

**Planning and Performance
Management**

**2007 CSR Value for Money
Delivery Agreement**

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1 Our Vision

The Department for Work and Pensions exists to:

- contribute towards fair, safe and fulfilling lives, free from poverty, for children, people in work and retirement, and those with disabilities;
- reduce welfare dependency and increase economic competitiveness by helping people to work wherever they can and employers to secure the skills and employees they need; and
- provide greater choice and personalisation and higher quality of service for customers where it is in their interests and those of the taxpayer.

In doing this the Department aims to **enable people to fulfil their potential over longer, more active lives**. Its focus will remain firmly on its customers, providing them with the services they need; looking, wherever possible, to join-up and simplify its services, both internally and externally with its partners.

The Department's 2007 Comprehensive Spending Review (CSR) settlement commits it to reducing its expenditure by an average of 5.6 percent in real terms over the next three years. Set against the resources the Department would have consumed if it achieved no further value for money savings over the period (known as a "counterfactual"), the 5.6 percent real annual reduction in resources will deliver net **cash releasing efficiency savings of around £1.4bn by 2011**.

To meet this financial challenge and release additional resources to contribute to the delivery of the Government's welfare and pension reform commitments, the Department has set in train a comprehensive value for money programme covering almost 100 per cent of its expenditure.

Building on the Department's successful 2004 Spending Review Efficiency Programme (see Box A), where all of its targets were met early or significantly over-achieved whilst customer service was improved, the 2007 CSR programme is set around a core belief that efficiency and improved customer service are mutually reinforcing – not in opposition; enabling customers to complete a claim for benefit or report a change of circumstance over the phone or via the internet, for example, is more convenient for them and more cost effective for the taxpayer.

The key strategic driver for the programme is the continuing implementation of our Business Strategy, based on a vision of "Work, Welfare, Well-being, Well Delivered", which in turn underpins DWP's Departmental Strategic Objective Seven, "to make DWP an exemplar of effective service delivery to individuals and employers". This aims to ensure that the Department is able to deliver substantial savings, at a time

when it faces significant increases to workload volumes, whilst continuing to improve the service offered to customers.

The £1.4bn of savings shown above improves on the £1.2bn estimate published in December 2007 and has been made possible because:

- additional funding of more than £4bn has been provided since the Pre-Budget Report 2008 to allow the Department to increase its front-line capacity to manage increasing workload and customer volumes brought about by the economic downturn. The level of funding agreed assumed the same level of efficiency as applied to the Department's 2007 CSR settlement; and
- improved benefits are already being realised from the Department's Business Strategy as a result of the adoption of lean techniques and changes to the way services are being delivered to customers (see paragraph 2.1.1 below).

Box A: DWP 2004 Spending Review Efficiency targets

Target: delivering £960m of savings from key projects (of which half must be cash savings).

By the end of March 2008 £1,446m of savings had been achieved, of which £1,068m were cashable. ***The target was exceeded 15 months early,***

Target: achieving a net headcount reduction of 30,000 (which would bring our headcount down to 103,468).

By the end of March 2008, DWP's headcount had reduced by 31,101. ***DWP exceeded its SR04 headcount challenge.***

Target: redeploying 10,000 staff to customer facing posts.

By March 2007, DWP had **redeployed 10,000** staff to customer-facing roles.

Target: relocating 4,000 posts away from London and South East.

DWP achieved this target by September 2007.

2 Delivery Strategy

2.1 Overview

This section sets out, at a high level, the Department's strategy for delivering its value for money savings. It is intended to complement the Department's Three Year Plan, the next version of which will be published in May 2009, which will contain more comprehensive details of the Department's delivery plans. These plans aim to ensure that savings can be achieved while at the same time continuing to improve the services provided for our customers. Value for Money savings will be realised in three principal areas:

- delivering on the Department's Business Strategy;
- reducing spend with external suppliers (including employment programmes); and
- Housing Benefit administration.

An example of the achievements already made to date is shown in Box B.

Box B: 2007 CSR Progress to date in delivering VFM – Shared Services

DWP has established a Shared Services organisation to provide shared corporate services to the Department, its executive agencies and to other Government Departments. The organisation, created on 1 September 2006, brought together Accounting Services, Employee Services and Purchase to Pay for the 100,000 plus customers within DWP. Customer Payments and Debt Management are also provided through the shared services organisation.

The organisation exists as a separate 'arms length' entity with its own board and provides a clear separation between those commissioning and delivering services. By the end of the SR04 period DWP's shared services had delivered cumulative savings of £50m or around 15% year on year. A further 13%, around £15m, was delivered by the end of the 2008-09. The organisation took on its first external customer – the Cabinet Office – at the beginning of April this year.

2.1.1 Delivering the Department's Business Strategy

Successive surveys of both the Department's staff and customers show that it is fortunate in employing highly committed people who are held in high regard by our customers. But detailed analysis of its systems and ways of operating has shown that DWP staff can be engaged in contacts with customers which add little or no value, for

example, by asking them for information that they have already given to another part of the Department or government. Whilst such problems are not uncommon in large customer-facing organisations, the Department recognises that the situation is neither helpful to staff, nor satisfactory for customers.

The Department has therefore developed a new Business Strategy, based around the vision of “Work, Welfare, Well Being, Well Delivered”, which it is implementing over the 2007 CSR period. Specifically, the strategy aims to improve the Department’s customer service and efficiency over the 2007 CSR period by:

- embedding continuous improvement through implementing lean techniques which have been used by other high-performing organisations across the public and private sectors. By making the customer our focus, implementing lean techniques will allow resource to be focussed on those contacts with our customers which add value, while radically reducing waste; and
- improving and increasing the ways that customers can access the services which the Department offers, as well as making these more efficient both by handling better those contacts that do add value for the customer and the Department, and reducing the number of contacts that do not add value.

The Business Strategy is in the early stages of implementation, with more expected of the first tranche of initiatives over the 2007 CSR period. However there are already examples of successful delivery:

- the Lean project has examined a number of areas of Departmental activity and produced customer-focussed improvements. For example the time taken to process National Insurance Number applications has been reduced from 15 days to 8, making a real improvement to customer service and efficiency;
- the Fraud and Customer Compliance Lean initiative has led to projected annual staff savings of £730,000; examples of savings include only sending one interview appointment letter and not preparing full files on anticipated ‘guilty plea’ cases;
- through its ‘Benefit Adviser’ service the Department now provides online advice on entitlement to 28 benefits, pensions and pension credit, as well as advice on how to claim them. There has been very positive customer feedback with over 75% rating the Service as “*Good to Excellent*”. The service has received over 300,000 visitors since its launch in April 2008;
- an enhanced version of the service is on target for launch in the autumn. New features will allow customers to calculate their precise entitlement to 11 benefits and carry out ‘what if’ comparisons for potential changes to their circumstances. It will include improvements developed through customer feedback and testing;
- an initiative using SMS text messaging to contact customers has drawn positive feedback from customers and staff with many wanting to see more

use made of SMS. For example almost 75% of lone parents asked stated they would like to receive interview reminders by text which would help to reduce the number of appointments customers fail to attend;

- since the end of March 2009, customers calling Jobseeker Direct have heard an automated message explaining how to apply directly to an employer. This saves them time holding to speak to a member of staff, increases efficiency for the business and gives a better service to customers;
- the first iteration of a 'Single Customer View' for JSA deductions is now available in 68 Benefit Delivery Centres, giving 140 staff access to information from multiple legacy screens, so that they can handle customer enquiries faster and complete more enquiries at the customer's first point of contact. Early findings show a reduced training requirement and demonstrate the ease with which the system can be adapted in response to user feedback; and
- a pilot initiative, enabling customers to report a change of address only once is being rolled out nationally following a successful trial. A total of 45 Benefit Delivery Centres were live by March 2009. Delivery will be completed by May this year.

It is estimated that in 2008/09 the Department saved around £26m from the implementation to date of its Business Strategy, and more is expected over the CSR2007 period.

2.1.2 Workforce numbers

The Department has no formal workforce reduction target for the 2007 CSR period. The very substantial additional workloads generated by the economic downturn mean that overall staff numbers are likely to rise over the 2007 CSR period. However, improvements in efficiency mean that underlying increases to staff productivity will be made in all areas, including Jobcentre Plus front-line services, allowing staff to be re-deployed to those areas of the Department, particularly Jobcentre Plus, where the pressures are most acute. Those areas of the Department not directly affected by the economic downturn will continue to deliver staff savings as planned.

2.1.3 Expenditure with External Providers

DWP spends around half of its total Departmental Expenditure (DEL) procuring goods and services from external providers in the private and voluntary sectors. The Department now holds almost no physical assets of its own; its estate, telephony and IS/IT infrastructure have all been outsourced through a series of ground-breaking contracts with private-sector partners.

Over the 2007 CSR period the Department aims to reshape the market for employment programmes in order to produce better outcomes for its customers and

value for money for the taxpayer. We will increase spending on the most productive programmes, targeting the hardest to help customers.

Whilst the Department delivered significant procurement savings over the Spending Review 04 period, we intend to further reduce spend in this area over the 2007 CSR period by:

- renegotiating the price of services provided through our major contracts; and
- reducing demand wherever possible.

Such actions will be taken in respect of all major categories of external spend, including IS/IT, estates and telephony.

2.1.4 Administration of Housing Benefit

Currently the Department funds Local Authorities for part of the costs of administering Housing Benefits. In the light of the 2007 CSR settlement, the Department is working with Local Authorities to reduce the resources spent on processing claims for Housing and Council Tax benefit. Efficiencies will come from two sources; firstly through DWP processing and verifying some of the initial data required to make a Housing Benefit claim through its own in-house benefit processing system; and secondly through local authorities working together to share best practice and bring together services across authority boundaries.

3 Measurement of Value of Value for Money

3.1 Overview

Value for money savings will be measured as the difference between the resources the Department consumes over the 2007 CSR period, and an evidence-based estimate of the resource that the Department would have consumed if it had adopted a 'do nothing' approach to efficiency (the "counterfactual"), that is, made no specific reforms to generate value for money savings and had continued to deliver all existing policies. Investment made to facilitate savings is deducted from the overall savings to provide a net cashable figure.

The Department's value for money savings will be determined by comparing actual expenditure data from its financial systems to the counterfactual profile. Evidence that value for money savings are not being delivered at the expense of existing services will come from the Department's performance against its Departmental Strategic Objectives¹ and wider-measures of productivity. As the Department is, in many respects, a counter-cyclical organisation, performance outcomes will need to be viewed in relation to the economic cycle and economic growth predictions.

3.1.1 The Counter Factual

The Department's savings are based on its 2007 CSR settlement, updated for additional funding received to deliver new policies and to manage increases to workload volumes as a result of the economic downturn. To calculate the "counter-factual" spending profile the Department has used two principal assumptions:

- pay: in the "Do Nothing" scenario total pay is assumed to increase in line with the three year (2007-08 to 2009-10) pay remit agreed with HM Treasury; and
- other costs: all other elements of the Department's cost base are assumed to rise in line with current estimates of GDP growth.

To support the delivery of value for money savings, the Department has access to a ring-fenced Modernisation Fund. Value for money savings will be presented net of the Modernisation Fund and any other pump-priming investment to represent the true value of savings to the taxpayer.

¹ <http://www.dwp.gov.uk/aboutus/PerformanceFramework2008-2011.pdf>

3.1.2 Governance and Reporting

Delivering DWP value for money savings is embedded into the Department's overall delivery strategy for the 2007 CSR and will be reported on as part of its well established governance and reporting procedures, for example, performance, financial and project management processes.

The route for governance is determined by the level of investment needed for each project, programme or initiative. For example, the Department's central Change Programme, which is responsible for the delivery of its Business Strategy, is directly managed by the Department's Executive Team acting as a Programme Board on a monthly basis. Elsewhere the Department uses its standard monthly reporting to the Executive Team to ensure spend remains within plans. Large-scale projects report to the Executive Team, through the Investment and Change Committees.

The Department's Executive Team also receives monthly reports of planned and actual expenditure across the major categories of spend that deliver value for money savings. The reports include performance information to ensure that expenditure is not considered in isolation. The reports highlight areas of concern and recommend action where plans appear to be off-track. Reports are discussed in detail at the Planning, Performance and Risk Committee, a sub-committee of the Executive Team, which also has responsibility for ensuring that risks in the Strategic Risk Register are correctly assessed, mitigated against and monitored. Issues requiring action are then drawn to the attention of the Executive Team.

By including value for money reporting in its routine monthly reports, the Department's Executive Team has visibility of the overall scale of the challenge and progress against it. Any major risks identified to the delivery of the savings are included in the Risk Registers and actively monitored (see below also).

3.1.3 Risk

The Department has well established risk reporting processes and has a documented Risk Management Framework². Risks relating to all the initiatives that deliver the value for money savings are identified and reported using the processes outlined in the Risk Management Framework.

3.1.4 Assurance

In addition to the routine governance and reporting structures described above, the Department will undertake an audit of value for money measurement during 2009-10 to assess compliance with HM Treasury principles set out in its measurement guidance.

² http://www.dwp.gov.uk/publications/dwp/2004/risk_management/rmf-2004.pdf