



Northern Ireland Audit Office

Modernising benefit delivery in the Social Security Agency's local office network



REPORT BY THE COMPTROLLER AND AUDITOR GENERAL
11 November 2014



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Northern Ireland Audit Office
11 November 2014

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Abbreviations

| | |
|--------|---|
| BPC | Business Processing Centre |
| DE | Department of Education |
| DEL | Department for Employment and Learning |
| DFP | Department of Finance and Personnel |
| DOJ | Department of Justice |
| DHSSPS | Department of Health, Social Services and Public Safety |
| DSD | Department for Social Development |
| DWP | Department for Work and Pensions |
| FTE | Full Time Equivalent |
| GB | Great Britain |
| HMRC | Her Majesty's Revenue and Customs |
| IT | Information Technology |
| JBO | Jobs and Benefits Office |
| NICS | Northern Ireland Civil Service |
| NI | Northern Ireland |
| NIHE | Northern Ireland Housing Executive |
| SSA | Social Security Agency |
| SSO | Social Security Office |
| UK | United Kingdom |

Glossary of terms

| | |
|---|---|
| Benefit claimant | A person who has submitted a claim for a benefit, but may not necessarily be entitled to that benefit. Once their completed form has been submitted they are assessed for entitlement. |
| Benefit processing services | All tasks associated with a benefit claim received from a claimant, for example, advice, processing, payment, as well as managing and maintaining changes of circumstances for the life of the claim. |
| Benefit recipient | A person in receipt of benefit payments following an entitlement assessment. |
| Block grant | Funding is provided to Northern Ireland from the Westminster government as a block grant. Once the money is received it can be spent on any devolved responsibility as the Northern Ireland Executive decides, with the approval of the Northern Ireland Assembly. |
| Capital costs | Certain costs associated with purchasing, renovating or rebuilding government assets e.g. properties. |
| Employment Services | Services provided by DEL to assist people in finding a job or to change a job. |
| Employment and Support Allowance | Money that is paid by the Government to people who can't work because of sickness or disability, and are not getting Statutory Sick Pay. |
| Gateway Reviews | A Gateway Review examines a programme or project at critical stages in its lifecycle. The review is designed to provide assurance that it can progress successfully to the next stage and is on track towards successful delivery. There are five key decision points or "Gateways" in a project lifecycle – 1. Business Justification; 2. Delivery Strategy; 3. Investment Decision; 4. Readiness for Service; and 5. Benefits Realisation. Reviews are carried out by a small team of experts who are independent of the project. In July 2009 the Comptroller and Auditor General published "A Review of the Gateway process" (NIA 175/08-09). |
| Income Support | Money that is paid by the Government to people who have no income or a very low income. |
| Jobseeker's Allowance | Money that is paid by the Government to people who are unemployed and are looking for a job. |
| Outline Business Case | A business case prepared to establish the need for a project its objectives, benefits, scope and costs. |

Royal Assent

The final stage of the legislative process of a Bill before it can become law. A Bill must be approved by the Northern Ireland Assembly before it can be presented to the Queen by the Secretary of State for her assent.

Service Based Assimilation

A Northern Ireland Civil Service pay assimilation for all non-industrial civil servants. Assimilation means the process of transferring all the members of a grade from an existing pay scale to a revised pay scale for the grade.

Social Fund

Money paid to people in need in the form of Discretionary Loans, Grants or Regulated Payments.

Social security benefits

Monetary assistance from the Government for people with an inadequate or no income.

Welfare to Work

The UK government policy of encouraging unemployed people and others receiving benefits to find a job.

Executive Summary

Introduction

1. The Social Security Agency (the SSA) is responsible for the provision of a wide range of welfare benefits and services, often working alongside the Department for Employment and Learning (DEL) which provides assistance to people looking for work. Many of these services are delivered from a local office network of 35 offices. The SSA also provides services to clients in Great Britain (GB) on behalf of the Department for Work and Pensions (DWP).
2. In 2012-13 the SSA spent almost £98 million on the administration of working age related benefits, representing 50 per cent of the SSA's total benefit administrative costs. Of this, SSA's network of front line offices spent £48.8 million on administrative costs, employing 1,800 staff to deliver a suite of working age benefits.
3. This report focuses on the modernisation of benefit delivery services in the local office network, including the administration and payment of working age related benefits; namely, Jobseeker's Allowance, Income Support and the Social Fund. Whilst these specific benefits only account for 14 per cent of all benefits paid, together they account for 50 per cent of total administration costs.
4. Over the past twelve years the SSA has invested significantly in modernising its local office network to improve service delivery relating to these benefits,

as well as improving customer and staff satisfaction. It has also invested significantly to ensure that its office network is 'fit for purpose' and able to cope with the pressures of Welfare Reform, as well dealing with the peaks and troughs in unemployment created by the global and local economies.

Scope of this report

5. Part One of this report is a review of two key projects (the Jobs and Benefits Office Project, costing £60 million and the Customer First Project, for which the final cost is yet to be determined) which formed part of the Welfare Reform and Modernisation Programmes. We highlight a number of lessons that will assist the SSA in successfully implementing the ongoing Universal Credit programme, the latest modernisation prompted by Welfare Reform.
6. Part Two outlines the current direction of Welfare Reform, examining preparations made for the implementation of Universal Credit. It examines the opportunities for the SSA and other public bodies to make significant administrative savings by rationalising benefit processing. Welfare Reform also provides the SSA with an opportunity to review costs across its local office network and actively benchmark its services with the rest of the United Kingdom (UK).
7. Assistance to claimants of Jobseeker's Allowance to find employment, and

to those claimants on Income Support, is provided by DEL and is outside the scope of this report.

Key findings

8. Any reduction in the cost of administration would have a positive impact on the funding available for use in other public services. GB has already realised significant efficiencies in its administration costs of equivalent benefits, however this has not been the case to date in Northern Ireland (NI) where the primary driver of recent modernisation programmes has not been efficiency.
9. Since 2001 the SSA has been taking forward a number of Welfare Reform and Modernisation Programmes, most recently the Universal Credit Programme; however its ability to maximise value for money to date has been constrained as a result of the complex environment in which it operates.
10. As part of the Modernisation Programme, the local office network experienced a number of significant changes, beginning with the Jobs and Benefits Offices Project, which aimed to implement the government's Welfare to Work policy and introduce a work-focussed service. This resulted in an overall reduction in the number of offices used by the SSA and DEL to deliver welfare services. However, following a series of extended and missed deadlines the Project prematurely closed in 2011, having completed 27 out of a planned 35 offices at a cost of £60 million. Whilst the Project enhanced levels of customer and staff satisfaction, it did not have any planned efficiency related objectives, although these were added after the completion of 25 offices. SSA told us that the implementation of the work focussed service was expected to cost more due to the inclusion of additional work steps. It is our view that the SSA did not examine in more detail the opportunities that the Project provided to secure increased value for money from its benefit administration costs.
11. Prior to the economic downturn, the SSA indicated in 2006 that it might have difficulty coping with future pressures. In response to this it commenced the Customer First Project, which aimed to deal with structural weaknesses across its office network to ensure future viability. This project retained the existing frontline office network and consolidated back office processing from 35 teams to 16 teams. Whilst the staffing complement in the office network was reduced by 190 fulltime staff, in our opinion, additional efficiencies could have been achieved with further rationalisation.
12. As the primary driver of recent modernisation projects has not been efficiency, the significant financial investment in both the Jobs and Benefits Offices and Customer First projects by the SSA has not secured administrative savings on the scale achieved in GB by the DWP. We believe that a greater value for money impact could have been

Executive Summary

- achieved earlier in the Modernisation Programme had there been more focus on the identification and realisation of efficiencies.
13. Regular changes in legislation and policy have been a feature of benefits administration. As a core objective of the current Westminster Government's Welfare Reforms are to simplify the benefits system, the impact on these systems will be more fundamental than has previously been the case. The introduction of Universal Credit, consolidating six existing benefits, will play a key role in Welfare Reform. The SSA estimates that Universal Credit will affect 300,000 households in NI.
 14. In anticipation that similar legislation will be introduced in NI, the Universal Credit Programme team is working to progress delivery in line with a rollout schedule agreed with the DWP. The delivery timetable in GB has been impacted by a series of delays, meaning that Universal Credit was not introduced, as originally planned, for new claimants in October 2013. A final timetable for NI is subject to the passage of the NI Welfare Reform Bill by the Assembly.
 15. It is anticipated that administrative savings will in the main arise from a reduction in the total number of staff required to administer Universal Credit. The SSA are currently updating workload estimates for business case purposes. The Agency will need to ensure that robust change management processes are in place to allow their services to be maintained whilst still achieving the anticipated levels of savings.
 16. The majority of those claiming Universal Credit in the DWP's pilot schemes will have submitted their claim online. The SSA, who until now have only made some early progress with its online strategies (when compared to progress made by the DWP to date), will, when adopting the systems developed by the DWP, have to ensure that their services can also be delivered online. Given that the SSA is currently only in the early stages of developing online services their early targets appear to be ambitious. The use of online services is also likely to present difficulties for some Universal Credit customers.
 17. The SSA should take the opportunity offered by the implementation of Universal Credit to consider to what extent they can realise efficiencies by reducing the overall size or number of offices within its network without significantly affecting the service they can provide to claimants.
 18. The introduction of Universal Credit could also have an impact for other departments in the administration of 'passport benefits'. It is important that those affected by this change consider the most appropriate means of administering these benefits in the future to ensure co-ordination for those claiming. Any additional costs of administering these benefits across the NI public sector could potentially negate efficiency savings achieved by the introduction of Universal Credit
-

Summary of recommendations

Recommendation 1

We recommend that business cases for projects of this nature in the future should include efficiency focused objectives and proposed benefits.

Recommendation 2

We recommend that the Universal Credit Programme, with the SSA as the lead partner, should give a high priority to developing more advanced telephony and on line services for the public to access the new welfare system.

Recommendation 3

Reduction in the cost of the estate may be achievable whilst still maintaining the same number of offices for claimants to attend. We recommend that the SSA and DEL should calculate the costs and benefits associated with varying the existing network to reflect any changes in delivering Universal Credit.

Recommendation 4

We recommend that the SSA should consider if the change to Universal Credit gives it the opportunity to explore the continued need for 16 benefit processing sites.

Recommendation 5

We recommend that the SSA should set a baseline, introduce appropriate efficiency targets and ensure that sufficient management information is collated and analysed to allow comparisons across the network. The SSA should compare the cost of benefit processing across the network to assist it in achieving sustainable efficiency savings.

Recommendation 6

Looking forward to the roll-out of Universal Credit, we recommend that the SSA should ensure that lessons learned from earlier modernisation and reform projects are fully incorporated into this Programme of work. This should not be just restricted to project management issues, but also include a greater focus on the efficient delivery of services and maximising the value for money obtained from benefit administration costs.

Part One:

Welfare Reform and Modernisation Programmes within
the Social Security Agency's local office network

Part One: Welfare Reform and Modernisation Programmes within the Social Security Agency's local office network

- 1.1 The Social Security Agency (SSA) is an Executive Agency of the Department for Social Development (DSD). It is responsible for the provision of a wide range of social security benefits and services, often working alongside the Department for Employment and Learning (DEL), which provides assistance to people looking for employment. In 2012-13, the SSA paid £4.65 billion (see **Figure 1**) to approximately 588,000 Northern Ireland (NI) benefit claimants. Its Belfast Benefit Centre also provided benefit processing services for the Department for Work and Pensions (DWP) covering almost 200,000 benefit claims made in London.
- 1.2 In 2012-13 the SSA's net administrative cost for processing the NI social security benefits it is responsible for was £196 million, employing on average approximately 4,260 full time equivalent (FTE) staff to deliver these services.
- 1.3 Social Security Benefits paid to NI claimants are not funded from the NI block grant, but instead are funded directly from HM Treasury². Changes in demand for benefits do not directly impact on the funding available for other NI public services. However, if the SSA were to implement more efficient processes to deliver benefits

Figure 1: In 2012-13 the SSA paid £4.6 billion to Northern Ireland benefit claimants

| Benefit | 2012-13 expenditure (£ million) | % | 2012-13 administration cost ¹ (£ million) | % |
|----------------------------------|---------------------------------|------------|--|------------|
| State Pension | 1,906 | 41 | 6 | 3 |
| Disability Living Allowance | 857 | 18 | 15 | 8 |
| State Pension Credit | 334 | 7 | 15 | 8 |
| Income Support | 324 | 7 | 21 | 11 |
| Employment and Support Allowance | 298 | 6 | 38 | 19 |
| Jobseeker's Allowance | 219 | 5 | 44 | 22 |
| Attendance Allowance | 203 | 4 | 4 | 2 |
| Incapacity Benefit | 197 | 4 | 9 | 4 |
| Carers Allowance | 124 | 3 | 8 | 4 |
| Social Fund | 73 | 2 | 33 | 17 |
| Other | 114 | 2 | 3 | 2 |
| Total | 4,649 | 100 | 196 | 100 |

Source: SSA Annual Accounts 2012-13

- 1 These include all costs to administer a benefit, including non cash costs such as notional accommodation charges and depreciation.
- 2 Social Security benefits paid to Northern Ireland claimants are funded directly from HM Treasury. These are classified as Annually Managed Expenditure, and are outside of the Northern Ireland Executive Managed Block Departmental Expenditure Limit.

to NI citizens by reducing the cost of administering and processing benefits the resulting savings could be used to improve other public services within NI.

- 1.4 This report focuses on the modernisation of benefit delivery services in the SSA's local office network of 35 offices, including the administration and payment of working age related benefits, namely Jobseeker's Allowance, Income Support and the Social Fund. Assistance to claimants of Jobseeker's Allowance to find employment is provided by DEL and is outside the scope of this report. The Employment and Support Allowance, another working age benefit, is outside the scope of this report.
- 1.5 The SSA's local office network spent £48.8 million³ in 2012-13 on administrative costs including the delivery of Income Support, Jobseeker's Allowance and Social Fund benefits, as well as the provision of information and advice on a broad spectrum of social security benefits. The SSA employs 1,800 staff in its local office network. Capital costs have fluctuated in recent years as a result of modernisation and reform projects (see paragraph 1.9).
- 1.6 Whilst Jobseeker's Allowance, Income Support and the Social Fund make up only 14 per cent of all benefits paid (see **Figure 1**), together they account for 50 per cent of total administration costs. The SSA told us that the cost of delivery is impacted by the nature of the individual benefit and the respective complexity. In Great Britain (GB), DWP have

realised significant efficiencies in their administration costs of their equivalent benefits.

Any reduction by the SSA in the cost of providing welfare benefits would have a positive impact on the funding available for use in other services in Northern Ireland

- 1.7 A reduction in the numbers claiming Jobseeker's Allowance and Income Support benefits provides indirect social and economic benefits to citizens by moving people off benefits and into employment, particularly if this is sustainable employment. As with the DWP, the SSA has focused primarily on improving this key welfare responsibility. The SSA has also reviewed in some detail how the customer experience for those claiming and in receipt of benefits can be enhanced.
- 1.8 However, we have found less evidence that the SSA examined the efficiency of the processes used to deliver these benefits to claimants and to date it has not been able to achieve cost savings at the rate secured by the DWP. Whilst some efficiencies have been realised, the SSA told us that (unlike the DWP who have an end to end welfare system controlled by one department, and also benefit from economies of scale), the key objectives of the Jobs and Benefits Office project did not focus on efficiency savings but aimed at delivering the government's 'Welfare to Work' policy

³ This figure excludes accommodation costs, charged by DFP for the office network which are notional charges, and other non cash costs e.g. depreciation (See Figure 1 for all costs).

Part One: Welfare Reform and Modernisation Programmes within the Social Security Agency's local office network

and a work focussed service. The key objective for Customer First was to ensure the long term viability of the local office network. Now that budgets have significantly been reduced the SSA, as is the case with most public bodies, will be required to generate long term efficiency savings.

The Welfare Reform and Modernisation Programmes within the SSA's local office network have been ongoing since 2001

1.9 Over the past twelve years the SSA has taken forward a small number of large, complex modernisation and reform projects. These include:

- The Jobs and Benefits Office Project (JBO)⁴ - (2001 - 2011⁵);
- The Customer First Project⁶ - (2006 - 2013); and
- The Universal Credit Programme⁷ - (2011 - present day).

1.10 The extent to which the SSA has been able to maximise value for money throughout this large programme of work has been constrained as a result of its complex environment and a number of obstacles over which its ability to control or overcome is limited. This

includes regular changes in legislation and policy, responsibility for welfare services, the management of which is split between two departments (DSD and DEL) and complex staff and Trade Union related matters. For example, legislative and policy change (such as the introduction of the Employment Support Allowance) has resulted in enhanced services to claimants which increase benefit, staff, administration and project capital costs. During the latter years of this period (from 2008) the economic downturn has had a significant impact on local offices and in particular the rise in the Jobseeker's Allowance register (which rose from 24,621 in April 2008 to 58,098 in December 2013, a 136 per cent increase, peaking at 65,200 in December 2012).

As part of the Welfare Reform and Modernisation Programmes, the local office network has undergone a number of expensive and significant changes over the last twelve years

1.11 The local office network comprises 27 Jobs and Benefits Offices (JBOs), and 8 Social Security Offices (SSOs) which are spread throughout the main cities and towns of NI, providing a mix of welfare and employment services⁸ (see **Figure 2**). Staffed by both the SSA and DEL

4 Its primary objective was to implement the government's Welfare to Work policy and introduce a work-focussed service.

5 Whilst the JBO Project closed in 2011, individual projects will take forward its outstanding elements as more capital funding is made available.

6 A reactive modernisation project to ensure the continued viability of the local office service.

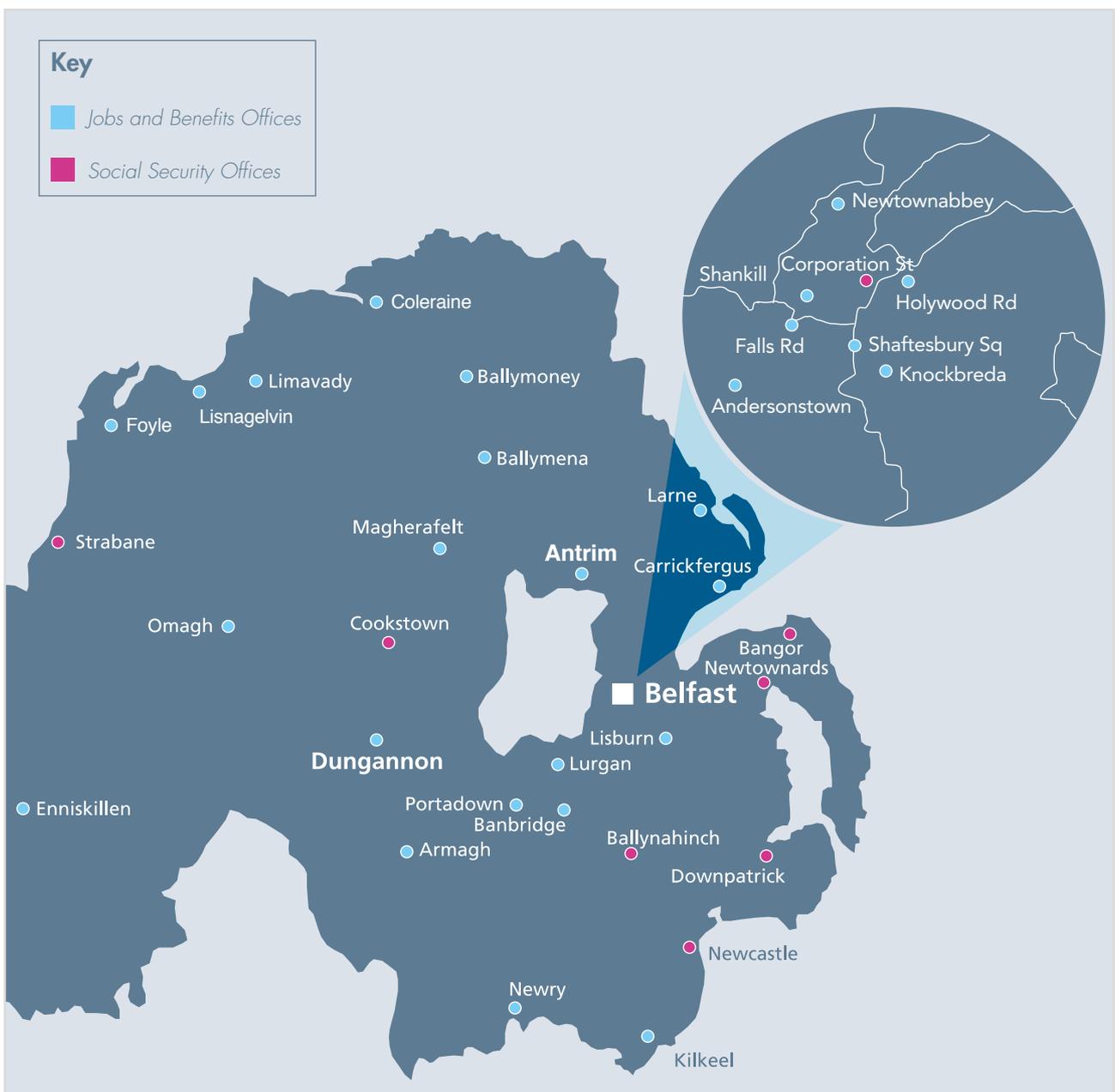
7 A current programme driven by new Welfare Reform legislation in GB.

8 There are also eight Jobcentres providing employment services which were not co-located with the remaining Social Security Offices as part of the JBO Project.

employees, the JBOs provide welfare and employment services, whilst the SSOs, staffed by the SSA, provide only welfare services. Until recently each

office operated independently of each other, providing front of house, claimant facing services for its customers as well as back office processing.

Figure 2: Location of Jobs and Benefits Offices and Social Security Offices



Source: SSA

Part One: Welfare Reform and Modernisation Programmes within the Social Security Agency's local office network

- 1.12 The local office network has undergone a number of significant changes over the last twelve years. Beginning in 2001, the JBO Project, co-located 27 SSOs (from the SSA) and 27 Jobcentres (from DEL), putting in place a modern 'one-stop shop' for work-focused services (see **Figure 3**). The SSA told us that the primary objective of the JBO Project was to deliver on the Government's policy of "welfare to work" by providing a joined-up benefit and job broking service with improved customer service. This resulted in significant changes to the processes and structures of local operations in both the SSA and DEL. These changes involved additional work related processes and job roles which were required to be undertaken by staff, thereby increasing the cost of the service, whilst also facilitating a reduction in the overall number of offices when compared to the two previously separate office networks operated independently by the SSA and DEL. Post project evaluations indicate that the JBO Project delivered financial savings of £571,000⁹ which were achieved by the reduction in the number of offices required.
- 1.13 Following a series of extended and missed deadlines, the JBO Project closed prematurely in 2011¹⁰ having completed 27 out of a planned 35 JBOs at a capital cost of almost £60 million. The estimated budget for completing all 35 JBOs had been £43 million. This budget had been revised in 2002, from the original project budget of £11 million, in order to reflect a more extensive programme of refurbishment, including demolition and rebuilding. The SSA told us that the remaining offices would be progressed as and when the opportunity arises, at which point capital costs will be developed.
- 1.14 Notwithstanding the significant cost and timetable overruns, in 2010 the DSD told the DFP that it was satisfied that the Project had delivered value for money to date when compared to the Project's objectives. This analysis was based on the increased effectiveness of service delivery, measured by a reduction in the number of people claiming Jobseeker's Allowance, enhanced levels of customer and staff satisfaction¹¹ and partial or full

Figure 3: The JBO Project resulted in a reduced number of offices

| | JBOs | SSOs | Jobcentres | Jobcentres |
|-------------------------------|------|------|------------|------------|
| Pre JBO office network | 0 | 35 | 35 | 70 |
| Current office network | 27 | 8 | 8 | 43 |

Source: SSA

- 9 This primarily benefited DEL as all but eight of their Jobcentres were closed and staff relocated to refurbished, extended or newly built offices financed by the SSA.
- 10 A lack of capital funding prevented the final eight Social Security Offices from being co-located with the remaining eight Jobcentres. As a result the DSD were unable to achieve its target as set out in the Programme for Government 2008- 2011. We understand that the remaining offices will be completed as individual projects as and when capital funding is made available.
- 11 A customer survey indicated an increase in satisfaction, specifically in relation to the new accommodation (where applicable) and the one - stop aspect of the new Jobseeker's Allowance approach.

realisation of eight out of the nine project objectives

1.15 Since this evaluation was completed, the Westminster Public Accounts Committee has reported that, on its own, the number of people who stop claiming benefits is a flawed measure of the effectiveness of Jobcentres in GB.¹² Their concerns were based on the fact that this manner of assessment fails to take account of the number of claimants who stop claiming for only a short period of time

1.16 Apart from the leasehold cost savings arising from a reduction in the size of the overall office network, the SSA were unable to provide us with evidence that the Project led to services being delivered more economically or more efficiently. Efficiency focused objectives and expected efficiency related benefits were not included in the project's original planning documentation, but limited efficiency benefits were later included in an addendum in 2009 after the completion of 25 offices. The SSA told us that the primary driver of the Project was not efficiency.

Recommendation 1

We recommend that business cases for projects of this nature in the future should include efficiency focused objectives and proposed benefits.

A significant number of job related benefit efficiency savings have already been identified, realised and reported in Great Britain

1.17 In GB, the DWP completed a more ambitious and wide-ranging modernisation and reform, the Jobcentre Plus Programme in 2007 within its original budget. This Programme experienced difficulties, including legislative and policy change which led to the need for an enhanced business model to be developed. It was assisted by and subject to five Office of Government Commerce Gateway Reviews¹³, and included a wider efficiency related scope than the SSA's JBO Project. The objectives of the DWP Programme covered:

- improving customer service, including consistency of service and choice to customers in how they access services;
- implementing modern IT services in order to capture client data once and populate systems electronically e.g. telephone call centres and online services;
- reducing staff costs;

12 'Department for Work and Pensions: Responding to change in jobcentres' - Fifth Report of Session 2013-14, House of Commons.

13 No Gateway reviews were undertaken for the SSA's Jobs and Benefits Office Project as the process was not made mandatory in Northern Ireland until February 2004.

Part One:

Welfare Reform and Modernisation Programmes within the Social Security Agency's local office network

- reducing estate running costs by rationalising the estate through a programme of refurbishment, disposal and acquisition of buildings; and
- better trained and developed staff.
- Rationalisation of the estate, so that only 858 offices, rather than the original 1,000 originally estimated, was required. This led to a decrease in the space of the overall jobcentre network of 22 per cent.

1.18 A post project review by the National Audit Office in 2008 outlined a number of strengths in the way the programme was managed by the DWP, which contributed to its successful delivery¹⁴ including:

- It was delivered for £314 million under its original budget of £2.2 billion. Of this reduction, approximately £136 million resulted from reducing the size of the programme, £120–140 million from improved procurement and around £50 million from other efficiency improvements.
- Alternative means of delivering services meant that fewer staff (15,000) were needed. Prior to roll out the Jobcentre Plus Programme, the organisation had approximately 80,000 staff, equating to a headcount reduction of approximately 18 per cent.

1.19 The SSA highlighted to us that in addition to the differing objectives of the projects, the two models for delivery of jobs and benefits in NI and GB are different. For example, the NI departmental structures splits responsibility for welfare and employment services across two departments, and it is not always possible to realise similar reductions in the cost of administration of benefits to those in the DWP. In addition there are differences in economies of scale and the approach for the provision of estate (see paragraph 1.8).

1.20 Notwithstanding these differences, it is our opinion that the SSA and its partner departments should have included measurable efficiency related objectives within the original Outline Business Case for the JBO Project. In our opinion, it will be difficult for any organisation to demonstrate that a project has comprehensively achieved value for money without specific consideration of how the efficiency of services could be improved.

¹⁴ Whilst the programme was delivered successfully, it was not without its problems. For example the DWP recognised that this scale of change brought consequent risks and issues to the quality of service offered to its customers in the short term – “*The Efficiency Saving Programme in Jobcentre Plus: Government Response to the Committees Second Report of Session 2005-06.*”

A Strategic Business Review identified the need for further changes in the SSA's network

- 1.21 In 2006 the SSA completed a Strategic Business Review to assess the extent to which its local office network was 'fit for purpose'. The review concluded that many individual branches and offices within the network, despite performing effectively, were showing clear signs of operational stresses¹⁵, suggesting that they might have extreme difficulty coping with future pressures and/or changes in policies and procedures.
- 1.22 The SSA's response to these challenges was the Customer First (CF) Project, which aimed to deal with structural weaknesses across the network and ensure that the network remained viable into the future. A number of options were evaluated, shortlisted and a preferred option identified. The preferred option recommended the retention of the existing network of frontline offices whilst consolidating back-office work¹⁶ into benefit-specific processing centres operating on a district basis. The option ranked in second place was not originally shortlisted as a viable option, but was later added at the request of the DFP. This option proposed two benefit processing centres.
- 1.23 However, following a public consultation exercise and an equality impact assessment, a number of staff and customer mitigating measures¹⁷ were adopted which impacted on the costs of the preferred option. The SSA told us that it is content that the preferred option was selected as it achieved the best balance of a range of factors. These factors included the selection of an option which could achieve the best balance between optimising the use of the estate, the importance of ensuring appropriately skilled staff, protecting business as usual, ensuring compliance with employment law relating to staff mobility and reasonable travel and delivering value for money.
- 1.24 The approved CF model consolidated the back office Income Support, Jobseeker's Allowance and Social Fund processing spread across the 27 JBOs and 8 SSOs, into 16 Benefit Processing Centres (see **Figure 4**). Whilst there was a consolidation of processing teams within the JBOs and the SSOs, an opportunity was missed to consolidate the number of offices. The CF Project also introduced an enhanced telephony service, dedicated telephony staff and appointment services. A range of customer internet access devices were also planned but not implemented as a consultation showed that there was no public or political support for these. The CF Project began in 2010 and was completed in 2013.

15 These stresses included a lack of management flexibility to meet customer demand due to the lack of a critical mass of processing staff. Increased stresses occurred due to factors such as sick leave and term time working whereby the pool of staff needed to meet customer demand diminished. In some offices this meant backlogs of work and increased pressure on staff.

16 Back office benefit processing is the non customer facing administration and payment of Jobseeker's Allowance and Income Support benefits. Prior to CF, all of the SSA network offices dealt with both claimant facing and back of house processing. There were also a number of front office changes to improve accessibility to services and provide choice to customers.

17 The mitigating measures included the inclusion of two additional processing centres and a delay in the project timetable of one year to facilitate training.

Part One: Welfare Reform and Modernisation Programmes within the Social Security Agency's local office network

Figure 4: SSA currently has 16 benefit processing centres

| District | Benefit Processing Centre | Location |
|-----------------|--|-------------------------|
| Belfast | Income Support/Jobseeker's Allowance | Royston House |
| | Income Support/Jobseeker's Allowance | Andersonstown, Belfast |
| | Social Fund | Falls Road |
| | Social Fund | Lisburn |
| | Income Support/Jobseeker's Allowance | Hollywood Road, Belfast |
| | Social Fund | Knockbreda |
| Northern | Social Fund | Antrim |
| | Income Support/Jobseeker's Allowance | Ballymena |
| | Income Support | Coleraine |
| | Jobseeker's Allowance | Magherafelt |
| | Income Support/Jobseeker's Allowance/Social Fund | Foyle |
| Southern | Income Support | Lurgan |
| | Income Support | Dungannon |
| | Jobseeker's Allowance | Newry |
| | Jobseeker's Allowance | Enniskillen |
| | Social Fund | Armagh |

Source: SSA

As a post project evaluation for the Customer First Project has not been completed the final costs and associated benefits of the Project have not yet been determined

1.25 As the CF Project has only recently been completed a post project evaluation is not yet due for completion and therefore

the full costs and associated benefits of the Project have not been determined. Key efficiency targets were set to reduce staff costs in the office network, and new benefit processing time targets were set, to be achieved through the greater economy of scale delivered by the implementation of the new service delivery model. Until an evaluation has been completed it is not possible to

ascertain the level of efficiencies realised nor whether this project has delivered value for money. However, the SSA told us that as a direct result of the project, the staffing complement in the local office network was reduced by over 190 fulltime staff.

- 1.26 Our review of the outcomes of this project indicates that a major obstacle to further rational consolidation over and above the 16 benefit processing offices established was the impact that this would have on staff mobility. Fewer processing centres could, in our opinion, enable further administrative efficiencies to be achieved through greater economies of scale. The SSA told us that the full outcomes of further rationalisation would have to be assessed; this would include the comparison of the level of investment required to the amount of administrative efficiencies delivered. This would also have to take account of all DFP requirements.

Despite significant investment in modernising and restructuring systems over the past six years, any positive impact on efficiencies appears minimal

- 1.27 A review of the costs associated with the JBOs and the SSOs since 2008 indicate significant increases in staff costs within the existing the SSOs. To a lesser extent, salary costs are also rising in the JBOs (see **Figure 5**). The SSA told us that increases in salary costs have largely been due to alignment to new Northern Ireland Civil Service (NICS) pay scales as a result of the settlement for equal pay claims; the NICS wide Service Based Assimilation exercise and the NICS negotiated and agreed pay awards. The main driver for increased salary charges is therefore due to the NICS pay settlements. To examine staffing trends in the local network it is necessary to examine changes in staff numbers (see **Figure 6**) overleaf.

Figure 5: Overview of salary costs 2008-13

| Salary Costs ¹⁹ | 2008 Cost (£'000) | 2013 Cost (£'000) | Change 2008 - 2013 |
|----------------------------|-------------------|-------------------|--------------------|
| JBOs | 26,534 | 30,680 | +15.6% |
| SSOs | 9,245 | 12,188 | +31.8% |
| Total | 35,779 | 42,868 | +19.8% |

Source: SSA

18 All costs have been inflated to 2012-13 values using GDP deflators to minimise the impact of inflation.

Part One: Welfare Reform and Modernisation Programmes within the Social Security Agency's local office network

Figure 6: Overview of overall staff in post numbers 2008-13

| Staff numbers | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Change 2008- 2013 |
|---------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------------|
| JBOs | 1,277 | 1,466 | 1,426 | 1,412 | 1,421 | 1,342 | +65 |
| SSOs | 345 | 408 | 383 | 380 | 383 | 296 | -49 |
| Total | 1,622 | 1,874 | 1,809 | 1,792 | 1,804 | 1,638 | +16 |

Source: SSA and HR Connect

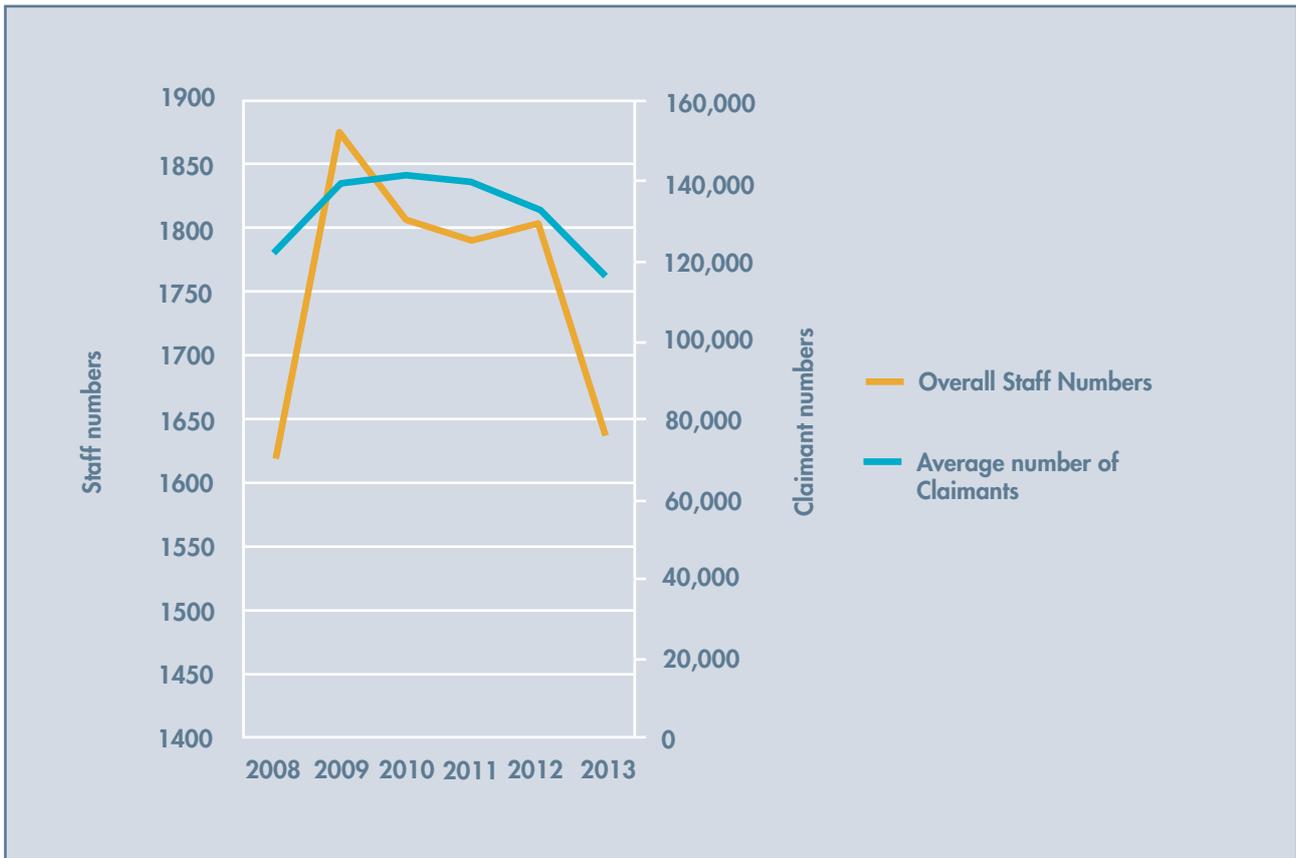
(Note: Staff figures are based on Whole Time Equivalent staff in post numbers)

1.28 Using staff in post data¹⁹, we compared the numbers of staff providing job related benefit services since 2008 with the amount of people claiming these benefits over the same period (see **Figure 7**). Since 2008 the total number of Jobseeker's Allowance and Income Support claimants has decreased by around 5 per cent. Total staff numbers in the JBOs and the SSOs have increased, by around 1 per cent. In our view this demonstrates that the significant investment and modernisation programmes, without efficiency as a primary driver, do not appear to have made benefit administration more efficient.

1.29 SSA told us that the level of resources to deliver the business is driven by activity levels which includes new claims and changes to circumstances in existing claims. During the period from 2008 there was an increase in the level of the unemployment register as a result of the downturn and an increase in the changes of circumstances for Jobseeker's Allowance.

¹⁹ While the SSA have provided overall staff in post numbers in the local office network, they are unable to disaggregate staff data by benefit discipline and therefore it is not possible to isolate comparative historical staff data pertaining to individual benefits. Similarly the SSA told us that total staff salary and administrative costs also include other activities e.g. fraud and error activities, one off exercises etc.

Figure 7: Whilst the amount of people claiming core working age related benefits paid has declined since 2010, the numbers of staff administering them has not²⁰



Source: SSA

20 The decline in benefits paid has primarily arisen as a result of a legislative change which saw many claimants moving from Income Support to Employment and Support Allowance which is outside the scope of this report.

Part One:

Welfare Reform and Modernisation Programmes within the Social Security Agency's local office network

More value could have been achieved earlier in the Welfare Reform and Modernisation Programmes had there been more focus on the identification and realisation of efficiencies

- 1.30 As part of the JBO Project, projected calculations by the SSA, based on independent research in 2006, suggested that by 2011 savings arising from a reduction in the amount of Jobseeker's Allowance benefits claimed may have exceeded the total costs of the JBO Project. We understand that these calculations were based on savings achieved by reducing the numbers claiming benefits and as noted in paragraph 1.15 the Westminster Public Accounts Committee reported that, on its own, the number of people who stop claiming benefits is a flawed measure of the effectiveness of jobcentres.
- 1.31 A post project evaluation is not yet due for completion for the CF Project (paragraph 1.25). Whilst the SSA have developed and monitored a benefits realisation plan throughout this project, the imminent rollout of Universal Credit and its associated new systems and processes means that it is likely that the full long term financial benefits arising from improved effectiveness from the older modernisation projects (i.e. JBO and CF) will never be known.
- 1.32 A further observation of the overall modernisation programme indicates that (in comparison to GB) progress to adopt and implement Information Technology (IT) related service delivery channels have been limited to date. Telephone call centres and internet services as an alternative to complement the services of the office network are very much in their infancy. For example, there are around 70 telephone numbers a customer may choose to contact the SSA leading to issues with misdirected calls and inconsistent recorded messages that result in customers either being passed onto other departments or being asked to call another number. We understand that a new telephone strategy is being developed to complement the CF model.
- 1.33 The SSA told us that the CF Project established a single Freephone number for dealing with all telephone enquiries relating to Income Support, Jobseeker's Allowance and Social Fund. This number was promoted to staff and customers as the primary number for all Working Age telephone enquiries and was progressively rolled out across all CF offices during the lifetime of the Project. It remains the primary access number for working age customers today. However, all 35 local office numbers are still published centrally in the NI telephone directory and these are included in the 70 contact numbers identified at the

outset by the telephony strategy. In the future, the SSA will be looking to remove them completely from the telephone directory in line with their new telephony strategy which has now been developed to complement the CF model. Measures have already been implemented to reduce the number of telephone numbers to 38 in the CF districts.

There are valuable lessons to be learned which could provide future opportunities for added value for money

1.34 Our review of the JBO and the CF project documentation, as well as documentation relating to other smaller projects related to the modernisation programme, indicates that there are valuable lessons to be learned. These could provide future opportunities for added value for money if specific efficiency related project objectives are included in future project plans and would facilitate more focus on the identification and realisation of administrative cost savings. Key areas which we believe have the potential to realise further savings and which the SSA are already considering include:

- Further rationalization of the office network as achieved by the DWP (Paragraph 1.17);
- More centralisation of back office processing (Paragraph 1.24);
- Adoption and implementation of IT related service delivery channels (Paragraph 1.17 and 1.31);
- Further reduction in staff costs and other administrative costs as a result of more efficient service delivery channels and processes (arising from the above points); and
- Continued progress to promote improved coordination between DEL and the SSA staff in the services delivered in JBOs and to assess the impact of change beyond the SSA. (Paragraph 1.12).

Part Two:

The introduction of Universal Credit fundamentally impacts on the SSA's local office network

Part Two:

The introduction of Universal Credit fundamentally impacts on the SSA's local office network

- 2.1 The Westminster Government has stated welfare reform in the UK is necessary as many people on benefits believe that the financial risks of moving into work are too great and that for some, the gains from work, particularly if they work part-time, are small. It believes that the current system is too complex and there are insufficient incentives to encourage people on benefits to start paid work or increase their working hours and welfare reform is therefore required to make the benefit system fairer and more affordable. Additionally reform is aimed at reducing poverty, unemployment and welfare dependency and fraud and error.
- 2.2 The introduction of Universal Credit will play a significant role in Welfare Reform. It is a new single payment for people who are looking for work or who are on a low income. It will consolidate six working-age benefits:
- income-based Jobseeker's Allowance;
 - income related Employment and Support Allowance;
 - Income Support;
 - Housing Benefit;
 - Working Tax Credits; and
 - Child Tax Credits.
- 2.3 In NI, the change to Universal Credit is estimated to affect approximately 300,000 households. As Universal Credit is a single system, claimants can enter employment or increase earnings without having to submit a new claim for benefits. The DWP have stated that "the overarching objective of Universal Credit is to remove the financial and administrative barriers to work inherent in the current welfare system. The reform is designed ... to ensure that work pays and to encourage more people to see work as the best route out of poverty²²."
- 2.4 Alongside this simplification will be an increase in the responsibilities of claimants, both in managing their own finances and in introducing a 'claimant commitment', with unemployed people who can work being required to take all reasonable steps to find and move into employment. Universal Credit will consist of a basic personal amount with additional amounts for disability, caring responsibilities, housing costs and children. As earnings rise, Universal Credit will be withdrawn at a constant rate (around 65 pence per pound of net earnings).
- 2.5 Independent research has indicated that, for NI, the complete package of welfare reforms²³ is likely to have a substantial impact on the economy. However, the implementation of Universal Credit in itself is not expected to result in a net reduction in benefit entitlement. Work performed by the DSD²⁴ has estimated the likely numbers of households who

22 *Welfare Reform Bill: Universal Credit, Equality Impact Assessment* (DWP, November 2011).

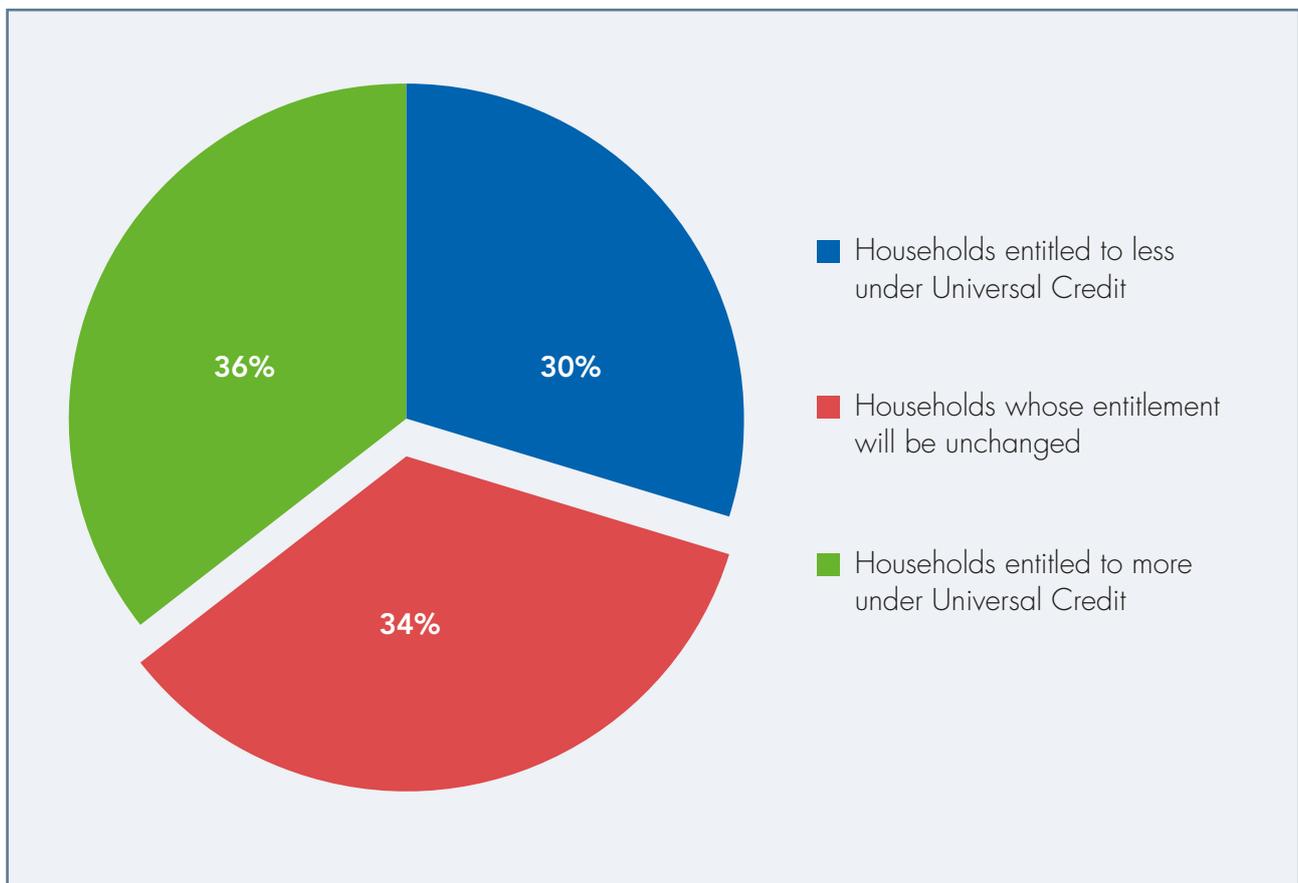
23 The complete welfare reform package may include changes to a range of benefits including Housing Benefit, Non-dependent deductions, Disability Living Allowance, Incapacity benefits, Child Benefit and the implementation of a Benefit Cap.

24 The SSA told us that the estimated impacts of Universal Credit will continue to be updated for further understanding of the policy intent, progress in GB and progress in NI.

would be entitled to either more or less under the Universal Credit system in NI as follows²⁵:

- One-third of households will see no change (99,000 households).
- Around 102,000 households are entitled to more under Universal Credit (by an average of £35 per week).
- 86,000 households could be worse off (by an average of £34 per week).

Figure 8: Current projections suggest that two thirds of households will see a change to their benefit entitlement under Universal Credit



Source: Northern Ireland Universal Credit Information booklet published by the Department for Social Development, April 2013

Part Two:

The introduction of Universal Credit fundamentally impacts on the SSA's local office network

2.6 In GB, Westminster has given a commitment that any existing claimant who migrates over to the new Universal Credit will not be any worse off at the point of change and will receive a transitional protection payment in addition to their basic Universal Credit entitlement. This 'top up' will continue in payment until they have a 'significant' change in circumstances, at which point their Universal Credit entitlement will be reassessed and the transitional protection withdrawn. Transitional protection will also apply in NI.

Welfare Reform legislation has not yet been passed in Northern Ireland

2.7 The Welfare Reform Act (2012) received Royal Assent on 8 March 2012. This enabled the Westminster Government to begin implementing the Universal Credit Programme in England, Scotland and Wales with the programme scheduled to be rolled out for all claimants by 2017. As social security is a devolved matter for NI, Welfare Reform requires legislation to be passed in the Assembly. The NI Executive introduced the Welfare Reform Bill in the NI Assembly on 1 October 2012. Whilst the Bill passed the Committee stage in February 2013, it has not yet completed the Consideration stage. Historically the policy has been that a claimant in NI would largely receive the same social security benefits, under the same conditions, as a claimant in GB. This policy is reinforced by legislation,

which gives the Minister for Social Development a statutory commitment under Section 87 of the Northern Ireland Act 1998 to consult with the Secretary of State for the DWP and Pensions with a view to securing that legislation provides for a single system of social security for the UK. Paragraph 26 (e) of Strand 1 of the Belfast Agreement also specifically refers to social security as an area where parity is normally maintained.

2.8 The concept of parity is not specifically provided for in legislation, rather the consequences of breaking parity are covered in the Statement of Funding Policy²⁶ for the devolved administrations which sets out the rules for funding the devolved administrations. This gives HM Treasury the power to adjust the block grant or apply penalties where Northern Ireland decisions or actions result in additional costs to the Exchequer. Ultimately the level of any penalty is a matter for UK ministers.

2.9 In 2013 HM Treasury stated that a failure to implement Welfare Reform by January 2014 would result in a breach of the parity principle. As the overall package of benefit reforms is likely to reduce the amount of benefits being paid to claimants in NI, failure to implement these changes would result in penalty deductions to the block grant.²⁷ HM Treasury has now confirmed that penalties of £13 million will be applied for the 2013-14 financial year. The Executive on the advice of the DFP Minister set aside £15 million in the 2013-14 January Monitoring Round to

26 The Statement of Funding Policy for the devolved administrations which sets out the rules for funding the devolved administrations, gives HM Treasury the power to adjust the NI block grant or apply penalties where Northern Ireland decisions, or actions, result in additional costs to the Exchequer.

27 *Minister McCausland meets DWP Minister to discuss welfare matters*, (NI Executive Press Release, 12 November 2013).

fund the estimated cost of this pressure. The Chief Secretary of the Treasury has also stated that funding allocations to the Northern Ireland Executive would be reduced by £87 million and £114 million for 2014-15 and 2015-16 respectively unless progress is made in implementing Welfare Reform.

Progress in implementing Universal Credit has also been hampered by delays in GB

2.10 In NI, the DSD is the lead department for organising the delivery and administration of Universal Credit. It is working with its service delivery partners, DEL, the Northern Ireland Housing Executive (NIHE) and Her Majesty's Revenue and Customs (HMRC) on the implementation and impact of Universal Credit in NI.

2.11 To take forward the programme, the DSD established the Northern Ireland Universal Credit Programme (the Programme) in April 2011. The Programme is overseen by a Programme Board which is chaired by an independent non-executive member of the DSD Management Board. The Senior responsible owner is ultimately accountable for the success of the Programme and has responsibility for ensuring that it realises the anticipated benefits and is delivered within time and within budget.

2.12 In anticipation that similar legislation will be introduced in NI, the Programme team is working to progress delivery in line with a rollout schedule agreed with the DWP. The delivery timetable in GB has been impacted by a series of delays, meaning that Universal Credit was not introduced, as originally planned, for new claimants in October 2013. A final timetable for NI is subject to the passage of the Northern Ireland Welfare Reform Bill by the Assembly (see paragraph 2.7).

2.13 The DSD Minister has negotiated a series of specific payment arrangement flexibilities within the Universal Credit system for NI to reflect its unique circumstances. Whilst these flexibilities, and the related eligibility criteria are still subject to NI Executive approval, it is proposed that:

- Whilst Universal Credit will normally be paid to claimants monthly in arrears, twice monthly payments will be made available to all households in NI. Claimants can opt out and request a monthly payment.
- Direct payment of the housing element of Universal Credit to social and private sector landlords (to help avoid rent arrears).
- Split payments between parties in a household can be made to those who meet the criteria.

The Minister who is responsible for leading Welfare Reform in GB has

Part Two:

The introduction of Universal Credit fundamentally impacts on the SSA's local office network

agreed that these flexibilities will not constitute a breach of the parity principle. The SSA is working with the DWP to ensure that any NI requirements are incorporated within the Universal Credit IT system, including the above flexibilities. The estimated costs of securing the NI requirements within this system are substantially less than the cost of the SSA developing and procuring its own bespoke IT system for Universal Credit or bearing the full costs of running, maintaining and enhancing the legacy benefit systems.

- 2.14 Following ongoing cost overruns and delays being experienced in GB, as well as the absence of legislation in NI, the SSA's proposed updated timetable, announced in December 2013, indicated that the earliest Universal Credit could be implemented is the summer of 2015.

Significant savings are expected to be made in the administration of benefits

- 2.15 One of the key objectives of the Universal Credit Programme is to 'put in place an integrated delivery service to administer Universal Credit with reduced administration costs and lower fraud and error'²⁸. The SSA told us that they expect the new service will offer a predominantly online experience which will be easy for claimants to use, be secure and reliable, and offer support which is more flexible and accessible.

- 2.16 The business case, which estimated the cost to implement Universal Credit in NI over the lifetime of the programme along with estimated savings when compared to the cost of providing the current services (over the same time period), is currently being updated to reflect the developments in GB, as well as further work on the service delivery models and structures. The SSA forecasted that there will be annual administrative savings once the Programme is fully implemented which would accrue directly to the NI block grant. Benefit savings, such as reductions in fraud, error and overpayments would accrue to HM Treasury under current public expenditure rules.

- 2.17 It is anticipated that administrative savings will in the main arise from a reduction in the total number of staff required to administer Universal Credit. The ability to reduce the overall staffing complement will be as a result of more streamlined IT systems and processes; integrating benefit delivery arrangements; and also partly arising from claimants having the ability to self serve (e.g. online). However staffing requirements may also be impacted by both the larger number of customers and increased changes of circumstances. The SSA told us that their current estimates for any reductions in staff numbers were currently being updated.

- 2.18 It is also anticipated that there will be a significant decrease in benefit caseloads, as Universal Credit will consolidate a number of benefits

into a single payment and simplify the benefits system. Estimates of the decrease in caseload are currently being updated by the SSA. Managing such a significant reduction in both caseload and the number of staff is likely to be a significant challenge for all of the public bodies involved. The SSA will need to ensure that robust change management processes are in place to allow their services to be maintained whilst still achieving the anticipated level of savings.

The introduction of Universal Credit offers the SSA an opportunity to reconsider the size of its office network

- 2.19 The implementation of Universal Credit will have a significant impact on the work of staff in all organisations involved in the delivery of Universal Credit. Those claiming Universal Credit will include significant numbers of in-work customers who under the current arrangements do not need to attend an office e.g. tax credit claimants. As a result, the availability of these individuals to visit front offices will be significantly constrained. We believe that these organisations will therefore have to reconsider their opening hours to ensure that they can offer an appropriate service for all customers. This is likely to involve opening in evenings or on Saturdays, which will represent a significant change for existing staff in these offices.
- 2.20 The majority of those claiming Universal Credit in the DWP's pilot schemes will have submitted their claim online. The SSA, who until now have only made some early progress with their online services (when compared to progress made by the DWP to date), will, when adopting the systems developed by the DWP, have to ensure that their services can also be delivered online. Assumptions included in the original outline business case for Universal Credit stated that within four years of the 'go live' date the majority of claimants would submit benefit claims online (versus submission by telephone or face to face).
- 2.21 Given that the SSA is currently only in the early stages of developing advanced telephony and online services their early targets appear to be ambitious. The use of online services is also likely to present difficulties for some Universal Credit customers. Research conducted by the Office for National Statistics indicates that NI had the highest percentage of non-internet users (21 per cent) in the UK²⁹. This will present a significant challenge in encouraging customers to apply for their benefit online.
- 2.22 The SSA and its Universal Credit service delivery partners face a significant challenge in encouraging Universal Credit customers to begin claiming online and via telephone. The current NI benefit delivery model differs from that in GB, which is based on a network of virtual Contact Centres and large Benefit Processing Centres, supported

Part Two:

The introduction of Universal Credit fundamentally impacts on the SSA's local office network

by a network of Jobcentre Plus offices delivering primarily the work-focused aspects of the service.

Recommendation 2

We recommend that the Universal Credit Programme, with the SSA as the lead partner, should give a high priority to developing more advanced telephony and on line services for the public to access the new welfare system.

- 2.23 The use of online and telephony delivery models is likely to have significant benefits on the efficiency of services but also on the long term needs of the estate. For example, frontline offices may need to be redesigned to ensure that there are sufficient computers to allow individuals to submit claims.
- 2.24 The introduction of Universal Credit will also give the SSA an opportunity to consider whether the current network of 35 local offices is the appropriate configuration for delivering the range of new benefits. During the JBO Project (see Part One) the number of DEL's Job Centres was reduced through co-location with the SSA, but the overall number of local offices in the SSA network was not reduced. In contrast, the Job Centre Plus project in GB further rationalised the estate from the originally planned 1,000 offices to 860 offices. The Universal Credit Project does provide the SSA with the opportunity to review the future role of SSOs as implementation comes closer.
- 2.25 The SSA should take the opportunity offered by the implementation of Universal Credit to consider to what extent they can realise efficiencies by reducing the overall size or number of offices within its network without significantly affecting the service they can provide to claimants.
- 2.26 The SSA should also consider what form their front line offices should take. There may be opportunities to enable a range of alternate methods of service delivery which may be appropriate and could potentially allow the SSA to shrink the size of its estate whilst not affecting the service they provide. These could include:
- Co-locating more offices with other public services where possible;
 - Co-locating offices in other buildings; and
 - Relocating to smaller premises.
- 2.27 The SSA told us that a number of government departments are already co-locating with the SSA in local offices, and others are planning to. This includes the HMRC and DEL who co-locate in the Antrim office and the Department of Agriculture and Regional Development, who co-locate in the Foyle office, and are in discussions to co-locate in further offices.
- 2.28 The current network of 35 offices costs the SSA approximately £8 million per year in notional charges levied by the

DFP for using properties from the DFP estate. However, only 70 per cent of the total space for which it is charged, is utilised. In co-operation with the DFP, there may be an opportunity to realise financial savings on property costs by maximising utilisation rates. In addition, it is our view that there is potential for the SSA to secure further efficiencies by considering if its current total office space will be needed in the future, whilst recognising there are other Departments who share the accommodation in many of the 35 local offices.

Recommendation 3

Reduction in the cost of the estate may be achievable whilst still maintaining the same number of offices for claimants to attend. **We recommend that the SSA and DEL should calculate the costs and benefits associated with varying the existing network to reflect any changes in delivering Universal Credit.**

There is scope to further rationalise the processing of benefits

2.29 The CF Project (see Part One) reduced the number of benefit processing centres sites from 35 to 16. These new processing centres were created "in order to provide for the availability of a critical mass of staff during core working hours and to protect customer-facing delivery from its 35 public offices."³⁰ The structure was based "on the principle that the current 35 ... offices will remain open".

2.30 In our view, further rationalisation of processing centres could produce a more efficient service. By centralising processing to any location in NI, costs could be reduced without reducing the effectiveness of the service delivered to customers. The Belfast Benefit Delivery Centre, which processes benefits for around 200,000 claimants in London, could provide the SSA with a template for any rationalisation of the current number of business processing centres.

Recommendation 4

We recommend that the SSA should consider if the change to Universal Credit gives it the opportunity to explore the continued need for 16 benefit processing sites.

The SSA will have to manage the staff changes arising from the introduction of Universal Credit

2.31 The first iteration of the business case for the Universal Credit programme in NI estimates that significantly fewer staff will be required to process benefits in NI by the time Universal Credit is fully implemented. Managing this reduction will be a significant challenge for the SSA over the next decade. We note that a Strategic Business Review, carried out by the SSA in 2006, indicated that stresses within the network had led to the situation whereby many offices, particularly smaller ones, had reached the point where staff were spread very thinly on the ground. This led to concerns

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regarding continuity and security of service and the ability of some offices to maintain segregation of duties. In our opinion, the introduction of Universal Credit offers the SSA an opportunity to set baselines, introduce efficiency targets and measure progress. The resulting management information will help underpin any future decisions on the structure of the office network.

2.32 In addition to these longer term challenges, the introduction of Universal Credit will affect the work of staff who are currently working across four organisations to provide services to benefit claimants. Some of the benefits to be subsumed within Universal Credit are currently administered by organisations other than the SSA. Housing Benefit in Northern Ireland is currently administered by the NIHE. Tax Credits are administered by HMRC. The DSD has stated that permanent NIHE and HMRC staff remaining within these areas would be given the opportunity to transfer to the DSD at the end of the planned migration period to Universal Credit. DEL have responsibility for delivering the work focused regime which is a core element of Universal Credit.

2.33 The SSA has indicated that "two very different cultures exist within the JBO environment and despite being co-located and operating joint working practices there is a distinct lack of 'oneness'. Attempts have been made to integrate staff but cultural differences continue to exist between the legislative and procedural requirements of the

benefit system and the work-focused aspects of the service."³¹ Similar issues also existed following the Jobcentre Plus Programme in GB (paragraph 1.17) which brought together staff from the two different organisations (the Benefits Agency and Employment Service). Given the experience of differences in culture and working practice experienced by the co-location of staff from DEL and the SSA during the JBO project, it is important that the DSD fully consider the steps it will have to take in order to successfully integrate staff into the new organisational culture developing around Universal Credit³². This is likely to involve the consideration of the roles of staff who currently have different pay and grading structures.

Despite similar benefit systems, the SSA does not benchmark its performance with the DWP

2.34 Despite the parity principle that applies between benefits paid in GB and NI and that the SSA currently uses all of the main benefit IT systems of the DWP to administer benefits in NI, the SSA does not benchmark its costs against the DWP. The SSA told us that this was primarily because of differences in organisational structure and delivery models. In addition, through the Belfast Benefit Delivery Centre, the SSA provides processing services for the DWP, covering almost 200,000 benefit claimants in London.

31 Review of 'Franchise' Management of Jobs & Benefits Offices – SSA, 2006.

32 Despite a formal review of these differences in 2006 the structural issues around the responsibilities of the two departments were not addressed to progress with a franchise model which was anticipated as a way forward.

2.35 The SSA use 'Average Actual Clearance time' as a key performance measure. This measures the average number of days taken to process a benefits claim. In contrast, the DWP measure their performance through 'timebands' which detail the percentage of claims processed within a target time, and Average Actual Clearance times. As the DWP also calculate the average

clearance time for benefits, a direct comparison with the SSA can be made. While the SSA have calculated benefit processing timebands this is on a different basis to the DWP so comparisons of performance are more difficult to establish. **Figure 10** shows an overview of clearance times and timebands across the SSA, the Belfast Benefit Delivery Centre, and the DWP.

Figure 10: A comparison of performance against targets: clearance times and timebands (2012)

| Average Actual Clearance Times (AACT) | SSA Target | SSA Actual | | | Belfast Benefit Delivery Centre Actual | DWP Actual |
|---------------------------------------|------------|------------|--|--|--|------------|
| Income Support Claims | 9 | 6 | | | 4.2 | 6.8 |
| Jobseeker's Allowance Claims | 12 | 9.9 | | | 9.4 | 9.9 |

| Timebands | SSA Target | SSA Actual | | DWP/ Belfast Benefit Delivery Centre Target | Belfast Benefit Delivery Centre Actual | DWP Actual |
|------------------------------|-------------------------------------|------------|--|---|--|------------|
| Income Support Claims | At least 85% take less than 13 days | 91.1% | | IS target at 90% within 13 days | 95.8% | *89.7% |
| Jobseeker's Allowance Claims | At least 85% take less than 16 days | 89.9% | | 90% within 16 days | 91% | *85.3% |

Source: SSA

Notes - *Measured to October only
DWP/BBC measurement is by time band

Part Two: The introduction of Universal Credit fundamentally impacts on the SSA's local office network

2.36 On the basis of average actual clearance times, we note that the Belfast Benefit Delivery Centre appears to be processing benefit claims considerably faster than the SSA local office network and the DWP. In our opinion, there is potential to explore the reasons for the Belfast Benefit Delivery Centre being able to process claims more efficiently than both the SSA and the DWP. We believe that it should be possible for the SSA to benchmark administrative costs, processing times and other aspects of benefit processing with equivalent indicators in the DWP and the Belfast Benefit Delivery Centre. This has potential benefits for the SSA and the DWP to share best practice.

2.37 The SSA told us that it has previously attempted to benchmark with the DWP but that it has been impossible to do so due to differences in organisational structures, activities undertaken and how performance data is collected and reported. The SSA does work with DWP to ensure that comparative work timings are applied.

The introduction of Universal Credit offers the SSA an opportunity to review costs and performance across its local office network

2.38 Management information, such as staff processing performance and unit costs, is currently not used to its maximum potential to improve office network performance³³. Whilst we acknowledge the difficulty in identifying suitable comparators, it is clear that with the introduction of Universal Credit an opportunity exists for the SSA to establish benchmarks against which efficiencies can be measured which should include comparisons across the NI Network.

2.39 Our review of the cost of processing and maintaining Jobseeker's Allowance and Income Support benefits indicated a wide disparity between individual offices and the new Business Processing Centres (BPCs) (see **Figure 11**). Whilst we accept that variances between the Centres could reflect many factors other

Figure 11: The range of average costs to process one benefit across Jobs and Benefits Offices, Social Security Offices and Business Processing Centres

| | SSOs | JBOs | BPCs |
|-------------------------------------|-----------------|------------------|-----------------|
| IS Claims | £37.04 - £82.86 | £37.87 - £89.04 | £43.26 - £75.09 |
| IS Maintenance ³⁴ | £37.67 - £84.53 | £35.40 - £66.43 | £40.77 - £65.14 |
| JSA Claims | £39.36 - £89.88 | £48.39 - £100.15 | £57.34 - £71.12 |
| JSA Maintenance | £30.27 - £69.12 | £25.76 - £53.30 | £30.52 - £37.85 |

Source: SSA

33 DWP perform internal benchmarking.

34 File maintenance includes activities such as change of circumstances, post-claim activity and miscellaneous actions.

than performance, we believe such disparities are worth investigating in order to identify high performing offices, and learning from them.

2.40 **Figure 10** outlines the range of average costs to process one benefit during the 2011-12 financial year. At this time, CF was only partially implemented, and therefore there were still existing SSOs and JBOs in operation, alongside newly re-organised BPCs. The range of unit costs highlighted above shows that whilst BPCs reduced the cost ranges, some individual offices continued to outperform the BPCs.

Recommendations 5

We recommend that the SSA should set a baseline, introduce appropriate efficiency targets and ensure that sufficient management information is collated and analysed to allow comparisons across the network. The SSA should compare the cost of benefit processing across the network to assist it in achieving sustainable efficiency savings.

The introduction of Universal Credit could have an impact for other departments in the administration of passported benefits

2.41 Claimants who are currently entitled to out-of-work means tested benefits such as Income Support or Income-Based Jobseeker's Allowance can also be eligible for a range of other support, including free school meals and some

health benefits. These are known as 'passported benefits'. These are provided without any further assessment of need. As a result of the introduction of Universal Credit, some means-tested benefits (e.g. Jobseeker's Allowance) will no longer provide a basis to determine the award of passported benefits.

2.42 Current passported benefits in NI include:³⁵

- free school meals, administered by the Department of Education;
- Legal Aid, administered by the Department of Justice; and
- a range of Health related benefits, administered by the Department of Health, Social Services and Public Safety e.g. free eye tests and dental care.

2.43 Passporting individuals directly onto these benefits removes the need for reassessment and therefore greatly reduces the cost and complexity of both applying for these benefits and administering them. As Universal Credit will be available to both those in and out of work, a number of departments will have to reconsider the eligibility and affordability of proving these benefits in the current manner.

2.44 It is important that all NI departments affected by this change consider the most appropriate means of administering these benefits in the future to ensure co-ordination for those claiming. The

35 A full list of those benefits considered within the Social Security Advisory Committee's review are included at Appendix 2.

Part Two:

The introduction of Universal Credit fundamentally impacts on the SSA's local office network

potential costs of administering these benefits across the NI public sector could potentially negate efficiency savings achieved by the SSA. For instance, around 80,000 pupils in NI were entitled to Free School Meals in 2012-13. Assessing the entitlement of all of these pupils would be a large and costly administrative task. We note that the Universal Credit business case assumed that departments would fund the impacts of the SSA no longer undertaking means tested benefits, on their own passported benefits. In our view, this is a potentially significant weakness that could underestimate the costs to the NI public sector as a whole, with the switch to Universal Credit.

2.45 The SSA told us that the DSD has provided resources to undertake research on behalf of other departments on the impact of Universal Credit for passported benefits and these departments are working to sustain the policy intent of Universal Credit and avoid the potential cliff edge presented by Universal Credit implementation.

2.46 Streamlining the administration of these benefits would help minimise administration costs but this can only be achieved by close working between Northern Ireland departments. The passporting of benefits was considered by the Social Security Review Committee³⁶ in GB and it is important that the DSD consider the results of this review and the similar decisions that will be made in England, Scotland and Wales in designing the new passported benefit system.

Recommendation 6

Looking forward to the roll-out of Universal Credit, we recommend that the SSA should ensure that lessons learned from earlier modernisation and reform projects are fully incorporated into this Programme of work. This should not be just restricted to project management issues, but also include a greater focus on the efficient delivery of services maximising the value for money obtained from benefit administration costs.

Appendix 1

Methodology

Methodology

This examination primarily focused on the work of the Social Security Agency (the SSA), but also looked at relevant information relating to the Department for Employment and Learning (DEL) and the Department of Finance and Personnel (DFP). The study had two key areas of focus; an historical examination of the impact of the Jobs and Benefits Project and Customer First Project on the local office network and a forward looking review of the Universal Credit Programme.

We derived our main evidence from examining documents held by SSA and through interviews and discussions with relevant staff from the SSA, DEL, and DFP. In addition we reviewed documentation available on the public domain in relation to the Department for Work and Pensions.

Appendix 2

Passported benefits considered by the Social Security Advisory Committee Review

| Northern Ireland | | |
|--|---------------------------------------|--|
| Benefits-in-kind | Cash Benefits | Discounts on charges or fees |
| <i>Responsibility of Government Departments</i> | | |
| Free School Meals (DE) | School Clothing Allowance (DE) | Exemptions and remissions of court fees (DoJ) |
| Board and lodging on school trips (DE) | Help with prison visiting costs (DoJ) | Optical Vouchers (DHSSPS) |
| Pre-school admission arrangements (DE) | Cold Weather Payments (DSD) | |
| Health costs such as free eye tests and dental care (DHSSPS) | Funeral Payments (DSD) | |
| Healthy Start vouchers and vitamins (DHSSPS) | Sure Start Maternity Grant (DSD) | |
| Hospital Travel Costs Scheme (DHSSPS) | | |
| Legal Aid (DoJ) | | |
| Warm Homes Scheme (DSD) | | |
| <i>Responsibility of local authorities and Health and Social Care Trusts</i> | | |
| | | Limited help with the cost of leisure facilities/discounts |
| <i>Responsibility of other bodies</i> | | |
| | Educational grants | BT Basic |

Source: Report by the Social Security Advisory Committee, March 2012

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