

Department for Work and Pensions Gains Deeper Understanding of Unit Cost and Productivity With Vantage Consulting Support

The Department for Work and Pensions (DWP) is the largest public service delivery department in the UK with over 103,000 staff, an annual administration cost base of £8bn and over 20m customers.

DWP operates two delivery units, Jobcentre Plus and the Pension and Disability Carers Service, which is responsible for delivering welfare and pension policy across the country.

Business Challenge

Previously DWP had calculated and presented its costs by department across a number of Public Sector Agreements. This meant the full administrative cost base for the whole of DWP was not visible.

To achieve the most efficient use of resources, DWP needed to understand its total cost, in particular, how each cost item related to operational activities and outputs. In order to make informed resource allocation decisions DWP required this information to be broken down across departments, regions and districts, right down to office and branch level. Access to these figures would allow them to analyse effectiveness and drive efficiency.

Project Objectives

DWP needed to develop financial models within the SAP Profitability & Cost Management (PCM) solution to achieve integrated planning, link cost control with performance management and enable DWP to measure the cost of departmental strategic objectives.

"We needed to develop models within the PCM system that would give us visibility of cost and productivity on lots of different levels across the whole organisation," explains Mark Speakman of the Investment, Change and Business Intelligence Directorate. "This would allow us to look, for example, at the cost and productivity of Job Centres in different regions."

Sponsorship of the project existed at the highest level from the Permanent Under Secretary, which meant it was vital to achieve success and deliver against expectations.

"This was a large project and we needed support from an organisation we could trust to get the job done on time and to budget," explains Mark Speakman. "Vantage worked with us to understand the organisation and deliver a solution that helps us access the information we need to manage costs and increase productivity." The project was brought in on time and on budget.



"The Vantage consultants we worked with brought their deep technical knowledge to the project and took time to understand our business and what we needed."

Mark Speakman
Investment, Change and Business Intelligence Directorate, DWP

DWP Department for Work and Pensions

Challenge

DWP needed to achieve full visibility of its £8bn administrative cost base. It was important to be able to link operational activities to outputs and connect its financial metrics to performance metrics.

The solution needed to provide an evidenced based system from which DWP can justify Treasury funding and calculate where best to use resource.

Solution

Vantage worked with the DWP team to develop financial models within the PCM solution to deliver activity based costing along with unit cost and performance metrics nationally, regionally and locally.

Benefits

- Evidenced based funding requests that help DWP secure additional funding from Treasury to support the demands of increased unemployment during the recent recession.
- Internal benchmarking so best and worst performance can be identified and best practices shared.
- Scenario analysis enabling strategic decisions to be understood at an operational level and therefore be implemented more readily.



Vantage's Solution

Achieving full visibility of the £8bn cost base is critical to delivering best practice and process improvements across DWP. This is the first time this complete picture has been available to the department.

The solution provides activity based costing for the full administrative cost base, as a result DWP is able to quantify the activities required to deliver different types of output at a granular level for example: the cost of getting an 18-25 year old into work.

The solution also provides unit cost and productivity measures enabling DWP to link cost control with performance management. This has allowed internal benchmarking between different geographical locations,

meaning that best practice can be shared to increase efficiency. The solution has also enabled DWP to run scenario analysis on cost saving options, so high level strategy decisions can be understood at an operational level, and therefore be implemented more readily.

Achieving knowledge transfer to the DWP team was crucial to guarantee smooth transition into production. Vantage worked with DWP to fully understand the organisation, integrating with the existing team to maximise knowledge transfer from the Vantage experts. This culminated in the delivery of a solution that gives fuller visibility of the costs and a level of productivity than was previously unavailable.

Why Vantage?

Valued for their knowledge and flexibility

Vantage was chosen as the supplier who could minimise risk and offer the best value

Vantage is recognised as a leader in SAP Profitability & Cost Management implementations with proven expertise and deep product knowledge

Vantage consultants were able to rapidly transfer the required product knowledge to deliver business benefits and ROI quickly

Fully SAP-Certified implementation partner - reducing risk for DWP

"The deeper understanding of our cost base versus productivity allows us to see what is working well and what needs to be improved. With higher unemployment and spending cuts it is essential that we have this data at our fingertips."

Mark Speakman
Investment, Change and Business Intelligence Directorate, DWP

Results

The solution Vantage delivered has proven to be powerful and timely. The greatest benefit has been full visibility of the £8bn cost base. This is the first time the complete picture has been available to the department and is vital to delivering best practice and process improvements across DWP. Critically, it has been used to model resource requirement changes in Jobcentre Plus that are due to the recent increase in unemployment.

The solution is flexible and can be updated to reflect future organisational and strategic changes. "The deeper understanding of our cost base versus productivity allows us to see what is working well and what needs to be improved." says Mark Speakman. "With higher unemployment and spending cuts it is essential that we have this data at our fingertips."

The solution has enabled truly integrated planning. By linking cost metrics with performance metrics DWP is able to ensure that forecasts are balanced and achievable at an operational level.

As a result of the solution DWP is able to put a monetary value on productivity improvements at a granular level of operational detail. From this they are able to accurately assess the level of funding required.

**For more information please contact us at
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Vantage was founded by former SAP BusinessObjects Consulting Services team members in order to provide software users with access to the very best consultants with an independent perspective.

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