

**Planning and Performance  
Management**

**2007 CSR Asset Management  
Strategy**

# Contents

- 1 Introduction..... 3
- 2 Forward Investment Plans..... 6
- 3 Capital Stock Survey ..... 7
  - 3.1 Land and Buildings..... 7
  - 3.2 Equipment and IT..... 8
  - 3.3 Transformational Government..... 8
- 4 Asset Disposal Plan ..... 10
  - 4.1 Estate Strategy..... 10
  - 4.2 IS/IT Strategy ..... 10
- 5 Asset Management Practices..... 12
  - 5.1 Maintenance of Assets ..... 12
  - 5.2 Corporate Governance..... 12
  - 5.3 Financial Management..... 12
  - 5.4 Delegation and Accountability ..... 13
  - 5.5 Investment Appraisal..... 13
  - 5.6 Potential for Wider Markets Activity..... 14

# 1 Introduction

The Department for Work and Pensions (DWP) was created in June 2001 to deliver the Government's Welfare Reform Agenda. To achieve this, the Department embarked on one of the largest and the most ambitious modernisation change programmes undertaken in Europe. This programme has had a major impact on the DWP's 26 million customers.

Delivering this level of change required a significant programme of investment across the Department. Modernisation of the organisation's culture, management, systems and assets was necessary to ensure DWP met its efficiency challenges, reducing headcount by 30,000 and reducing annual expenditure by £960m, whilst maintaining customer service. To achieve this, DWP undertook a number of significant investment projects during SR04 which included:

- **Jobcentre Plus Implementation** – This has introduced the Jobcentre Plus service in a network of integrated, modernised offices across Great Britain.
- **Centralisation of Benefits Processing** – The consolidation of payment processing from over 650 sites to 77 Benefit Delivery Centres, enabling the achievement of efficiencies through a combination of centralisation and standardisation of benefit processing.
- **Pensions Transformation Programme** – A long-term programme that has resulted in the transformation of The Pension Service business, organisation and its supporting systems. It has delivered a considerably improved customer-centric service that has encouraged take-up of pensions whilst achieving significantly increased productivity and efficiency.
- **Payment Modernisation Programme** – This has modernised the way pensions and benefits are paid to customers. Order Books have been phased out and nearly all customers now receive payment directly into an account.
- **Resource Management** - The Department has implemented an integrated finance, procurement, human resources and payroll system based on Oracle e-business software. The introduction of this 'Resource Management' system was a major undertaking and reflects the significant investment being made to improve operational efficiency, control and level of decision making, both individual and corporate.
- **Human Resources Modernisation** – This has ensured that DWP's HR operation is efficient and effective; supports the learning and leadership objectives and delivers IT solutions for pay and reward policies.
- **DWP IT Transformation** – The Department has modernised its services, supported by a major investment programme in IT-enabled services for its

customers and staff. It is also transforming its IT capability and the relationship with its suppliers, to produce better services and value.

The Department committed the following investment levels over SR2004 years:

£m	2005/06	2006/07	2007/08	Total
Capital	573	224	37	834
Resource	996	678	363	2,037
Total	1,569	902	400	2,871

Note – Resource expenditure relates to ‘one-off’ investment only.

One outcome of the SR04 investment strategy has been a significant reduction in the Department’s asset holdings. This has resulted from the move towards contracting for key services, transferring the risk for delivery to our suppliers. Focus has moved away from asset ownership to contracting for services. This has allowed DWP to focus on its key business challenges whilst utilising assets effectively to meet them.

During the 2007 CSR period, DWP plans to invest in the following:

- **Welfare Reform** - the further roll-out of the Pathways to Work programme for people on incapacity benefits, and the introduction of the Employment and Support Allowance.
- **Private Pension Reform** - the new system of ‘personal accounts’ will be set up, based around the principle of auto-enrolment, to help people who currently do not have access to a work-based pension to make provision for their retirement.
- Formation of the **Child Maintenance and Enforcement Commission** - the launch of C-MEC will help transform our system of child maintenance by enabling and encouraging parents to reach their own child-maintenance arrangements.
- **The Change Programme** - based around a vision of “Work, Welfare, Well being, Well Delivered”. The strategy aims to join-up services based on customers’ needs to achieve the best outcomes for them, while driving out waste and increasing efficiency.

The Department is also intent on continuing to deliver against its aims of:

- contributing towards fair, safe and fulfilling lives, free from poverty, for children, people in work and retirement, and those with disabilities;
- reducing welfare dependency and increasing economic competitiveness by helping people to work wherever they can and employers to secure the skills and employees they need; and
- providing greater choice, personalisation and quality of service for customers in their interests and those of the taxpayers.

The Department's Investment Programme and resulting Asset Management Practices continue to support the DWP's Aims and Objectives as set out in its SR2004 Public Service Agreement (PSA). During the 2007 CSR period, DWP will lead on the following PSAs:

- Later Life – This PSA aims to tackle the problems of an ageing population by focussing on the quality of later life in the UK and seeking to make the most of the opportunities offered by longer life.
- Employment - This PSA objective is fundamental to the Government's long-term aims of achieving an employment rate equivalent to 80% of the working age population, and eradicating child poverty.

In addition, the Department has developed the following Departmental Strategic Objectives (DSO) which cover its entire business:

- DSO 1 - Reduce the number of children living in poverty;
- DSO 2 - Maximise employment opportunity for all and reduce the numbers on out-of-work benefits;
- DSO 3 - Improve health and safety outcomes;
- DSO 4 - Promote independence and well-being in later life, continuing to tackle pensioner poverty and implementing pension reform;
- DSO 5 - Promote equality of opportunity for disabled people;
- DSO 6 - Pay our customers the right benefits at the right time; and
- DSO 7 - Make DWP an exemplar of effective service delivery to individuals and employers.

## 2 Forward Investment Plans

Recognising that the management of estates and IS/IT systems is not its core business, DWP has made significant progress to date in moving from asset ownership to procuring key services. As such, the Department has limited plans for capital investment over the 2007 CSR period. DWP has a very small asset holding when compared to other large government departments. Its most valuable group of assets, more than £370m, is the leasehold improvements made to Jobcentres which have recently been completed, providing the Jobcentre Plus service in a network of integrated, modernised offices across Great Britain. Now improved, the future maintenance of Jobcentre Plus offices is included within the facilities management contract DWP has with Land Securities Trillium.

DWP has plans to invest the following over the 2007 CSR period:

£m	2008/09	2009/10	2010/11	Total
Capital	78	20	19	117
Resource	727	358	224	1,309
Total	805	378	243	1,426

Note – Resource expenditure relates to ‘one-off’ investment only.

The forecasts for capital expenditure over the 2007 CSR period represent DWP’s latest firm plans. There may be a requirement to commit capital expenditure during the 2007 CSR period for the set-up of the Personal Accounts Delivery Authority (PADA) and for the information system development associated with the DWP Change Programme. This will become clearer as the delivery policy for PADA is finalised and the infrastructure to support the Change Programme is developed.

The Department has made considerable strides in its explicit strategy of retaining only those assets that are at the heart of its activities or which it would not be cost effective to provide by alternative means. This strategy will continue across the 2007 CSR period, with the asset base reducing to include only those assets that support core activities. By the start of the 2007 CSR period, DWP’s vehicle fleet will have been disposed of under a sale and lease back arrangement. This will enable the Department to conduct future business through a service arrangement for the supply of vehicles which will provide them only as they are required, improving the value received from vehicle utilisation.

## 3 Capital Stock Survey

Building on the Departments National Asset Register submission, a high-level assessment of business critical assets has been conducted. The leasehold improvements to Jobcentre Plus buildings have recently been completed and, as such, meet current operational requirements.

DWP's bespoke IT systems and software licenses continue to support operations bolstered by the new capability developed during SR04 by investments such as the Pensions Transformation Programme and Resource Management Project.

The Department continues to monitor its assets and ensure that they meet delivery requirements. This is also true for the assets which support DWP's non-departmental public bodies (NDPB) and REMPLOY.

A summary table reflecting the net book values of the major categories of tangible fixed assets shown in DWP's latest set of published resource accounts for the 2006/7 financial year is shown below:

**Table 1**

Asset Type	Net Book Value £m
Land and Buildings	585.968
Fixtures and fittings	13.626
Equipment and IT	196.153
Assets under construction	141.930
Total	937.677

### 3.1 Land and Buildings

The capital value of the land and buildings shown on DWP's balance sheet is not significant. Properties used by the Department for its operations are leased, the majority under a Private Finance Initiative (PFI) contract with Land Securities Trillium (LST). This allows DWP to benefit from private sector investment and expertise; ensuring its operating assets are available and fit for purpose.

The Department does have £56.7m of land and buildings assets relating to the capitalised value of a PFI contract for laboratories used by the Health and Safety Commission/Executive.

Most of the remaining £524.1m of land and buildings relates to leasehold improvements. Jobcentre Plus has recently completed a major modernisation, refurbishment and improvement project to roll out a nationwide network of integrated offices. The costs of this work is capitalised as leasehold improvements. The ongoing maintenance, to a standard that meets the operational requirements of DWP and the needs of its customers, is the responsibility of LST.

## 3.2 Equipment and IT

During 2005/6 DWP entered into agreements with EDS, to provide IT services to the Department and its executive agencies, and BT to provide telephony services. Under the terms of the agreement with EDS, the ownership of IT hardware assets transferred from DWP to EDS. EDS now has the responsibility for maintaining and replacing these assets, the cost of which is reflected in the service charge to DWP under the terms of the contract.

The tangible IT assets now owned by DWP are therefore largely bespoke software systems and licences. The development cost of new (bespoke) software applications is capitalised on completion of each project and DWP retains ownership of the intellectual property rights. On completion of the asset, the ongoing support and maintenance is paid for through a fixed service charge for the application. DWP also holds on its balance sheet, as intangible assets, licences for the use of commercial IT software that cover more than one year. Expenditure on annual software licences is charged to the Operating Cost Statement.

During 2007, DWP disposed of its vehicle fleet, through a new 'sale and lease back' service contract with Inchcape Fleet Services. The Equipment and IT value shown in Table 1 includes £14.65m for motor vehicles.

## 3.3 Transformational Government

DWP is also contributing to (and in a number of key areas leading) the cross-government drive to promote greater customer focus and efficiency. In particular:

- following the Varney Report the Department will take on lead responsibility from the beginning of 2008-09 for Direct Gov - with the aim of opening up much greater access to the full range of Government functions through a single website, thus eliminating the need for most separate sites across Government; and

- DWP is also leading the “Tell Us Once” project, developing a pilot where customers have only to contact the Government once to notify it of changes in circumstances i.e. births, deaths and changes of address.

Alongside these specific initiatives, the Department will continue to work with partners across Whitehall, Local Government and the private and voluntary sectors to deliver the best possible service for customers and value for money for the taxpayer.

# 4 Asset Disposal Plan

As stated above, most of DWP's asset value relates to leasehold improvements, bespoke IT licences and bespoke systems, all of which will contribute to its operations for the foreseeable future. The Department has previously disposed of most of its operating assets and as such it does not have plans for material levels of asset disposal during the 2007 CSR period but fully endorses the need to remove assets that are no longer required.

DWP has a low asset base when compared to other major government departments. It has sought to reduce its capital assets where possible, investing in service arrangements that allow it to transfer the risk of delivery for non-core DWP services.

## 4.1 Estate Strategy

In addition to the priorities outlined earlier the Department has continued to make progress with its Estate Strategy, which supports its approach to modernising the estate, meeting targets to reduce the size and cost of the estate and improving space utilisation. Good progress has been made to reduce the size of the estate in line with the Department's workforce efficiency challenge. The size of the estate at January 2007 was 2.237 million square metres, a reduction of 210,000 square metres since March 2006. By the end of March 2008 the Department plans to have an estate of 2.03 million square metres. As the Department reduces in size during the 2007 CSR period and the number of customers using the internet and telephones to contact the department increases, it will need to occupy less physical space. DWP has plans to reduce estate utilisation further during the 2007 CSR period.

## 4.2 IS/IT Strategy

DWP has realigned its numerous EDS contracts into a single contract. DWP and EDS have entered into a contractual arrangement that will transform the way in which IT services are delivered by EDS to DWP (TREDSS - Transforming EDS Services). This contract is part of the Department's IT Transformation Programme improving the quality, reliability and efficiency of IT services to support staff, and enabling continuous evolution to exploit improving technology. This has contributed to the Department's progress towards its existing efficiency challenge of reducing staff by 30,000 during SR04 and will also support plans to meet the further challenge of an annual 5% reduction in running costs for the 2007 CSR years. In addition to the reduced and affordable costs, the Department will receive significantly greater value from its IT spend. Through the Transformation, it will benefit from:

- capacity on demand, which means DWP pays for what it uses;

- service levels and prices that are benchmarked to the market place; enabling more effective remedies for any underperformance;
- standard technologies and tools for managing across all technologies;
- clear boundaries of responsibility, which will support collaborative multi-supplier relationships; and
- efficient management of IT and telephony assets.

As a result, it is anticipated that the Department will be spending significantly less on the services delivered by EDS than the comparable services provided before realignment.

For the development of new IT applications, DWP has initiated the Capability Maturity Model Integration (CMMI) Programme to implement process improvement within those areas that are working with EDS on Application Development (AD). CMMI is a comprehensive model that describes in detail what it means for an organisation to be capable at the business of building IT solutions. It contains the essential elements of effective processes and best practices that address the development and maintenance of products and services covering the IT project lifecycle from initiation through to implementation.

# 5 Asset Management Practices

## 5.1 Maintenance of Assets

DWP's tangible assets almost entirely comprise improvements to leasehold buildings utilised by Jobcentre Plus and bespoke IT licences and systems. Now they have been completed, the ongoing maintenance of the Jobcentre Plus buildings forms part of the facilities management contract with LST. The maintenance of DWP's bespoke IT forms part of the TREDSS contract.

## 5.2 Corporate Governance

Do not use underlining for emphasis. Online users expect underlined text to link to something. Consider using bold instead.

## 5.3 Financial Management

The Department has introduced a common set of controls and supporting systems, which apply to all investments. Key features of this are:

- An investment Financial Control Framework that sets out the overarching financial management principles and mechanisms that must be followed for any investment. This is consistent with HM Treasury's guidance on investment appraisal and the Office of Government Commerce guidance for project management. It has been augmented with simple clear managerial summaries of the 20 Key Principles that should be applied in key areas such as business planning, benefit realisation, etc. Its aim is to ensure:
  - financial accountabilities are clear;
  - there is continuous emphasis on affordability and value for money throughout the lifetime of a project, including the policy appraisal stage; and
  - there is proper alignment of projects with broader financial planning;
- The development of a comprehensive Governance Handbook which outlines the principles underlying the Department's approach to good governance, including its gated review process and how this should be applied to projects and programmes;
- A series of key principles, which underpin specific aspects of financial management and control including:

- Change Programme Financial Control Framework (FCF) 20 key principles
- Benefit Realisation - 20 key principles
- Costing of Investment in DWP- 20 key principles
- The Production of Business Cases - 20 key principles
- Detailed instructions on procurement processes, governance structures and risk management;
- The Department's Change Delivery Committee (CDC) reviews the overall position on the current year and future years' investment programme, this covers progress against milestones, governance and financial status reports and aspects such as project forecasts, milestone achievement, risk escalations as well as integrated delivery issues:
- The Department is developing an approach to portfolio management to identify and prioritise all investment initiatives and projects, including a review of associated systems and procedures;
- All projects are given approval, at Approvals Gates, to proceed only for specific lifecycle stages, such approval is given by senior corporate management (e.g. the Group Finance Director) for the Department's major projects and senior management from the Department's business areas for all others;
- Following staged approval the prospective benefits of a project are fed into Departmental financial plans to help control the management of benefits; and
- The Department has developed and established a robust process to ensure that all new initiatives are thoroughly examined for strategic fit, value for money and benefits realisation prior to inception as a project onto the Department's change agenda.

## 5.4 Delegation and Accountability

Each governance body within the project management process (e.g. a project steering committee or a programme board) is provided with clear instructions on delegated financial authorities and available flexibilities.

## 5.5 Investment Appraisal

The Department's Investment Committee (IC) provides objective and corporate senior management challenge to proposed investments, focusing on value for money and strategic fit. It considers programmes and projects that meet the criteria to be included on the CDC portfolio by reviewing value for money at Gate 0, at points where tolerances are breached and, as appropriate, the Critical Design Review (CDR); confirms or otherwise the continued existence of projects; and makes recommendations to projects/programmes, CDC or the Planning, Performance and Risk Committee (PPRC) as necessary. The committee acts on behalf of DWP's

Executive Team, supporting the Finance Director General, in the discharging of accountabilities.

CDC supports the successful delivery of the portfolio of mission critical projects and programmes, by:

- approving the non-business case elements of projects at the CDR stage (for example the integrity of the commercial deal, technical design, deliverability) referring to IC for business case sign-off;
- reviewing programmes on a 6-12 month basis;
- agreeing significant changes to plans including level one and two milestones, and scope; and
- resolving cross-cutting issues and conflicting dependencies, referring projects/programmes to the Investment Committee when negative business case tolerances are breached so that the value for money case can be re-appraised.

CDC provides reports and assurance to ET on the delivery of the mission critical portfolio of projects and programmes, and provides help to individual projects/programmes where necessary.

Within the investment programme each major project in the portfolio has a Senior Responsible Officer (SRO) accountable for the successful delivery of the project and a budget that is set to cover a spending review period.

## 5.6 Potential for Wider Markets Activity

Where it is permitted within its contracts, DWP looks to get optimum use from any spare capacity it has available. This is particularly true with estates, where spare capacity can be offered to other government departments, where DWP is not able to vacate and dispose of an entire site.

DWP's Shared Service organisation is taking forward the cross government agenda. It explores opportunities to build upon the experience gained with DWP to deliver services beyond DWP. Examples of this include the provision of debt management, accounting and customer payment to the Northern Ireland Social Security Agency (NISSA); NHS Compensation Scheme and the provision of Civil Service Pension Administration to a significant number of Other Government Departments.

In support of the transformational government agenda a small number of departments are considering how best to utilise the capabilities already available within Government. In response to this, DWP is working in partnership with Cabinet Office to formulate a strategy to highlight how the shared services market could be developed. The Department is committed to becoming a provider of shared services and by the end of 2008 aims to have developed a compelling service offering.