

DEPARTMENT FOR WORK AND PENSIONS - SR2004 efficiency target

TECHNICAL NOTE (DECEMBER EDITION)

1. This note sets out a series of measures that the Department proposes to use to monitor progress against the efficiency target of at least £960 million in annual efficiencies by 31 March 2008, at least half of which will be cashable. This target includes a total reduction of 40,000 civil service posts with redeployment of 10,000 of these posts to front-line roles and relocation of at least 4,000 posts out of London and the South East.

Departmental Aim and Objectives

2. The Department for Work and Pensions (DWP) is responsible for delivering the Government's welfare reform agenda. Its principal aim is to promote opportunity and independence for all, so everyone is able to participate in a fair and inclusive society.
3. The main objectives of the Department are to:
 - Ensure the best start for all children and end child poverty by 2020.
 - Promote work as the best form of welfare for people of working age, while protecting the position of those in greatest need.
 - Combat poverty and promote security and independence in retirement for today's and tomorrow's pensioners.
 - Improve rights and opportunities for disabled people in a fair and inclusive society.
 - Ensure customers receive a high quality service, including levels of accuracy.
4. These objectives are underpinned by the Department's Public Service Agreement (PSA) which sets out the specific targets that must be met in return for the resources provided through the Government's Spending Review process. Each of the targets has a delivery strategy which identifies how the target can best be met. These strategies outline the delivery of specified outputs through the Department's Executive Agencies and business partners and by other Government departments and external partner organisations. The targets will be delivered in the context of the efficiency challenge that has been set for all departments by the Government.

Vision and Objectives

5. DWP wants to support and empower individuals to achieve their potential and avoid poverty. We want to help people to grow up in

secure homes with positive expectations, fulfilling their potential through employment and working and saving towards a secure retirement.

6. This vision informs the delivery of the Efficiency Programme for DWP. We aim for continuous improvement in all our business areas and for customer services that:
 - reflect and encourage the most appropriate balance between rights and responsibilities of all users;
 - treat people in a fair, open, inclusive and timely way and deliver correct information, payments and other services;
 - offer better value in reaching customers (including employers) entitled or required to use them;
 - focus on front-line activities with our customers, while maximising opportunities for savings in areas such as direct data input and retrieval;
 - are based on accurate, timely and accessible information shared across channels and businesses to ensure both consistency of treatment and data protection;
 - offer choice of means of contact but incentivise channels that make best use of scarce, skilled staff resource and supporting services;
 - are progressively improved as technology and research advances capability, capacity and affordability.
7. In addition, for staff in the Department the vision is to have a smaller, better skilled, rewarded and motivated workforce. The more repetitive, routine and lower-value activities will be automated for staff and customers allowing more time to be given to help people in greatest need, with scope, therefore, for increased job satisfaction.

Delivering Savings

8. Our financial savings and manpower reductions will come primarily from modernisation projects and programmes. Improvements to IT infrastructure, more efficient procurement, benefit and policy simplification, and re-engineering of business processes and organisations will mean DWP will need fewer staff to deliver it's business. At the same time, services to customers will be further modernised and transformed.
9. Among the measures we are taking are:

- A comprehensive **transformation of The Pension Service** that will deliver a considerably improved customer service that will encourage take-up whilst achieving significantly increased productivity and efficiency.
- Continued **transformation of Jobcentre Plus service delivery and organisation and reform of benefit processing** across DWP, such as the completion of the roll out of an improved business model and the centralisation of benefit processing from 650 sites to around 77.
- A new **modernised** Agency for disabled people and carers with improved processes, resulting in more accurate decision-making, wider access to services and better integrated provision with Jobcentre Plus and The Pension Service.
- Further **modernisation of our policy-making processes and corporate support services**. Each of the central and shared services for DWP (Human Resources, Finance and IS/IT Services) are looking to achieve greater efficiency by transforming their businesses and designing solutions applicable across all the Department
- The **direct payment** of benefits and Pensions to our customers to greatly reduce costs and the incidence of fraud and error.

Financial Savings

10. Based on our current planning assumptions, and allowing for contingency, we expect that just under one half of our financial savings will come from improvements in transactional processing, around one quarter of savings will come from the Payment Modernisation Programme, and over one quarter of savings will come from improvements to central services and around one tenth from improved value for money in procurement. These planning assumptions are set out in the attached tables. They are subject to change as our plans are developed to ensure that we maintain and improve customer services and achieve our PSA and efficiency targets.
11. This Technical Note is based on the Department's existing remit and associated Public Service Agreement targets and the workload assumed at the time of the Budget announcement in March 2004 that outlined the efficiency savings expected from Work and Pensions. The value of the financial savings target is expressed in 2007-08 prices.
12. HMT funded DWP, via the Spending Review 2004, with a Departmental Expenditure Limit (DEL) settlement (net of depreciation) of £8,436m in 2005-06, £8,212m in 2006-07 and £8,105m in 2007-08 covering both resource and capital. The settlement was made net of

the planned financial efficiencies, and with flat resource budget provision in each of the SR2004 financial years. DWP will therefore achieve its target by living within the financial settlement already made. This will require the Department to make savings of 2.8% per year by the end of March 2008 and a reduction in DEL compared to the 2003-04 outturn (using the GDP deflator at the time of the 2004 Budget announcement) of over £960m in 2007-08 prices.

Headcount Savings

13. The net reduction of 30,000 FTE posts will be achieved with a reduced number of people continuing to deliver services of at least the same standard for customers (see 'Outputs and Outcomes' below). The target net reduction of 30,000 posts will be achieved by 31 March 2008 from a baseline date of 1 March 2004.
14. The non-cashable redeployment of a further 10,000 staff to front-line roles will be measured, also from a 1 March 2004 baseline, as an increase in posts that have regular, direct contact with customers, and a reduction in posts engaged in corporate service or other processing activities. The majority of the posts created will be in Jobcentre Plus from the development and deployment of an improved customer service process.

Relocations

15. The relocation of 4,000 posts away from London and the South East Regions by the end of March 2008 is measured from a baseline of posts either in process of moving or planned to move since June 2003. The moves relate primarily to the redesign and close coordination of business processes across the Department, allowing greater automation and economies of scale in processing claims and benefits through improved use of IT.

Outputs and Outcomes.

16. The efficiency target will be met if the overall efficiency savings, including the staff savings, are achieved without detriment to performance across all areas of DWP's activity and our customers experience no diminution in the service they receive. Performance measurement will be based on the methodology developed by DWP and the Office for National Statistics for the Atkinson Review of the Measurement of Government Output and Productivity, and will be consistent with the recommendations in chapter 11 of the Review's final report. See http://www.statistics.gov.uk/about/data/methodology/specific/PublicSector/atkinson/downloads/Atkinson_cha11.pdf
17. Under this methodology efficiency is a measure of how well the organisation uses its inputs to produce its outputs. Inputs are all the

resources used by DWP to produce goods and services, and will be measured in financial terms. DWP outputs will be measured by a cost-weighted index, where the unit cost of production is used as a proxy for the value of the output. In line with Atkinson recommendations outputs will be adjusted for quality where possible.

18. Indices currently available cover the Department's two main functions - benefit processing and job-broking - and together account for over 90% of DWP's cost base. The benefit processing index includes both the processing of new claims and the maintenance of existing claims and wherever possible will be quality-adjusted. DWP labour market output will be measured by job entry points, where the point score reflects the relative priority attached to different customer groups and can be considered to be an indicator of quality or value. Output volumes will be derived from DWP's management information systems which are linked to operational benefit and labour market systems. Unit costs will be obtained from DWP's activity-based information system. Potential measures of the output of the Child Support Agency have been developed and will be introduced by early 2006. Until then Child Support Agency output will be measured on the default assumption that outputs are equal in value to inputs. DWP output measures will exclude the administration of Housing and Council Tax Benefits since these are functions of Local Authorities rather than the Department.
19. These measures will be supplemented by other information which DWP monitors and publishes on a regular basis in e.g. forward plans and performance reports, which will help to provide a rounded picture of DWP performance. Additional performance information includes progress towards DWP's PSA targets <http://www.hm-treasury.gov.uk/performance/DWP.cfm>, and Agency targets for business delivery and customer service which are set annually and published in Agency Business Plans.
20. There will also be a continuation of the monitoring of service through "mystery shopping" (tests of our services performed by independent organisations replicating customer experience), surveys of customer perceptions and reviewing feedback received in other ways (e.g. from voluntary/advisory organisations such as the Citizen Advice Bureau). In particular, there will be customer satisfaction surveys in both Jobcentre Plus and the Pensions Service in 2005. Others are planned for 2007.

Monitoring and Governance of targets.

21. The Executive Team of DWP comprising the Chief Executives of its agencies and Senior Group Directors and chaired by the Permanent Secretary meet monthly to monitor and manage progress towards the achievement of the efficiency targets. The Secretary of State also receives monthly reports tracking progress towards the various targets.

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Significant issues will be escalated if and when necessary from business and programme boards to the Executive Team and Ministers.

22. The Departmental Board comprising the Permanent Secretary, key members of the Executive Team and 3 non-executive Directors, will receive progress reports at its meetings every six weeks.

Assurance

23. In addition to the governance and reporting structures described above, all the measures to be used and their application are agreed with and overseen by DWP's auditors in its Internal Assurance Services. In addition, we may also seek external validation from the National Audit Office.

Workstream	Transactional Processing
Activity	Reductions in costs, including staffing and other costs in the delivery of customer services.
Type	Reduced inputs and same or better quality outputs.
Approach	<p>Review the range of activities across the Department's businesses and how they are delivered. Activities to support the delivery of this part of the workstream will include:</p> <ul style="list-style-type: none"> • Introduction of more efficient working methods for staff and easier access for customers through IT improvements • Reviewing processes and brigading of functions within and between businesses to generate economies of scale <p>Net staff reduction and re-allocation to front-line activities</p>
Cashable	All of the net staff savings generated by this workstream will be cashable. Based on current plans around £450m is expected to be saved from this workstream.
Measurement	Savings in salary and associated support costs; workforce reductions; redeployment to frontline posts.
Monitoring	On-going monitoring of outputs in Pension Service, Jobcentre Plus, Child Support Agency, and other businesses in line with PSA targets.
Data sources	Monthly workforce management statistics and financial management information. Quarterly counting of FTE posts within DWP.
Quality	Monthly workforce management information is provided by the HR team to ensure that headcount reductions from each business area are in line with milestones towards the SR2004 target. Monthly financial management information including cost of staff is provided to the budget managers by the Finance team to provide the equivalent assurance for progression to the financial savings target. Compliance with Agency targets, set and monitored annually, the Atkinson methodology and customer satisfaction surveys all contribute towards performance measures used to ensure that there is no diminution of customer service and thus that savings achieved can be attributed to greater efficiency in delivery.
Validation	Staff in post figures and financial management information are reported to the Executive Team (ET) monthly. Numbers of posts will be reported quarterly to the ET. The Secretary of State will receive regular staff in post and financial management information. All figures are subject to internal audit and periodic validation by the National Audit Office (NAO).
Baselines	1 st March 2004
Timeframe	2004-2008

Workstream	Payment Modernisation
Activity	Increased efficiency in pension and benefit payments and reductions in costs.
Type	Reduced inputs and same or better quality outputs
Approach	<p>Activities to support the delivery of this part of the workstream will include:</p> <ul style="list-style-type: none"> • Introduction of more efficient and cost-effective payment of benefits directly to customers accounts • Streamlining payment processes • Increased staff time for front-line activities
Cashable	All of the net financial and workforce reductions generated by this workstream will be cashable. Based on current plans around £260m is expected to be saved from this workstream.
Measurement	Savings in salary and associated support costs, and inputs redistributed to other priorities within DWP; Workforce reductions; information on the nature, speed and accuracy of payments
Monitoring	<p>Programme overseen by board chaired by the Finance Director. Monthly reports to the Executive Team. Main programme completed with further work to ensure benefits are maximised and fully realised.</p> <p>Ongoing monitoring of speed and accuracy of payments in Pension Service, Jobcentre Plus and other businesses.</p> <p>PSA target</p>
Data sources	HR monthly workforce management reports and financial management information. Returns on fraud and error for monitoring of PSA target.
Quality	Monthly financial management information including cost of staff and unit costs of payment processing against an agreed specification is provided to the budget managers by the Finance Team. Performance is well ahead of the PSA target for take up and fraud and error rates will be monitored to ensure that quality is maintained with improved quality and greatly reduced unit cost.
Validation	Progress of the implementation programme is subject to DWP governance processes and OGC gateway reviews. Workforce management figures and financial management information are reported to the ET monthly. All figures are subject to internal audit and periodic validation by NAO.
Baselines	1 st March 2004
Timeframe	2004-2008

Workstream	Central Services
Activity	Streamlining of central services – Human Resources, Finance, IS/IT
Type	Reduced inputs and same or better quality outputs.
Approach	Closer working between central services to take advantage of opportunities for greater efficiencies in ways of working through redesigned processes and tactical and strategic use of IS/IT. Reorganised central services infrastructure with smaller numbers of staff and higher skills with more direct access by and delivery from the businesses.
Cashable	Cashable and non-cashable savings. Based on current plans around £200m is expected to be saved from this workstream.
Measurement	Workforce reductions. Savings in salary costs and the costs of IT services. Benefits to the wider organisation through more direct and effective problem solving and support for business processes.
Monitoring	Monthly workforce management information is provided for the ET by the HR team and financial information from the Finance team.
Data sources	Monthly workforce management and financial information combined with service level agreements with internal and external customers. Benchmarking data with other public and private sector organisations.
Quality	Monthly workforce management information is provided for the ET by the HR team including reduced ratios of HR to other departmental staff while improving the range – and unit cost of services available to assess performance against the benefit realisation plan. Monthly financial management information, is provided to the ET by the Finance Team to ensure that services are maintained at at least existing and increasingly improved specification while undertaking a major transformation programme which is taking place to reduce headcount and improve coordination with performance reporting and planning. For IS/IT services, a major transformation programme has been completed (including increased VFM with suppliers) to reduce headcount and costs of development and maintenance with improved delivery specification and enriched expertise. Performance will be monitored in line with the benefits realisation plan.
Validation	Workforce management figures and financial management information is reported to the ET on a monthly basis. All figures are subject to internal audit and periodic validation by NAO.
Baselines	1 st March 2004
Timeframe	2004-2008

Workstream	Procurement Modernisation
Activity	Reduction in cost of goods and services, including estates.
Type	Reduced and higher quality inputs / same or better quality outputs
Approach	<p>Improved value for money of direct and indirect procurement through:</p> <ul style="list-style-type: none"> • Enhanced scrutiny, monitoring and accountability • Better strategic management of suppliers and the supply market • Better demand management resulting in lowered consumption while achieving optimum specification • Deploying smarter and more strategic procurement approaches and techniques • Implementing a new, efficient and robust procurement operating model and organisation underpinned by e-enablement • Further rationalising of estates • Enhancing current project management techniques to improve resource utilisation across the department
Cashable	Cashable and non-cashable. Based on current plans around £100m is expected to be saved from this workstream.
Measurement	<p>Savings in costs of bought in services. Expenditure on buildings and salary savings.</p> <p>Efficiencies in operational procurement activities both centrally and by businesses.</p> <p>Demonstrated in financial savings in expenditure against budget for the previous and current year to secure services of at least the same quality.</p>
Monitoring	<p>Central and business monitoring of efficiencies in salaries, procurement costs and e.g. space usage. Monthly reporting to Commercial Director, Finance Director and EPB. Quarterly reporting to the Commercial Strategy Supervisory Board (CSSB). Annual reports to OGC.</p>
Data sources	Monthly Financial Management Information centrally and from businesses and figures on m ² for estate usage, compared with data available centrally from OGC.
Quality	<p>Financial management information is provided to the CSSB by the Finance team and overseen by procurement professionals and business representatives and assessed in accordance with OGC professional standards and VFM indicators. This information helps ensure that benefits intended to be delivered (cashable and non-cashable e.g. increased proportion of procurement staff with recognised qualifications) are indeed being so. Additional estate financial (and other) management information is provided by the Estates Team and benchmarked against other public and private sector comparators in line with OGC coordinated central standards to ensure maintenance and improvement of VFM for DWP and the tax payer.</p>
Validation	Assurance of the data and compliance with the strategy will be provided by regular audits.
Baselines	1 st March 2004

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Timeframe	2004-2008
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