accurately and set realistic future targets for further savings.

3.32 Efficiency is a secondary driver for CASS, because its small scale does not allow for significant economies of scale. However, in the current constrained fiscal environment, all government departments need to seek opportunities to make savings. CASS has considered where it can make efficiency savings, such as rationalising ICT upgrades when needed for the central agencies, and has also aimed to show operational savings.

3.33 After the establishment date, CASS revised the initial baseline information to gain better baselines for future comparisons. This has allowed CASS to estimate savings in costs and improvements in service efficiency. CASS estimates savings of

$1.8 million since it was set up, but also acknowledges in the 2013 business plan that the estimates of pre-CASS running costs are approximate.

3.34 For example, CASS estimates that it has made savings from bringing different IT systems into one system. CASS also reported savings against the projected costs of the ICT Development Programme, achieved through skilful contracting and employing staff who were able to work in a number of roles.

3.35 After assessing the evidence, we were not able to confirm whether CASS's estimates of savings in its first year of operation are based on reasonable assumptions.

3.36 The 2013 business plan provides costs and projected costs for future years, based on CASS's first year of operation. CASS expects that in the next two years, as it settles in and gains more efficiency, its services will cost the central agencies less.

3.37 CASS kept savings targets at modest levels during its first two years of operation. This was because it had taken on board the lessons from overseas of not setting unreasonable expectations for savings and that relatively small-scale operations such as CASS would not achieve significant economies of scale.[14] Investment is also required when setting up any new organisation, and investment costs normally limit any early savings that can be achieved. An example of this was extra resources to set up effective ICT systems in DPMC, which had a weak ICT system because of a previous lack of investment. Also, CASS has incurred extra staffing costs through using temporary contracts to cover vacant, unfilled positions or to provide extra capacity during the transition period.

3.38 To achieve cost efficiencies, it is important for CASS to set realistic targets. CASS will need to ensure that under-staffing is not being used to illustrate cost savings and does not undermine its resilience and sustainability.

Central agencies working together more closely but more to be done

3.39 A motivating factor behind the creation of CASS was to achieve closer working relationships between the central agencies, demonstrate leadership, and model a more integrated public sector.

3.40 There has been progress – some improvements now allow the central agencies to better co-ordinate their activities. Service users commented positively on shared access to the different email systems, a centralised finance function, and the self-service payroll facility.

14 New Zealand Treasury (2012) *Administrative & Support Services Benchmarking Report for the Financial Year 2011/12*, pages 4 and 5, available at www.treasury.govt.nz. The report notes that small agencies are not able to achieve economies of scale.

3.41 However, as an example of leadership for the public sector, there remains some way to go for the central agencies to be seen as effectively working together. The central agencies outlined, in internal documents, the need to agree the level of standardisation of services. However, we did not see evidence of the central agencies building on this understanding to reach a shared view of the balance between standardisation and flexibility to accommodate their different cultures and approaches.

Part 4
Priorities yet to be addressed

4.1 In this Part, we discuss factors critical to the success of CASS that need to be addressed. We consider:

- how CASS needs a clearer strategic direction;
- how the governance of CASS needs to be strengthened; and
- what CASS needs to consolidate before determining whether it should be expanded and used as a model for shared services in other parts of the public sector.

Forming a clearer strategic direction

Lesson 10

Agree a clear role and strategic priorities for the organisation that reflect the strategic objectives of the businesses being served, to focus on how it is set up and operates, and to guide future business planning and development.

4.2 With the pressure to set up CASS quickly, not enough priority was given to setting a clear strategic direction. CASS built its structure, culture, and services without being clear enough about its role and strategic priorities, and how these reflect the strategic objectives of the central agencies.

4.3 As a result, there has been confusion about the role of CASS and whether it is a "servant" – providing transactional and operational services to support the strategic objectives of the central agencies – or a "strategic partner" – providing advisory services to the agencies, to help guide strategic decision-making.

4.4 CASS service-level agreements include both operational services and strategic advice. CASS is described in some documents as a "strategic partner". Some service users felt that CASS could not be both "servant" and "partner", and commented that there is a mismatch of perceptions between CASS staff and senior leadership about the roles CASS is expected to perform. The service users' observation was that CASS team leaders focus their activities on CASS's transactional, operational role, but that the central agencies' leadership teams look to CASS for its strategic role.

4.5 We reviewed a range of reviews, evaluations, and planning documents for CASS that highlighted the need for a clear vision and sound business planning. The EY review noted that the top priority for CASS to address was setting its "ambition" (a clear view of its role, structure, and culture of the organisation) because this is critical to working out its strategic direction and priorities, and the capability needed to achieve these. The 2012 "lessons learned" review also noted the need for senior leadership agreement and commitment to a clear vision.

4.6 CASS has now drafted a document laying out its "ambition" and a clear description of the future of CASS, which the Partnership Board agreed to in principle in May 2014. This sets out the role and strategic priorities for CASS. Options for CASS include expansion in due course to provide services to other small entities in a "small agency hub". CASS is currently considering whether this role will include adding functions as well as supporting more entities.

Governance needs to be stronger in practice

Lesson 11

For a shared service to succeed, governance arrangements need to be clear and sufficiently mandated to provide independent and effective decision-making.

4.7 There is a clear and appropriate governance structure for CASS. The chief executives of the central agencies have delegated responsibilities to the CASS Partnership Board for strategic decision-making and prioritisation for CASS, and to the Director of CASS for the day-to-day operation and leadership of CASS. The Partnership Board chairperson, who is also the Deputy Secretary (Strategy, Change, and Performance) in the Treasury, reports on CASS performance to the Secretary to the Treasury, who is ultimately responsible for CASS.

4.8 In our view, the structure and role of the Partnership Board is a sensible approach to manage an organisation supporting three separate agencies.

4.9 However, in practice, the delegation arrangements for CASS are not clear. Comments we received from CASS staff and service users indicate that these arrangements are not working well enough to provide effective prioritisation and decision-making. The Partnership Board has sometimes not had the mandate it needs to ensure that its decisions about prioritisation are carried through.

4.10 The Partnership Board is not directly responsible for managing CASS. It provides strategic and tactical direction to the Director. Partnership Board members consult with their respective leadership teams on decisions. However, chief executives retain decision-making authority for agency-specific priorities, or when the size or strategic significance of a decision warrants it. This is appropriate, but it is unclear where the delegated authority for decision-making lies and where it is appropriate for the agency leadership teams to override priorities or decisions agreed by the Partnership Board. This needs to be made clear.

4.11 A revised charter (effective from January 2014) has strengthened the Partnership Board's authority and the decision-making process. In our view, the central agencies need to build on these improvements to further strengthen CASS's governance arrangements.

Need to consolidate before expansion or use as a potential model

Lesson 12

Build the foundations for business as usual before considering enhancements, expansion, or modelling as an example to follow.

Too soon to say whether CASS will be a good model for the public sector

4.12 We expected the central agencies to show leadership through:

- following sound processes when setting up CASS (as we discussed in Part 2);
- giving attention to continuous improvement and applying lessons learned in the transition process; and
- providing a useful model by setting up CASS with the structure and systems that can effectively deliver services to the central agencies.

4.13 Despite the central agencies' leaders being committed to the task, the way that CASS was set up was not an example of best practice. The Performance Improvement Framework reports of DPMC and SSC noted that other public entities already hold the view that the central agencies did not demonstrate leadership or provide a good model in working together or in achieving objectives in a timely way. This has led to doubt and scepticism among those entities.

4.14 Although we are aware that there is interest in CASS as a possible operational model of shared services for the public sector, CASS has not yet shown it is an effective example of shared services. CASS managers and Partnership Board members we talked to recognise that, if agencies want to increase efficiencies, the CASS design is not yet ready to be used as a model.

CASS needs to settle in before expanding its operations

4.15 CASS acknowledges that it should thoroughly consolidate its strategic direction, structure, and operations, and further strengthen its resilience and effectiveness in service delivery, before considering expansion. CASS also notes that primary drivers for smaller shared services arrangements are resilience and risk mitigation, effectiveness, and capability, with efficiency gains a secondary consideration.

4.16 Staff resources have been put under pressure and systems are not yet in place to sustain or support the current activities. This was shown in CASS's March 2013 maturity assessments, where all functions fell below – in some instances, well

below – the point that might be expected to sustain smooth running of CASS and be able to support expansion.

4.17 There also appears to be pressure to show that costs have reduced. Although looking for efficiency gains is important, CASS will need to be careful not to affect its ability to provide business-as-usual services and to make further improvements.

Sharing and using lessons learned

4.18 As part of CASS's leadership role (as outlined in its vision statement), we expected CASS to identify lessons learned and good practice examples to share with other entities or jurisdictions. It is clear that CASS has identified some useful lessons. An example is the need to carry out a thorough process of collecting information and assessing needs before establishment (as discussed in Part 2) and the challenge of getting all functions to a common level of capability. CASS has shared these lessons to a limited extent with a range of audiences, such as interest groups of finance managers and IT managers from the public sector.

4.19 We are aware that DPMC is incorporating the Ministry of Civil Defence and Emergency Management, which affects the activities of CASS. It is important that those involved consider and apply the lessons learned from setting up CASS.

4.20 The 2013 business plan also recognises the need to align CASS with all-of-government directions, such as the all-of-government ICT programme. CASS provided input into the all-of-government ICT strategy and action plan to 2017, and the finance function monitors the progress of all-of-government initiatives.

4.21 We strongly encourage public entities considering a shared service approach to consider the lessons learned from how CASS was set up. Appendix 1 contains a list of steps and considerations, which reflect the lessons learned from CASS and incorporate good practice from elsewhere.

Appendix 1
Change-management considerations

We identified a range of lessons from the establishment and operation of the Central Agencies Shared Services. We combined these lessons with other good practice guidance from a variety of sources in this list of matters to consider when setting up a shared service. We hope this list will be of benefit to other organisations that are considering a shared services arrangement or carrying out a change management process.

Step	Matters that need to be considered, where applicable
Establish a decision-making framework Have you gained commitment and agreement from management for the decision-making framework for this new organisation?	Confirm existing business strategies and goals.
	Establish clear and effective governance and management arrangements, with clearly mandated decision-making authority, and confirm commitment from leadership ("sponsorship").
	Define the criteria for how you will measure and evaluate progress.
Carry out an analysis of the current range and level of services and how they are delivered Have you gained a clear, detailed picture of the current situation and the areas for improvement?	Gather detailed data about the range and level of services, functional costs, and the level of effectiveness of the service functions, to provide accurate baselines for determining future investment and to measure progress.
	Use appropriate industry or government standards to work out levels of capability in each function and to prepare processes.
Determine what the organisation or services will look like Have you developed a clear shared view of what the new organisation or structure will become and by when?	Set out a clearly defined, shared view of the future operating model (in the near term and at significant future points), together with detailed change management plans to ensure an effective change process. Determine which business processes, business units, and geographic locations will be included in the project scope. Decide on which processes to include in the shared services. Determine the path and phasing to create the shared services ICT infrastructure.
	Assess "readiness for change"and identify what will support or form a barrier to change (strength and potential effectiveness of sponsorship, degree of prior experience of change, and the strength of culture of continuous improvement). Consider the ethics involved with this change process and identify appropriate guiding principles for the change process.
Obtain agreement and support Have you gained appropriate agreement and support for change and your vision?	Agree a clear role and strategic priorities for the organisation that reflect the strategic objectives of the businesses being served, to focus on how it is set up and operates, and to guide future business planning and development. Establish clear sponsorship for change at the most senior levels. Clearly identify leaders to drive and implement change through the organisation(s).

Step	Matters that need to be considered, where applicable
Consider all options Have you carried out an options appraisal of the need for change and what is the right solution?	Carry out an options appraisal to determine the approach that is most likely to deliver the desired outcomes. Assess whether the preferred option is achievable and affordable.
Produce a business case Have you developed a robust business case for the preferred solution or option?	Identify all feasible options in the business case and seek agreement on the preferred approach. Include clear costings and a clear shared view. Determine costs of processes, implementation, and delivery. Refine the preferred option.
Produce an overarching change plan and detailed design Have you developed an overarching change plan and other detailed plans to support it?	Define clear operational objectives matched to the strategic objectives of the businesses being served, set measurable performance targets, and accurately and promptly report against those targets to monitor progress. Include customised change management plans, with targets and timelines. Produce a risk management plan. Allocate clear roles and responsibilities. Ensure that plans are adequately resourced. Produce clear communication and consultation plans.
Have you developed an effective approach to implementing your change plans?	Ensure that your approach will be well executed and well resourced, including effective communication and consultation, retaining essential skills and knowledge, and clear processes for recruitment and the transfer of functions or activities. Keep staff informed of the vision for change. Ensure that changes are communicated well and lead the process. Identify and seek feedback from all parties involved in the change. Gather robust baseline information on changing functions, costings, and levels of performance. Determine resourcing. Action your plans effectively, and be flexible and able to adapt during the process.
	For functions such as human resources, ensure that adequate attention is given to respecting and supporting the different cultures within the agencies and, where appropriate, bringing together those different cultures in a more standardised approach.
	Consider where working toward common processes and systems before establishment might help to speed up transition and ensure that a higher level of service is delivered.

Step	Matters that need to be considered, where applicable
Have you produced strategic implementation plans to ensure that implementation continues to be effective during and after the change?	Put a strategy in place to move from establishing change to transformation into the vision, including mechanisms for measuring progress. Measure progress against agreed milestones in the change process and identify and mitigate risks.
	Develop an Information and Communications Technology strategy to ensure that the technology work programme is prioritised to meet strategic business needs.
	Ensure that leadership and change managers reinforce and support behaviours that support the change and new approach, together with new cultures.
Monitoring the change process Are you able to measure change consolidation/ progress of change?	Ensure that you are able to use baseline information to measure progress against agreed objectives. Use good information about costs to provide a baseline to estimate savings accurately and set realistic future targets for further savings.
Have you determined an accurate measure of when you will have completed the change process and transformation to business as usual?	Build the foundations for business as usual and ensure that the shared services are running smoothly and effectively, before considering enhancements, expansion, or modelling as an example to follow.
Are you able to measure when you have reached strategic and operational goals?	Establish clear milestones and indicators for achieving business as usual for the shared services.
Do you have a clear reporting and evaluation framework?	Establish clear reporting lines and a timetable for monitoring, review, and evaluation reports. Evaluate change, including in consultation with service users, and communicate change outcomes to service users. Apply lessons learned from evaluations and reviews.

Appendix 2
Lessons learned for setting up shared services

	Lesson	Paragraphs
1	A clearly defined future operating model together with detailed change management plans are essential to ensure an effective change process.	2.5-2.14
2	Clear and effective governance and management arrangements are important for successful change.	2.15-2.18
3	An effective change management process needs to be well executed and well resourced, and should include effective communication and consultation, retention of essential skills and knowledge, and clear processes for recruitment and transfer of functions or activities.	2.19-2.26
4	It is essential to gather detailed data about the range and level of services, functional costs, and the level of maturity of the service functions, to provide accurate baselines for determining future investment and to measure progress.	2.27-2.32
5	Define clear operational objectives (matched to the strategic objectives of the businesses being served), set measurable performance targets, and report accurately and promptly against those targets to monitor progress.	3.3-3.5
6	Working to get processes and systems before establishment helps to speed up transition and ensure that services are delivered better.	3.12-3.15
7	For functions such as human resources, ensure that adequate attention is given to respecting and supporting the different cultures within the agencies and, where appropriate, bringing together those different cultures in a more standardised approach.	3.16-3.19
8	Use appropriate industry or government standards to work out existing levels of capability in each function and to prepare processes for addressing agency needs. Develop an Information and Communications Technology strategy to ensure that the technology work programme is prioritised to meet strategic business needs.	3.20-3.31
9	Good information about costs is needed to provide a baseline to estimate savings accurately and set realistic future targets for further savings.	3.32-3.38
10	Agree a clear role and strategic priorities for the organisation that reflect the strategic objectives of the businesses being served, to focus on how it is set up and operates, and to guide future business planning and development.	4.2-4.6
11	For a shared service to succeed, governance arrangements need to be clear and sufficiently mandated to provide independent and effective decision-making.	4.7-4.11
12	Build the foundations for business as usual before considering enhancements, expansion, or modelling as an example to follow.	4.12-4.16

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