

**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 taxpayers.

In doing this the Department will **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 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 "counter-factual"), the 5.6 percent real annual reduction in resources will deliver net **cash releasing efficiency savings of over £1.2bn 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), 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 tax payer.

The key strategic driver for the programme will be the implementation of the Department's business strategy, based on a vision of "Work, Welfare, Well-being, Well Delivered", which in turn links with DWP's Departmental Strategic Objective Seven, "Make DWP an exemplar of effective service delivery to individuals and

employers". It should be read alongside the Department's Asset Management Strategy which is available on its website¹.

Box A: DWP 2004 Spending Review Efficiency targets

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

By September 2007 £1,272m of savings have been achieved, of which £952m are 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 September 2007, DWP's headcount had reduced by 28,009. ***DWP has achieved 93% of the challenge and is confident of meeting the target;***

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.

¹ <http://www.dwp.gov.uk/publications/dwp/2007/CSR-asset-management-strategy-2007.pdf>

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 which it intends to have in place in early 2008, and which will contain more comprehensive details of the Department's delivery plans. Value for Money savings will be realised in three principal areas:

- Delivering a New Business Strategy;
- Reducing Spend with External Suppliers; and
- Employment Programme and Housing Benefit Administration.

2.1.1 Delivering a New Business Strategy (around one third of savings)

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 customers. But detailed analysis of its systems and ways of operating has shown that DWP staff are sometimes 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 fulfilling for staff, nor satisfactory for customers.

The Department has therefore developed a Business Strategy, based around the vision of "Work, Welfare, Well Being, Well Delivered", which it will implement over the 2007 CSR period. Specifically, the strategy will improve the Department's ways of doing business and processes 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 the focus of process design, implementing lean techniques will allow resource to be focussed on those contacts with our customers which add value, while radically reducing waste; and
- offering customers options for accessing services through channels which are more convenient for them, and provide better value for money for the taxpayer. In particular, the Department will develop "myDWP", which will offer customers a secure on-line service via Directgov.

The Department has no formal workforce reduction target for the 2007 CSR period. However it is inevitable that the Department will need fewer staff to deliver its core

services. At this stage it is too early to say with certainty how much further the Department's workforce will reduce. However, the Department will continue to minimise the use of compulsory redundancy and consult its staff and trade unions on any reductions as plans develop.

2.1.2 Expenditure with External Providers (around half of all savings)

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

Whilst the Department has already achieved major savings over the Spending Review 04 period, it intends to further reduce spend in this area over the 2007 CSR period by:

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

As an example of this approach, as the Department reduces its workforce over 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. Over the 2007 CSR period it aims to reduce its estate by up to 400,000 m², equivalent to around 20 per cent of its current total or, put more graphically, the equivalent of the foot print of around four new Wembley Stadiums, releasing significant value for money savings.

Similar initiatives will be put in place across all major categories of external spend, including IS/IT and telephony.

2.1.3 Employment Programmes and the Administration of Housing Benefit (around 20 percent of savings)

Over the 2007 CSR period the Department aims to build on the conclusions of the recent Freud report² to reshape the market for employment programmes, to produce better outcomes for its customers and value for money for the taxpayer. The Department will increase its spend on its most productive programmes targeting its hardest to help customers.

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

² http://www.dwp.gov.uk/welfarereform/freud_report.asp

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 (the "counter factual"), 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 service will come from the Department's performance against its Departmental Strategic Objectives³ and wider measures of productivity.

3.1.1 The Counter-Factual

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 £550 million 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.

³ <http://www.dwp.gov.uk/aboutus/PerformanceFramework2008-2011.pdf>

3.1.2 End-Year Flexibility

The Department has access to a stock of DEL provision accrued from its under spending in previous years (known as End Year Flexibility). Across the 2007 CSR the Department will draw on this resource to invest in new policies and programmes (i.e. beyond those it was delivering in 2008, included in its counterfactual profile).

3.1.3 Governance and Reporting

Delivering DWP value for money savings will be embedded into the Department's Business 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 will be 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, will be directly managed by the Department's Executive Team acting as a Programme Board on a monthly basis. Elsewhere the Department will use its standard, rigorous, monthly reporting to the Executive Team to ensure spend remains within plans. Large scale projects will report as now to the Executive Team, through its Investment and Change Sub-Committees.

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

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

3.1.4 Risk

The Department has well established risk reporting processes and has a documented Risk Management Framework⁴. Risks relating to all the initiatives that deliver the value for money savings will be identified and reported using the processes outlined in the Risk Management Framework.

⁴ http://www.dwp.gov.uk/publications/dwp/2004/risk_management/rmf-2004.pdf

3.1.5 Assurance

In addition to the routine governance and reporting structures described above, the Department will undertake an audit of the value for money measurement programme during 2008-09 to assess compliance with HM Treasury principles.