Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[1] 9(2)(a) - to protect the privacy of natural persons, including deceased people

[2] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice

[3] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [1] appearing where information has been withheld in a release document refers to section 9(2)(a).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.
Review of lessons from CASS – One year on
The Treasury
29 July 2013
Our Report may be relied upon by The Treasury for the purpose set out in the Scope section only pursuant to the terms of our engagement letter dated 15th May 2013. We disclaim all responsibility to any other party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party or the reliance upon our report by the other party.
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1. Scope and approach

1.1 Scope

This report on the Central Agencies Shared Services (CASS) performance has been completed in accordance with the engagement letter of 15 May 2013.

In March 2012 the Central Agencies (The Treasury, State Services Commission and Department of the Prime Minister and Cabinet) established CASS. CASS was set up to:

- **Minimise risk** through building greater resilience and strengthening capability;
- **Develop better services** including both improving the capability to innovate, build job satisfaction and career development; and
- **Lead by example** by building strong corporate services which will deliver services that exceed the sum of their parts.

CASS provides Finance, Human Resources, Information Technology (IT) and Information Management (IM) services to the three Central Agencies.

The scope of this report is to:

- Evaluate the achievements (and pace of change) towards the outcomes and benefits envisaged for CASS;
- Identify the key factors that have contributed to the effective implementation of CASS;
- Identify and assess the risks to the successful future operation of CASS, including resources, skills, achievability of timeframes/milestones, stakeholder buy in and perception of value;
- Identify any governance or structural changes to ensure future success; and
- Provide recommendations, that are specific to the future of CASS, and that are applicable to the wider public sector.

1.2 Approach

In undertaking the review, Ernst & Young examined core supporting documentation and interviewed 21 key stakeholders and CASS members. Refer to Appendix A for the list of documents and the interviewees.

A shared services project is a major change management effort which relies on a number of critical success factors. To evaluate the achievements and assess the risks to the future operation of CASS, Ernst & Young considered performance against 11 critical success factors. These 11 factors are derived from international research and Ernst & Young’s framework for successful shared services.

*Diagram: Critical success factors for shared services*
### Scope and approach

<table>
<thead>
<tr>
<th>Critical success factor</th>
<th>Examples of requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Design stage</strong></td>
<td></td>
</tr>
</tbody>
</table>
| Target operating model  | ► The design of the target operating model is driven by the objectives and priorities of the agencies  
► The agencies are involved in scoping the future operating model  
► The target operating model is described in sufficient detail to input into the design of the establishment and transition plan, and progress can be measured  
► The target operating model is understood from the perspective of each of the receiving agencies, and is agreed and communicated. |
| Due diligence           | ► There is robust understanding of the maturity and existing performance issues of each agency and their services to design an establishment and transition plan and to understand the cost, benefits and priorities to bring the agencies up to an appropriate ‘entry’ level  
► Data on the state of the existing functions is available, consistently captured and used to monitor progress  
► Due diligence results in a clear understanding of the risks of transition and this understanding is used to inform expectations of the likely length of time and size of the performance dip at establishment. |
| Business case           | ► There is a solid understanding of the gap between the current operating model and the target operating model, in terms of cost, benefits to be derived, the risks to be managed and the action to be taken  
► A range of options are evaluated  
► There is a transparent set of realistic objectives and benefits for the project, and the likely impact of change on them is understood  
► There is a clear project plan that is appropriately resourced  
► The project plan and approach is designed from a change management perspective  
► Costs and savings assumptions are developed, challenged and validated  
► The risks of the project are understood, and options to mitigate risk are developed and assessed. |
| Project management      | ► There is a clear project management structure, that fully considers the requirements of agencies  
► The project has sufficient senior sponsorship to drive change. |
| Performance expectations | ► There is an understanding of baseline performance compared to a clear set of standards and expectations for future operation  
► The associated costs of improving current performance and meeting performance expectations is understood and taken account of in planning and prioritisation  
► Performance data is readily available, and consistently captured and communicated  
► Performance is linked to the financial costs and anticipated service levels. |
| **Transition stage**    |                          |
| Roll out strategy       | ► Clear roles and responsibilities between the shared service and the agencies are established  
► The magnitude of the natural productivity dip during the first few months of a change programme is estimated and communicated  
► The roll out strategy is realistic and the context it is being delivered in is taken into consideration  
► The roll out strategy identifies the key risks to be managed, including impacts on capability. |
Scope and approach

Right location
► The location of the shared service is made in its strategic context, taking into account both the needs of agencies and the efficient delivery of functions
► There is sufficient trust between shared services staff and agency staff, including shared services staff being sufficiently visible on agency sites.

Post go live support
► Performance is regularly monitored, and steps taken to retain key staff and develop staff capabilities in relation to the demands of new shared service roles
► Planned changes during design are fully implemented and monitored, and issues addressed
► There is a clear process for raising, escalating and responding to issues.

Process redesign
► The opportunities for standardising processes and policies between agencies are discussed prior to the go live date, with as many areas as possible standardised prior to go live
► Agencies actively seek to remove complexity and any inconsistencies in processes and policies prior to go live, and agree a timetable for any further standardisation and simplification post go live
► There is a clear understanding of where value can be derived through standardisation including understanding where the benefits of standardisation outweigh the cost.

Managing operational risk
► Project risks and mitigation strategies are identified, and risks are regularly monitored throughout transition
► Key individuals in agencies are engaged with in a structured and sensitive manner, and the shared service actively seeks and acts upon constructive feedback from agencies.

Overarching

Leadership / Governance
► Agency Chief Executives and senior leaders support the project with a clear, irreversible commitment to making it happen
► Clear roles and responsibilities are set out and understood at a level to facilitate execution
► Decision-making authority, and accountability for results, is clearly established.

This report is structured into three sections:
► Assessment of achievements against critical success factors.
► Priorities and recommendations.
► Key areas of learning for the wider public sector.
2. Assessment of achievements against critical success factors

2.1 Current state

As acknowledged throughout the interviews, at the time CASS was established there was a larger and longer negative productivity dip than was anticipated. This productivity dip was caused by loss of staff and institutional knowledge, and unforeseen issues with the state of some of the inherited functions. Significant remedial activity has been undertaken to resolve this dip and to bring CASS to a stage where progress can be consolidated and transition to business-as-usual can occur.

CASS’s readiness for consolidation is reflected in the reported progress from the interviews conducted:

► Key gaps in organisational knowledge, that was lost during the restructure, have started to be recovered, and new areas of capability are emerging e.g. in specialist areas of IT.
► There is an increasing recognition of CASS as an organisational resource, rather than a separate entity.
► CASS is starting to operate as and be viewed as a team.
► Critical mass is starting to provide resilience, particularly for the Department of the Prime Minister and Cabinet (DPMC), who had the lowest level of corporate services maturity on entry.
► Small efficiency gains are beginning to be reported.
► Stakeholders generally view CASS as adding value and to have been a worthwhile undertaking.

A number of interviewees reported that the quality of services they receive from CASS had improved significantly over the last six months, in particular the day-to-day transactional services. Expertise in the four functions was being built, as vacancies were filled and staff became embedded in CASS. Greater understanding of the unique requirements of each the three agencies was observed, and CASS staff were more visible on agency sites. There was positive feedback about the commitment of CASS staff and the leadership of the CASS Director.

From a Corporate Centre perspective, ensuring DPMC resilience became an important focus for CASS in the first year. Greater resilience has been built, in particular within DPMC (which started from the lowest base compared to the other two agencies). Key service elements have been maintained despite significant churn and stretch of staff. This is likely to have been a combination of effective project management, and the commitment of CASS Managers and staff to ensure business as usual was maintained within the changing environment.

The four functions within CASS currently have different levels of maturity (and are experienced differently by the three agencies):

► **Information Technology (IT)** – IT is furthest advanced in terms of the service quality of day-to-day operation, and the access to specialist skills (e.g. security) has been seen as a positive. A number of interviews commented on the value of the ‘brag boards’ giving tangible examples of IT successes. The focus for IT is the upcoming refresh of desktops in DPMC and the State Services Commission (SSC), which will provide further visible examples of CASS activity in the IT space. Building agency ownership of chosen IT priorities and an integrated strategic plan within the agencies will be a priority going forward.

► **Finance** – The initial lack of agency knowledge in Finance has meant it had a slower start, but the majority of interviewees said that they were now satisfied with the Finance service they were getting. Timeliness was an issue in terms of some reporting arrangements, and an adjustment was being felt in response to the increased expectations of Managers to take a more active role in the management of their budgets. The focus for Finance will be driving further standardisation of policies (as well as processes). There is room for Finance to take a broader role in value management (financial and non-financial performance), adding insight beyond day-to-day financial processes.

► **Information Management (IM)** – IM has been relatively under the radar, but the quality and expertise of IM staff was noted and some visible improvements seen. IM’s importance is likely to increase with

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1 Note: at the time of CASS being established there was no benchmark of the service levels being achieved under the old delivery structures. This has meant that reported improvements are based on peoples’ impressions only.
regards to sharing of information across the three agencies in the longer term. IM has the potential to support the three agencies to become more integrated through the provision of channels for information sharing.

- **Human Resources (HR)** - HR has taken longer to come up to speed than the other functions. This is in part due to the nature of this function as it is tightly connected to individual agencies’ culture and identity, and therefore has been more difficult to standardise and simplify. This is also because of the loss of staff and institutional knowledge, and the lack of consistent HR leadership felt during the change period. HR is starting to be seen delivering on business as usual operational activities, although this was not a consistent view. The focus for HR will need to be on maturing the service offerings both at an operational and tactical level.

CASS is moving from a period of establishment to consolidating service offerings across the four functions. Progress to date has been observed in the more transactional operational activities, with CASS’ role in more strategic areas less clear. Our assessment is that across all four functions, CASS has some way to go to develop its offering at the level of strategic partner (as opposed to simply being a service provider).

### 2.2 Critical success factors

A shared services project is a major change management effort which relies on a number of critical success factors. This review assesses CASS in relation to 11 critical success factors, and finds varying levels of risk associated with each factor during both design and transition, as outlined below.

**Diagram: Assessment of CASS against critical success factors for shared services**

#### Design stage

During the design stage of a shared services project, it is imperative that sufficient and robust analysis is undertaken to determine the current state of functions, identify existing performance issues, as well as their distance from an agreed target operating model; that the performance expectations of the new service are defined; and that clear project management arrangements are put in place, building on a robust Business Case.
In relation to CASS, there were two critical success factors - due diligence and performance expectations - that resulted in a larger and longer productivity dip than anticipated and a misalignment of expectations over the first 6 to 12 months after go live. A contributing factor was the fast pace at which the agencies established CASS, though further analysis could have been accommodated in the time available.

The significance of the gaps between agencies’ corporate services maturity was underestimated. Agency-specific requirements were not fully understood and insufficient effort was made to capture and assess information on current state. Robust benchmarking was particularly challenging as some corporate staff were lost in the period leading up to the change, so the ‘current state’ was in flux.

The lack of due diligence led to significant remedial attention (and unanticipated financial investment) being required post go live. In particular: the cost of building IT interoperability between agencies; bringing the agencies up to a ‘minimal level’ of shared capability; and remediating the historic under investment in DPMC’s corporate infrastructure.

As well as due diligence, the other main issue during the design phase was that of performance expectations. There was not a clear understanding of three key areas, or their interplay: current performance; performance expectations; and the costs associated with delivering on performance expectations.

The analysis of current performance was insufficient to effectively baseline functions prior to go live. Benchmarking CASS performance against the pre-CASS state has therefore not been possible, making the achievements of CASS difficult to determine.

In terms of performance expectations, a Service Catalogue was developed, describing the services that would be offered by CASS. However, the development of more detailed service level agreements, that outline both the expectations on CASS and the expectations on agencies, was not done. Neither the performance expectations of Agency Managers nor CASS were described to a sufficient degree to allow robust performance assessment over the first year of operation. Some Agency Managers were not aware of the new expectations on them in relation to CASS functions.

There is a lack of clarity about where CASS resource and effort is going, at what cost, and with what performance results. At the time of establishment, project and business-as-usual funding was included. It remains unclear what percentage of funds is going to business-as-usual, and what project expenditure is part of the baseline for each agency. These issues were reflected across senior leadership teams in the agencies, with opacity fuelling some sense that other agencies or functions were benefitting disproportionately from CASS. This may be unsustainable in the period ahead as further resource prioritisation will be required as services mature.

As well as these two critical success factors, the interviews also highlighted issues with the limited development of a target operating model. Although some effort was made to describe the desired future state, there remained gaps during design. For example, some interviews suggested that the decision-making process about which corporate functions would move into CASS and which would remain outside of CASS lacked robustness. This was in terms of both an understanding of the variable scope of Finance, HR, IT and IM from the different agencies’ perspectives, and the logic around which corporate functions remained external to CASS (some suggesting that it may have been logical to include other corporate functions within CASS from day one, such as internal audit, communications, procurement and property management).

The Business Case suffered as a result of the lack of insight into current and future states, in particular the lack of due diligence. The Business Case was not based on a solid understanding of the gap between the current operating model and the target operating model.

However, the Business Case was based on a realistic analysis of the potential benefits of CASS. In particular, the business case for CASS was not reliant on CASS delivering large efficiency gains. Therefore, although the Business Case had

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2 As is evident, for example, in the CASS Programme High Level Phasing document
weaknesses, predominantly relating to the lack of due diligence, efficiency gains were not overpromised. This has meant that CASS has been able to demonstrate gains against its original objectives, in particular that of minimising risk and building resilience.

Transition stage

Of primary importance during the transition stage of a shared services project is to have a roll out strategy that establishes clear roles and responsibilities; to have an agreed way of prioritising resource allocation and standardising processes and policies; to locate the shared service in the right place, and to regularly monitor performance and operational risk.

It is our assessment that the value from shared services is starting to be seen, but has taken longer than necessary to emerge as a result of the design stage issues described above. A higher risk profile needed to be managed as a consequence of the roll out strategy for CASS, as well as ongoing issues with process redesign.

The natural dip in performance that can be anticipated during the first few months of a change programme was not communicated in a way that sufficiently managed the expectations of agencies about what service they were going to receive under CASS. There was an unrealistic assumption made up front that service quality would be maintained and or increased from day one. In addition, the shift in corporate services, putting more expectation on Line Managers, in particular for HR and financial management, can to some extent explain noise around CASS over the last year, as CASS Managers started to expect and demand that Line Managers take on more responsibilities for functions in relation to their budget and staff.

A dip in performance should be expected with a change programme of this size, but this dip was strengthened and lengthened by a significant loss of staff and their institutional knowledge across the functions. New staff coming on board took a number of months to get up to speed with the culture and characteristics of all three agencies, and faced considerable remedial effort to address unforeseen issues identified during the post go live stage. There was a strong sense from the interviews that during rollout some key staff were lost, and that rollout suffered as a result.

As well as issues with roll out, there have been significant issues in addressing the different processes and policies of the three agencies. CASS can still be seen as a unit operating 12 different service offerings, across three agencies and four functions. Standardisation and simplification has occurred in some areas, although progress has been slow. This is an indication of the embedded cultures of the Central Agencies as three separate institutions.

There was a sense from some interviews that standardisation either meant DPMC and SSC migrating onto Treasury processes and policies, or the three agencies developing a new way of working that would lead to a ‘lowest common denominator’ solution that was not right for anyone. The lack of standard operating practices has stretched CASS staff, and has been a missed opportunity over the first year in terms of both efficiency gains and service quality. This should be an ongoing area of focus for the Central Agencies.

Visibility of CASS staff in SSC and DPMC was an issue, in particular during the first six months of operation. The lack of visibility contributed to a sense of distance and a lack of trust between CASS and agency staff, in comparison to pre-CASS corporate functions that were embedded and visible within agencies. CASS are now seen as more visible, with Managers and staff actively spending time in each of the three agencies,

Learning: A rollout strategy for a shared services project should include: managing expectations around the natural productivity dip that occurs as a result of change; communicating related changes in the roles and responsibilities of agency staff; and putting transparent performance management information in place.

Learning: Organisations should identify what processes and policies can be standardised prior to going into a shared service, to drive efficiency and resilience gains from day one.

Learning: Organisations should seek to build relationships between agency staff and shared services staff, both formally (through visibility on site and periodic meetings) and informally (through social activities, etc).
and having social events as integrated teams, although there is an ongoing challenge about the level of engagement between CASS and agency staff when they are on site.

**Leadership and Governance**

Leadership and Governance is a critical success factor at both the design and transition stages. Without visible top management sponsorship and commitment from key stakeholders, and clear governance, shared services can fall at the first hurdle.

We heard from the interviews that shared services had been discussed for a number of years by the Central Agencies, and it was the commitment of the three Chief Executives which drove the establishment of CASS. There was a sense of momentum behind the project in the design phase, so that, once the decision had been made, it was clear that there would be no going back.

Although decisive leadership was the driving force in the decision to set up CASS, the ongoing governance of CASS has been less clear. There has been ambiguity regarding responsibilities and accountability, in particular the mandate of the Partnership Board to make decisions on behalf of the three agencies. It is not clear whether the Partnership Board has the authority (bestowed by Chief Executives and Senior Leadership Teams) to make decisions that will affect agency operating models as well as the operation of the shared service. For example, the Board's ability to independently drive and make decisions around standardisation of corporate policies across the three agencies is not clear. The lack of transparency around such decision-making authority has resulted in ambiguity about the purpose and value of the Partnership Board, as CASS moves from establishment to business-as-usual.

Some Board members also reported that it has been difficult to establish a forum in which the “common good” as opposed to agency interests are prioritised, which can be an issue when it comes to discussions relating to resource allocation and CASS priorities, as well as the future ambition for CASS.

It is our view that leadership and governance should be an area of focus as CASS moves from establishment to business-as-usual.
3. Priorities and recommendations

3.1 CASS objectives and benefits

The narrative around the objectives and benefits of CASS has evolved over time, from a focus on risk and resilience in the original Business Case, to a greater focus on efficiency and cost-saving, which is reflected in the April 2013 Baseline Business Plan, as outlined below.

<table>
<thead>
<tr>
<th>Final Business Case for the CASS Operating Model, December 2011</th>
<th>Baseline Business Plan, April 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identified 3 overarching objectives:</td>
<td>Explained that the key benefits that CASS was expected to deliver (derived from the business case) can be summarised as:</td>
</tr>
<tr>
<td>► To <strong>minimise risk</strong> through building greater resilience and strengthening capability.</td>
<td>► <strong>Improve effectiveness of the functions.</strong> Have the scale to provide both specialist expertise and capacity for innovation and improvement. This enables implementing more effective processes and the ability to provide more strategic support to the Agencies.</td>
</tr>
<tr>
<td>► To <strong>develop better services</strong>, including both improving the capability to innovate, build job satisfaction.</td>
<td>► <strong>Improve the efficiency of the functions.</strong> Eliminate wasted effort and cost through standardization, removing double handling, by getting processes right the first time, and automating repetitive low value tasks. Eliminate unnecessary inconsistencies of policy, process and systems across the agencies.</td>
</tr>
<tr>
<td>► To <strong>lead by example</strong> by building strong corporate services which will deliver services that exceed the sum of their parts.</td>
<td>► <strong>Reduce risk</strong> and build a more resilient operation. This covers key person, system, network and information risk.</td>
</tr>
<tr>
<td>The key benefits were identified to include:</td>
<td>► <strong>Foster collaboration</strong> between the central agencies.</td>
</tr>
<tr>
<td>► <strong>Greater resilience</strong> and more effective use of highly-skilled resources</td>
<td>► <strong>Provide staff with better career opportunities</strong> and job satisfaction.</td>
</tr>
<tr>
<td>► <strong>Financial benefits</strong> over the first five years, sufficient to payback establishment operating costs within four years.</td>
<td>► <strong>Demonstrate Leadership for the state sector.</strong> Capture and share lessons on shared service implementation. Potentially provide a platform for additional agencies.</td>
</tr>
<tr>
<td>► Maintaining level of <strong>strategic service</strong> associated with distributed activities</td>
<td></td>
</tr>
<tr>
<td>► Enable the delivery of consistent, <strong>standardised services</strong> across the three central agencies</td>
<td></td>
</tr>
<tr>
<td>► Better <strong>career opportunities</strong> and the chance to work in new and challenging areas of work</td>
<td></td>
</tr>
<tr>
<td>► The <strong>financial sustainability</strong> of the functions would be protected.</td>
<td></td>
</tr>
</tbody>
</table>

Although some financial benefits were included in the original Business Case, efficiency was not a key driver of change. Efficiency is now discussed as one of the main benefits of having a shared service. This shift of emphasis can to some extent be explained by the fact that the one of the original primary objectives of resilience has seen marked gains over the first year of operation, leading to a focus by senior leaders on what else can be achieved by CASS, beyond resilience. However, the above list of objectives and benefits indicates some potential mismatch in incentives when it comes to identifying the priorities for CASS.

Should efficiency be an increasing focus of CASS, four key enablers will need to be addressed: **scale**, **standardisation**, **simplification** and **service quality**:

► **Scale** – CASS needs to be of a sufficient size to allow for economies of scale and reduced person, system, network and information risk. CASS is currently too small to see large benefits in these areas. Even if additional Corporate Centre services are added, the scale will not be sufficient to see significant increases in productivity.

► **Standardisation** – CASS is currently 12 service offerings, across three agencies and four functions. Achieving greater standardisation of processes and policies is necessary to support scale and a more resilient operation, as well as eliminating wasted effort and cost, driving efficiency gains.

► **Simplification** – eliminating any unnecessary complexities and inconsistencies in processes, policies and systems will enable CASS to deliver better, more efficient and effective services.

► **Service quality** – driving up quality across the four functions in terms of tactical and strategic advice, as well as operational service delivery, is important in avoiding creep of functions back into agencies, and will support CASS in leading by example and acting as an ‘exemplar’ shared service.
Priorities and recommendations

CASS has some way to go to develop mature service offerings across Finance, HR, IM and IT, in particular as a more strategic advisor, as well as a service provider. The priority over the next 12-18 months should be consolidating the delivery of these four functions, which will prepare CASS for a future in the evolving landscape of public sector shared services.

Our assessment identified six critical areas that need to be addressed as CASS moves from an establishment phase into a business-as-usual phase. Until these issues are addressed and acted on, it is our view that there is little to be gained by making other changes to CASS’ role and remit.

Our priority recommendations are in the areas of:

► Ambition
► Governance
► Performance management
► Capability
► Culture
► Planning & analysis

Ambition

Setting a clear, agreed ambition for CASS will be critical to determining what the priorities are over the next year and beyond, what capability is needed within CASS to deliver on those priorities, and what governance structures will be most effective. The ambition for CASS must also recognise the fact that the future of CASS is tied to the future of shared services across the public sector. The Optimise programmes, as well as other initiatives, have the potential to significantly change the current way that the public sector manages its corporate services. CASS needs to be thought about within the concept of shared services for the wider public sector, which needs to be determined first.

There was a general sense from the interviews that the Central Agencies needed to decide from a suite of different futures, from expanding to include other corporate functions within the Central Agencies, and/or corporate functions in other agencies (the concept of a ‘small agency hub’ being mentioned a number of times), to the idea of CASS seeking scale by migrating onto a larger shared services hub.

It is our view that the destination needs to be informed by an agreed understanding of what problem(s) further change is trying to solve or opportunities that shared services is trying to create. A crucial part of designing, leading and managing change is the provision of the reason, or platform for the change. For example, if the priority is ensuring that CASS delivers a higher level and quality of strategic advice to agencies, the circumstances under which this will be delivered must be understood. If the priority is efficiency, this may lead to a focus on achieving scale, and much greater standardisation and simplification of processes and policies. If the priority is being an exemplar, the agencies will need to be clear about what exemplar means, and tailor the approach to achieve this aim (be it resilience, the quality of strategic advice, agency integration, etc).

The priority over coming months should be to come to an agreement between the three Central Agencies as to the future ambition for CASS, informed by the wider ambition for shared services in the public sector.

Governance

Until the ambition, described above, is agreed, the Partnership Board should continue to drive business-as-usual in the existing CASS functions. The Board’s role and mandate will need to be clearer in order to achieve this.

From the interviews it was apparent that the purpose of the Partnership Board is currently unclear. Key issues, including decisions around standardisation and simplification, and performance management, are not being fully addressed under the current governance arrangement.

The Board needs to have the mandate, bestowed by the Senior Leadership Teams of the three agencies, to make decisions that drive CASS performance. If the mandate cannot be exercised, more decisions will need to be undertaken at the Chief Executive level and the CASS Director will need greater access to the decision makers in each agency.

The Board should also play a greater role in relation to communicating CASS achievements back to the Senior Leadership Teams of the three agencies.

A number of interviews proposed the introduction of more independence to the governance arrangements for CASS. There would be clear benefits to bringing in some external and objective expertise in shared
services, either as a member or advisor to the Partnership Board, should the Partnership Board remain the appropriate mechanism longer term. External expertise would be valuable both in supporting the agencies’ discussions about the future of CASS and in the ongoing governance of the shared service. In the short term, the effort required to identify and on-board external expertise needs to be weighed against the length of time that it will take to resolve the question of ambition.

The future governance arrangement for the next stage of CASS should be decided in light of the ambition. If CASS’ focus remains primarily transactional service delivery to the Central Agencies, individual service level arrangements could be managed without the need for a collective board. If the ambition is for a more strategic, Centre of Excellence model, a collective board will be necessary, but the form, role and participants will depend on the scope of the ambition and would be likely to take a different form to that of the current Partnership Board.

Whatever governance model for the future is agreed, effective delivery of the shared service requires ownership, sponsorship and leadership, that is highly visible and clearly communicated.

**Performance management**

Transparent performance management of CASS is a key priority going forward. There is currently a lack of robustness in the Board’s understanding of where CASS resource and effort is going, and at what cost, in particular in terms of business-as-usual as opposed to project funding, and strategic as opposed to more transactional activities. This lack of understanding was reflected across the agency Senior Leadership Teams. This can fuel a sense that some agencies and/or functions are benefitting disproportionately from CASS, which may be unsustainable in the period ahead as further resource prioritisation is required.

As described in the previous section, there needs to be a clear understanding of the following three areas:

- The service level that CASS is performing at;
- Detailed performance expectations across the four CASS functions; and
- The costs associated with this level of performance.

As a priority, Service Level Agreements for each of the CASS functions need to be developed, and a transparent process for reporting performance against them developed. Service Level Agreements need to set out both what services CASS is expected to deliver, and what the associated responsibilities of agencies are (in particular, the responsibilities of Line Managers). The agencies are responsible for communicating what services and performance levels are expected, and working with CASS to develop these Service Level Agreements. Reporting against these agreements will imply greater reporting burdens on CASS. This should be managed by tightly defining the areas where information and analysis is valuable, and limiting reporting to those areas.

In addition, there should be active effort by the Partnership Board to put in place mechanisms so that senior leaders within agencies, beyond the Board, as well as Chief Executives, are aware of the performance and achievements of CASS and any issues. Consideration should also be made of what different levels of performance imply in terms of, for example, future CASS funding streams. As well as transparency, there should be real consequences, both positive and negative, for the level of performance that CASS delivers.

**Capability**

CASS needs to plan for the future while consolidating existing functions. Consideration needs to be given as to whether CASS has the right capability to deliver as it looks to consolidate. This will include coming to an agreement about CASS’ role as regards tactical and strategic corporate functions, as well as operational delivery (e.g. is CASS an independent advisor, a co-author, or simply a deliverer of corporate strategy?). HR in particular will need to focus on this. Alongside this, there needs to be a clearly communicated division of responsibilities between the corporate functions in CASS and the responsibilities of Mangers in agencies.

The future operating model for the project side of CASS’ role, currently being delivered through the development programme, must also be confirmed. As there is likely to be ongoing demand for project-based work, there is a question for CASS as to how to manage this. The creation of a separate development programme within CASS enabled core CASS functions to focus on service delivery. However, subject matter experts are being drawn from CASS, so there remains some pressure on day-to-day services. It may be sensible to look to embed this capability within the core CASS model, with fewer contractors being used to manage peaks in demand.

**Culture**

There is a close link between the objectives of shared services and the cultures of the agencies sharing services. A tension exists in particular between an objective of efficiency, and the degree of difference
between agency cultures. Despite the drive towards an integrated corporate centre, there was a clear sense from the interviews that the three Central Agencies value their distinct cultural identities. CASS functions are seen by some as unrelated to the culture and identity of the agencies, but in reality the operating model of CASS is a reflection of agency cultures, and the lack of standardisation a reflection of the diversity of these cultures. This tension to some extent explains the slow progress in standardising policies, and culture is therefore a core driver of inefficiency in shared services arrangements.

In reality, the agencies are neither completely distinct, nor one wholly integrated culture. It will be important in the period ahead for the agencies to agree on the extent to which they currently do, or wish in the future to, integrate cultures. This will help to determine what activities can be standardised, and what corporate functions (potentially the more strategic functions) will explicitly remain distinct. Managing this is important to avoid functions creeping back into agencies.

**Planning & analysis**

The lack of robust planning and analysis in the design phase of CASS is an important lesson for future change. The understanding around current state has built over the last year. There seems to be an increased maturity around decision-making and prioritisation. As the programme moves forward, more detailed planning will be required to understand resource requirements and to provide assurance to Chief Executives that the planned work is coherent and sufficient. Included in this is the need for integrated planning, that looks not only across the three agencies but also the four functions, in analysing the priorities for CASS and planning the resource and associated requirements. Without more detailed planning, it will be difficult to have real accountability for delivery and to govern the programme. This is going to be an area that will need ongoing focus.
4. Key areas of learning for the wider public sector

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<tr>
<th>Area of focus</th>
<th>Getting it right means...</th>
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| Commitment and leadership to drive change  | ▶ Align key stakeholders behind the programme with clear, irreversible commitment to making it happen.  
▶ Clearly define decision-making authority and processes.  
▶ Establish accountability for results.                                                                                       |
| Due diligence and Business Case            | ▶ Make deliberate decisions about the level of due diligence required in planning stages.  
▶ Measure baseline performance so there is a comparison to future shared service levels.  
▶ Make realistic assumptions about the benefits, in particular with regards to efficiency savings.                       |
| Scope of shared service                   | ▶ Be clear about the rationale for the scope of functions moving into the shared service.  
▶ Develop detailed, baselined, service level agreements for each of the functions.                                                                 |
| Change management                          | ▶ Identify key person risk and put in place strategy to manage.  
▶ Develop a communications plan that (a) keeps people informed throughout the change, (b) manages expectations of the new service during transition, and (c) manages expectations of the impact on agency roles and responsibilities. |
| Culture                                    | ▶ Have honest conversations about the differences between the agencies that will share services, as well as the synergies, to identify a realistic level of standardisation and simplification.  
▶ Harmonise processes and policies as early as possible (ideally from day one) to deliver efficiencies.  
▶ Make effort to build relationships between agency and shared service staff (social events, etc).                       |
| Performance                                | ▶ The responsibility for the performance of a shared service is a 2-way street. Agencies need to be “intelligent purchasers” understanding what their business requires and being willing to invest in the relationship with the provider, beyond simply transactional interactions.  
▶ Agree performance metrics and shared understanding of expected standards.                                                                 |
| Governance                                 | ▶ All governance models have advantages and disadvantages. Be aware of the advantages and disadvantages of the governance model you choose and recognise that it will need to evolve as the shared service matures. |
Appendix A

Table 1: Core Document Set

CASS Operating Model – Final Business Case (December 2011)
CASS Decision Document (December 2011)
CASS Memorandum of Understanding
CASS Programme High Level Phasing
CASS Partnership Board Charter (March 2012)
CASS Service Catalogue 2012-2013 (June 2012)
CASS Achievements in 2012 (November 2012)
CASS Lessons Learned: Establishing a Corporate Shared Services Facility
CASS Partnership Board Agenda & Minutes (20 March 2013)
CASS Prioritisation of Business Initiatives flow chart
CASS March YTD Financial Report (March 2013)
Central Agencies Partnership Board Paper Appetite for One Central Agencies Performance Review Process (27 March 2013)
CASS Baseline Business Plan (April 2013)
CASS Planning for FY 13/14 (April 2013)
Implementation Plan Central Agencies’ Security Policy and Internal Memo
Treasury Review of CADP (16 April 2013)
CASS Partnership Board Agenda & Minutes (17 April 2013)
CASS Partnership Board Status Update (17 April 2013)
SSC Draft PIF Review (April 2013)
DPMC Draft PIF Review (May 2013)

Table 2: Interviews

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<thead>
<tr>
<th>Name</th>
<th>Role</th>
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<tbody>
<tr>
<td>Alastair Mackay</td>
<td>Director</td>
<td>CASS, The Treasury</td>
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<tr>
<td>Andrew Kibblewhite</td>
<td>Chief Executive</td>
<td>Department of the Prime Minister and Cabinet</td>
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<tr>
<td>Bill Moran</td>
<td>Deputy Secretary, Strategy, Change and Performance (member of CASS Partnership Board)</td>
<td>The Treasury</td>
</tr>
<tr>
<td>Denise Amesbury</td>
<td>Business Development Manager &amp; Organisational Development (member of Governance Group for CASS Development Programme)</td>
<td>State Services Commission</td>
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<tr>
<td>Fergus Welsh</td>
<td>Deputy Secretary, Chief Financial Officer / Chief Accountant (member of CASS Partnership Board)</td>
<td>The Treasury</td>
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<tr>
<td>Gabriel Makhlouf</td>
<td>Secretary to the Treasury and Chief Executive</td>
<td>The Treasury</td>
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<tr>
<td>Greg Baughen</td>
<td>Director, National Assessments Bureau (member of CASS Partnership Board)</td>
<td>Department of the Prime Minister and Cabinet</td>
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<tr>
<td>Name</td>
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<tr>
<td>Iain Rennie</td>
<td>State Services Commissioner</td>
<td>State Services Commission</td>
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<tr>
<td>Jacki Couchman</td>
<td>Deputy Commissioner, Organisational Strategy and Performance Group</td>
<td>State Services Commission</td>
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<tr>
<td></td>
<td>(member of CASS Partnership Board)</td>
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<tr>
<td>Jenni Norton</td>
<td>Deputy Commissioner, Performance Improvement Programmes Group</td>
<td>State Services Commission</td>
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<td>(member of CASS Partnership Board)</td>
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<tr>
<td>Jo Hickling</td>
<td>Business Support Manager, Strategy, Change and Performance Group</td>
<td>The Treasury</td>
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<td></td>
<td>(member of Governance Group for CASS Development Programme)</td>
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<tr>
<td>John Subritzky</td>
<td>Director, Office of the Chief Executive</td>
<td>Department of the Prime Minister and Cabinet</td>
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<tr>
<td>Kevin O’Shaughnessy</td>
<td>Programme Manager, Central Agencies Development Programme (CADP)</td>
<td>CASS, The Treasury</td>
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<td>Matt O’Mara</td>
<td>CITO</td>
<td>CASS, The Treasury</td>
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<td>Peter Brown</td>
<td>Deputy Commissioner, System Capability Group</td>
<td>State Services Commission</td>
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<tr>
<td>Rebecca Kitteridge</td>
<td>Secretary of the Cabinet/Clerk of the Executive Council</td>
<td>Department of the Prime Minister and Cabinet</td>
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<td></td>
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<tr>
<td>Ryan Orange</td>
<td>Deputy Commissioner, State Sector Results Group</td>
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<tr>
<td>Sara Brownlie</td>
<td>Finance Manager / CFO</td>
<td>CASS, The Treasury</td>
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<tr>
<td>Terry McCaul</td>
<td>Head of HR</td>
<td>CASS, The Treasury</td>
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<tr>
<td>Vicky Robertson</td>
<td>Deputy Chief Executive (chair of CASS Partnership Board)</td>
<td>The Treasury</td>
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