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 Soc Sec (2)
Prime Minister
 MS 14/9

DEPARTMENT OF HEALTH & SOCIAL SECURITY

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From the Secretary of State for Social Services

The Rt Hon William Whitelaw CH MC
 Secretary of State for the Home Department
 Home Office
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See above MT
 Sent 14/9/87

SOCIAL SECURITY OPERATIONAL STRATEGY

My private secretary wrote to yours on 7 September explaining that we had deferred the publication of the strategy document until 15 September. I now enclose a copy of the printed version of the working paper and of the Brief Guide, plus the press notice which will be issued when we publish tomorrow.

I am sending copies of this letter and enclosures for information to the Prime Minister, members of H Committee, Patrick Jenkin, Lord Cockfield, Sir Derek Rayner and Sir Robert Armstrong.

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 NORMAN FOWLER

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Social Services

Long term strategy

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SOCIAL SECURITY IN THE 1990s

GOVERNMENT REVEALS A STRATEGY FOR THE FUTURE

Norman Fowler, Secretary of State for Social Services, announced today the publication of a consultative document on Government plans for the modernisation of social security systems. Mr Fowler said:

"Our objectives are clear. We are aiming at a better quality of service for the public; more satisfying jobs for our staff; and reduced administrative costs. This document presents a challenge for us all to think about the future of a vital public service. How we proceed will depend on the comments we receive. It will be open Government in practice. There are exciting opportunities for the information technology industry and of course it is an important initiative to be taking in information technology year."

"The proposals put forward for consultation in the document are:

- a national network of computer centres to be created, linking local and central social security offices with fast transmission links;
- the public to get better advice and information about benefits with more kinds of social security business being handled at one place - the local office - and at one time;
- staff in DHSS offices and DE Unemployment Benefit offices to work with modern visual display units linked to the computers; more of the routine work being handled automatically, so that more satisfying work can be done in helping people directly;
- enquiries and claims to be dealt with more quickly and accurately through increased computer aids.

The proposals are not a rigid blueprint. Each project is designed to be phased in gradually and must be justified and approved within the overall framework. There is a built-in flexibility allowing for regular reviews and modifications along the way. As the proposals

stand now, the cost of implementation could be about £700 million on top of the cost of maintaining existing systems. They could produce savings of around £1,900 million over a 20 year period.

Around 20 - 25,000 fewer social security staff out of a total of well over 100,000 might be needed in DHSS and DE by the mid-1990s, with a significant rundown beginning in the late 1980s if all the projects go ahead. The utmost care will be taken of staff interests during this long period of change."

Notes to Editors:

Preliminary work on the possible first stages of the strategy is under way. It includes:

- improved benefits advice for the public; an experimental micro-computer system will be tested starting this autumn;
- extensive use of micro-computers to help local office staff with supplementary benefit work, starting next year with special training provided;
- LOP - a Local Office Project on how computers can help with supplementary and incapacity benefit work; to operate from the mid-1980s through a network of computer centres;
- improved communication links between Unemployment Benefit offices and computer centres, to give DE staff better access to information;
- new central index of social security contributors and beneficiaries at Newcastle, to provide staff with better means of establishing records.

Government is seeking the views of all those with an interest closely involved - including technical experts, organisations concerned with claimant interests, social security staff, their trade unions and the Social Security Advisory Committee - before deciding on the way forward. Copies of the document are being placed in the libraries of both Houses of Parliament. The period for consultation is up to 1 February 1983.

A brief guide to the strategy and background papers, as listed in the document, are available from DHSS, Room 213, Ray House, 6 St Andrew Street, London EC4A 3AD.

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**SOCIAL SECURITY
OPERATIONAL STRATEGY**

A brief guide

Department of Health and Social Security
1982

INTRODUCTION

This paper provides a brief guide to the social security operational strategy including its origins, the main proposals published for consultation, the costs and the returns. A glossary of terms is at the end. Further details may be found in two published working papers: 'A Strategy for Social Security Operations' (DHSS, 1980) and 'Social Security Operational Strategy: a Framework for the Future' (HMSO, 1982). These are referred to below as Working Papers I and II.

SOCIAL SECURITY TODAY

The scale of social security operations is huge:

- . 25 million claims a year;
- . 24 million beneficiaries at any one time;
- . 1,200 million payments a year;
- . £27 billion benefit expenditure a year;
- . 117,000 staff in the Department of Health and Social Security (DHSS) and the Department of Employment (DE) - predominantly clerical staff working outside London;
- . £1,400 million administration costs.

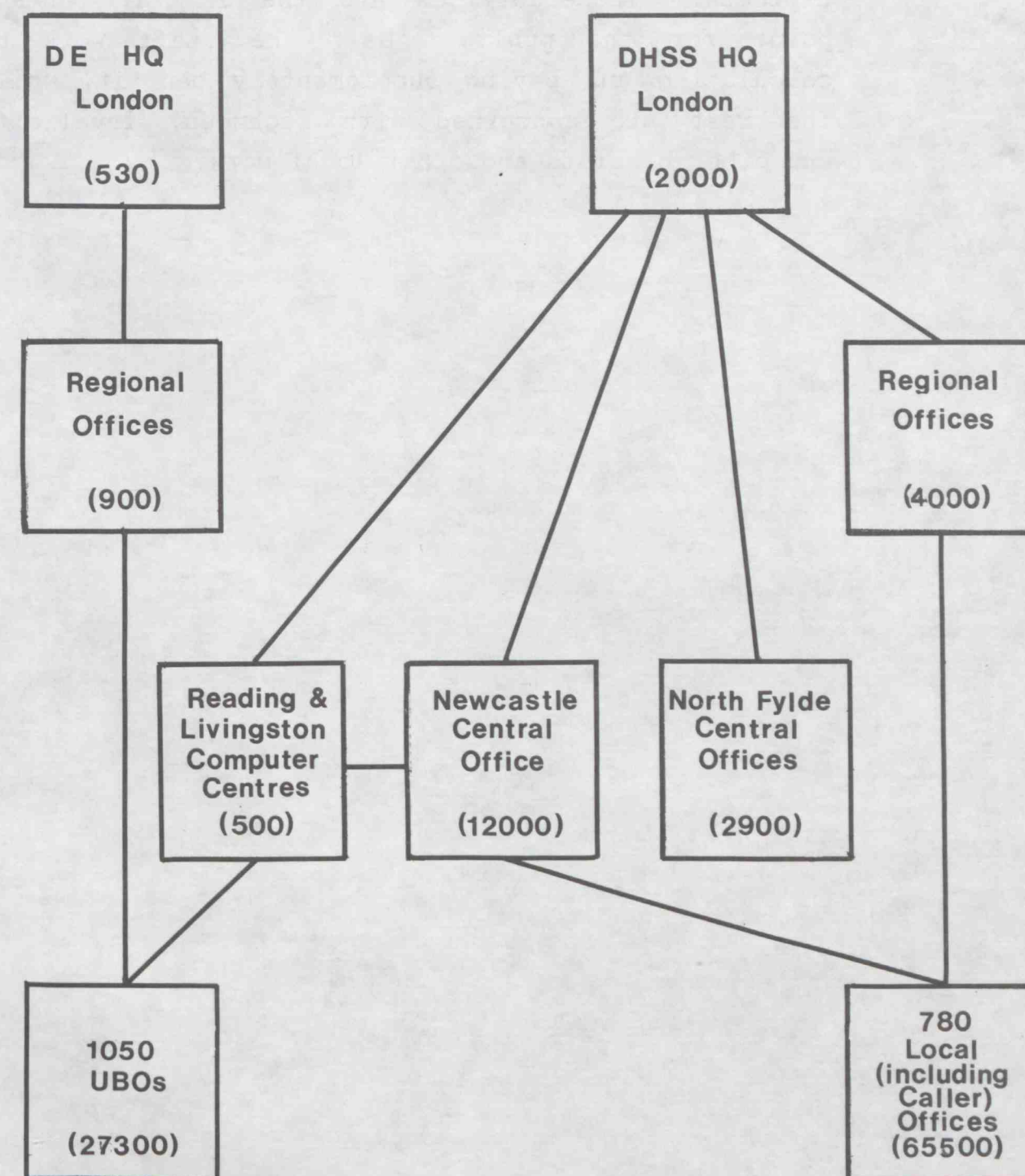
(1981/82)

The work is highly complex: over 30 benefits are paid (10 introduced in the 1970s); staff rely on over 100 bulky instruction manuals - closely printed, frequently amended and full of cross-references.

DHSS and DE already rely heavily on computers, housed at four centres. Newcastle is one of the biggest centres in Europe. Almost £40 million is invested in computers and there are around 3,000 ADP staff.

Figure 1 shows the organizational structure of the whole system, in both DHSS and DE. The Reading and Livingston computer centres are linked to a separate network of Unemployment Benefit Offices (UBOs) - run by DE - and pay benefits to the unemployed. Newcastle Central Office records contributions for the whole working population and pays Retirement and Widow's Pension and Child Benefit. North Fylde Central Office pays War Pensions and various disablement benefits. At all these points in the network computers play an important part.

ORGANISATIONAL FRAMEWORK



Staff nos. shown in brackets
(October 1981)

Figure 1

DHSS local offices, however, are purely clerical with millions of paper records held in rows of filing cabinets. These offices are the initial contact point for the public. Half the staff work on calculating and paying supplementary benefit, while the rest are concerned with sickness, invalidity and other benefits and other local work.

WHY A STRATEGY?

A combination of concerns about the state of operations, allied with an awareness of new technical opportunities, surfaced together in the late 1970s and led to work on a strategy for operations for the 1980s and 1990s.

Staff were faced with a job of increasing complexity - during the 1970s Parliament approved 10 new benefits, bringing the total to over 30. Administration costs rose. Supplementary benefit error rates increased and standards of service to the public seemed to decline.

The computer systems were not able to give direct and immediate help to front-line local office staff in DHSS and, through them, to the public. In the absence of such help, local office staff were burdened with more and more paperwork.

Meanwhile, computers and telecommunications were generally becoming cheaper, faster, more reliable and able to handle more work. This opened up quite new opportunities. Things which had been technically impossible or too expensive to contemplate began to seem feasible.

The present DHSS computers have to be replaced during the 1980s and this offers an opportunity to introduce a more coherent system providing real improvements - for the public, the taxpayer and the staff.

WORK SO FAR

The work started within DHSS in the late 1970s. The pace quickened in 1980, when a new Strategy Team was set up and the Secretary of State for Social Services announced the work in Parliament:

'Piecemeal changes can never be enough. We need a more radical approach if we are to modernise the way we run the system and give the public a quicker and more accurate service. We also want the staff to have more worthwhile jobs with greater satisfaction.' (Hansard 21 November 1980.)

The first Working Paper was published in December 1980. It explained the reasons for the strategy and stressed as key issues the need for economy and efficiency; the need to improve service to customers, particularly by treating them more as 'whole persons' with a range of social security requirements; and the need to pay particularly close attention to the needs of staff, such as a better working environment and more job satisfaction. Working Paper I invited discussion and called for a further paper with specific proposals for a strategy to meet these needs.

In January 1981 the Parliamentary Secretary (Social Security) chaired a two-day seminar at Sunningdale, at which the strategy was considered by a group of well-informed outsiders - including people with extensive private sector computing and management experience. The broad approach was welcomed, but the scale of the undertaking and the need to avoid undue risk was stressed. Since then wide discussions - inside and outside Government - and analysis work have led up to the proposals contained in Working Paper II.

THE PROPOSALS

More Economic and Effective Use of Claimant Information

Collecting, storing and using information about contributors and claimants lies at the heart of social security operations. At present the information cannot be organised as effectively as we would wish. Several separate records have to be held about one individual. It is difficult to keep them up to date and consistent and for staff in one part of the organization to get relevant information held elsewhere. This increases the risk of overpayments to which the Public Accounts Committee has drawn attention:

'We urge the Departments [DHSS and DE] to pursue their investigations to ensure that full advantage is taken of the facilities offered by computers to cross-check and supply information at the point at which a claim is decided.' (PAC 9th Report, 1976/77)

This highlights a central issue: either DHSS and DE continue to hold large numbers of separate records in a form not easily accessible to local office staff, or they link them together and make them readily available to the staff who need the information. Technology now makes it possible to pursue the second alternative and we propose that the records should be re-structured to minimise duplication of information and make it accessible to the staff who need it. There will be fears about privacy, and strict safeguards to control access and prevent abuse will have to be built in. But to take any other course would mean opting for less efficiency and less control of public money and foregoing opportunities to improve standards of service.

Cross Benefit Approach

In the past each benefit has been administered largely in isolation. The strategy work has sought to identify functions which are the same irrespective of benefit. Printing order books or giro's is a clear example. It is recommended that so far as possible common approaches should be used for all benefits, to achieve economies and a less confusing system.

Common Communications Network

As telecommunications become more important, it is essential to prevent the spread of different, incompatible networks, which would restrict flexibility and confuse staff. A common, general purpose network spanning all social security offices is recommended.

Terminals for Staff

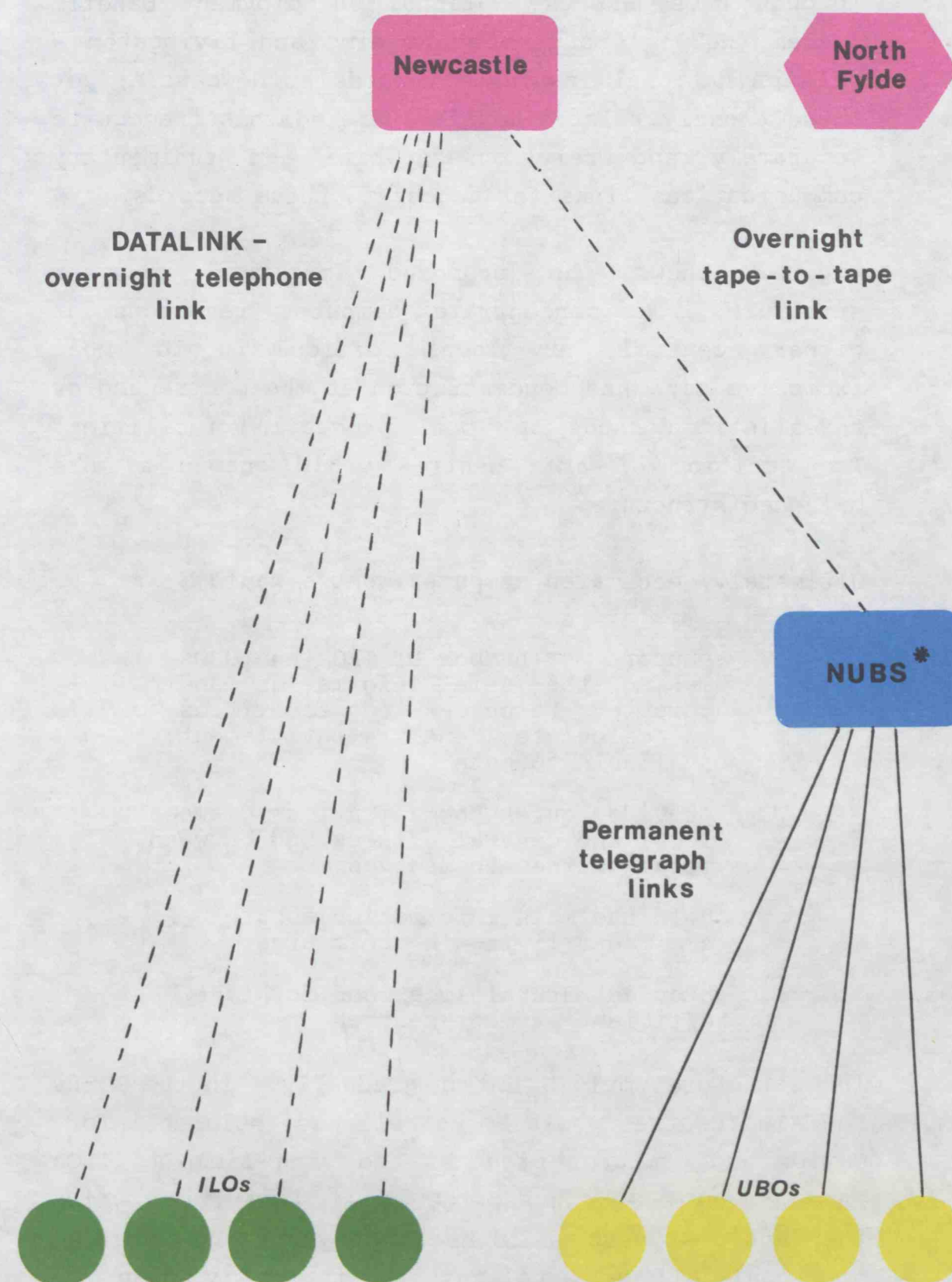
Computer terminals on the desk would be a real aid to staff in their daily work, by providing rapid access to the information they need and to computer assistance. The widespread use of such terminals is recommended: they would replace paper and pens as the basic working tool for benefit clerks.

New Computer Structure

To put these proposals into practice, DHSS and DE would have to move from the present computer structure to a more modern and integrated one.

Figure 2 illustrates the present arrangements. They reflect the constraints of the 1960s and 1970s when they were designed. For example, both sickness bene-

EXISTING COMPUTER SYSTEMS



* National Unemployment Benefit System computer centres at Reading and Livingston

Figure 2

fit - administered in DHSS integrated local offices (ILOs) - and unemployment benefit - administered through UBOs and the National Unemployment Benefit System (NUBS) computers at Reading and Livingston - rely on national insurance records at Newcastle; yet these closely related benefits are administered quite separately and rely on separate and rudimentary communications links for access to these records.

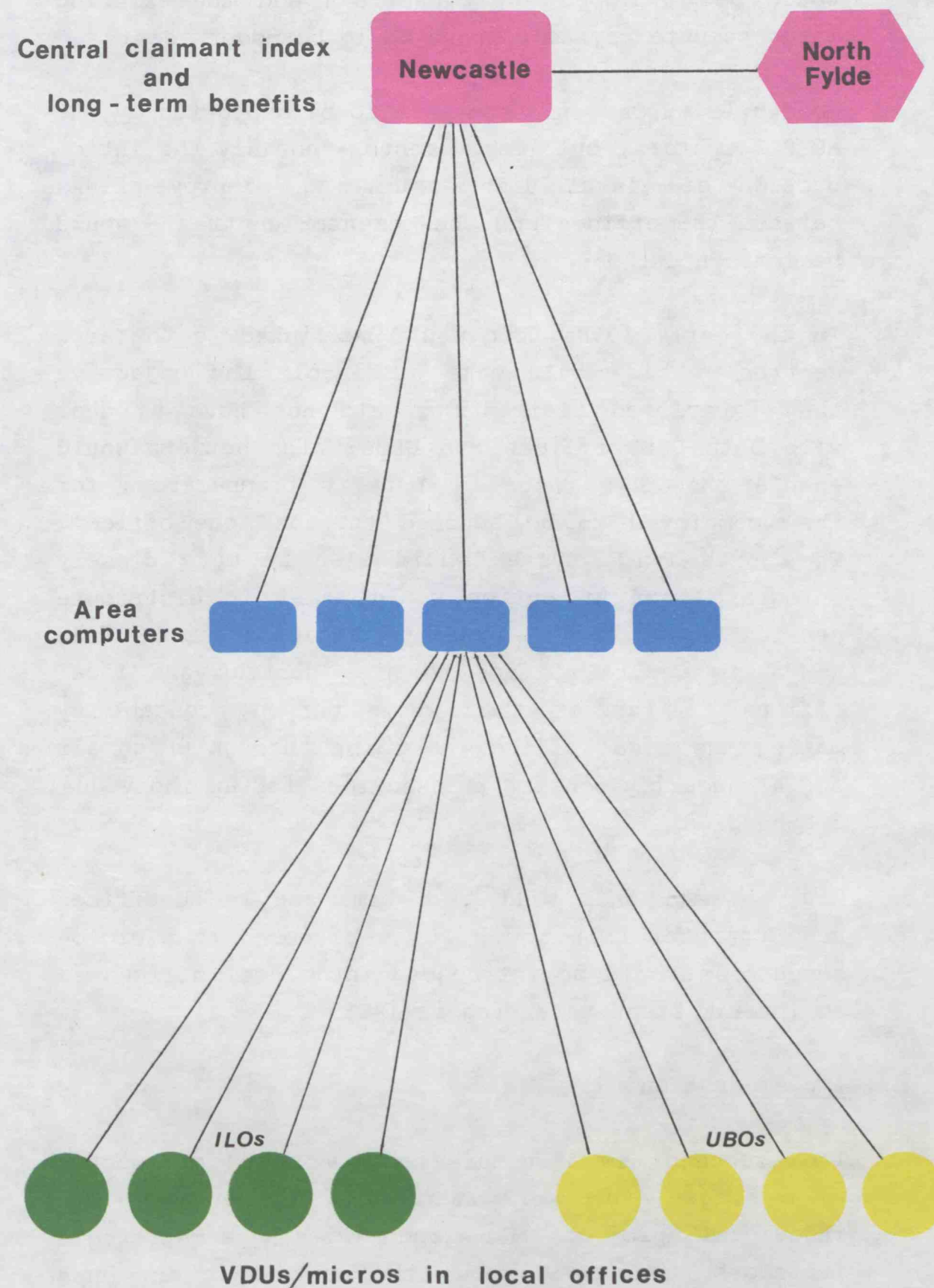
Figure 3 shows the proposed long-term computer structure. To concentrate computer resources at either central or local offices would mean excessive size and concentration at the centre and/or unrealistic demands on local processing facilities. The addition of area centres would enable a more balanced structure.

Ultimately, each area computer centre would:

- . support a number of ILOs and UBOs, making the same information and computer resources (eg facilities to calculate benefit entitlement) available to both;
- . provide quick communications between local and central offices and between local offices themselves;
- . hold the main information about claimants living in their area;
- . provide natural locations for fast, efficient payment centres.

The structure would build up gradually. In the 1980s the Area Centres would be established, holding information and computer programs and with links to ILOs and Newcastle. Among the first activities which they would support would be the payment and uprating of local office benefits, and the calculation of

PROPOSED COMPUTER STRUCTURE



NOTE: all telecommunications use fast telephone/digital links

Figure 3

entitlement for claimants to supplementary and sickness benefits. In parallel, a new central index would be developed at Newcastle; and the existing large computer systems there would be modernised.

Meanwhile, UBOs would continue to be supported by the NUBS computers, but improvements - notably the introduction of visual display units to improve links between the offices and the computer centres - would be introduced.

In the early 1990s UBOs would be linked to the area centres. This would make attainable the objective that unemployed claimants should not have to deal with both DHSS offices and UBOs: the network would enable the full range of benefit transactions for the unemployed to be handled through 'one office'. The North Fylde system would also be more closely integrated and an option would exist to distribute pension and child benefit administration from Newcastle Central Office to area centres and local offices to further the 'whole person' concept by making the local office the point through which all social security benefit transactions for an individual are handled.

However, all this will take time and local offices need computer help now. It is proposed that micro-computers should be introduced into local offices as an interim step - starting in 1983.

Implementation

The proposed new structure could not be implemented as a single exercise: it must be broken down into individual projects developed within a strategic framework. Figure 4 shows the most important ones and the suggested dates for systems development and implementation.

MAIN STRATEGY PROJECTS

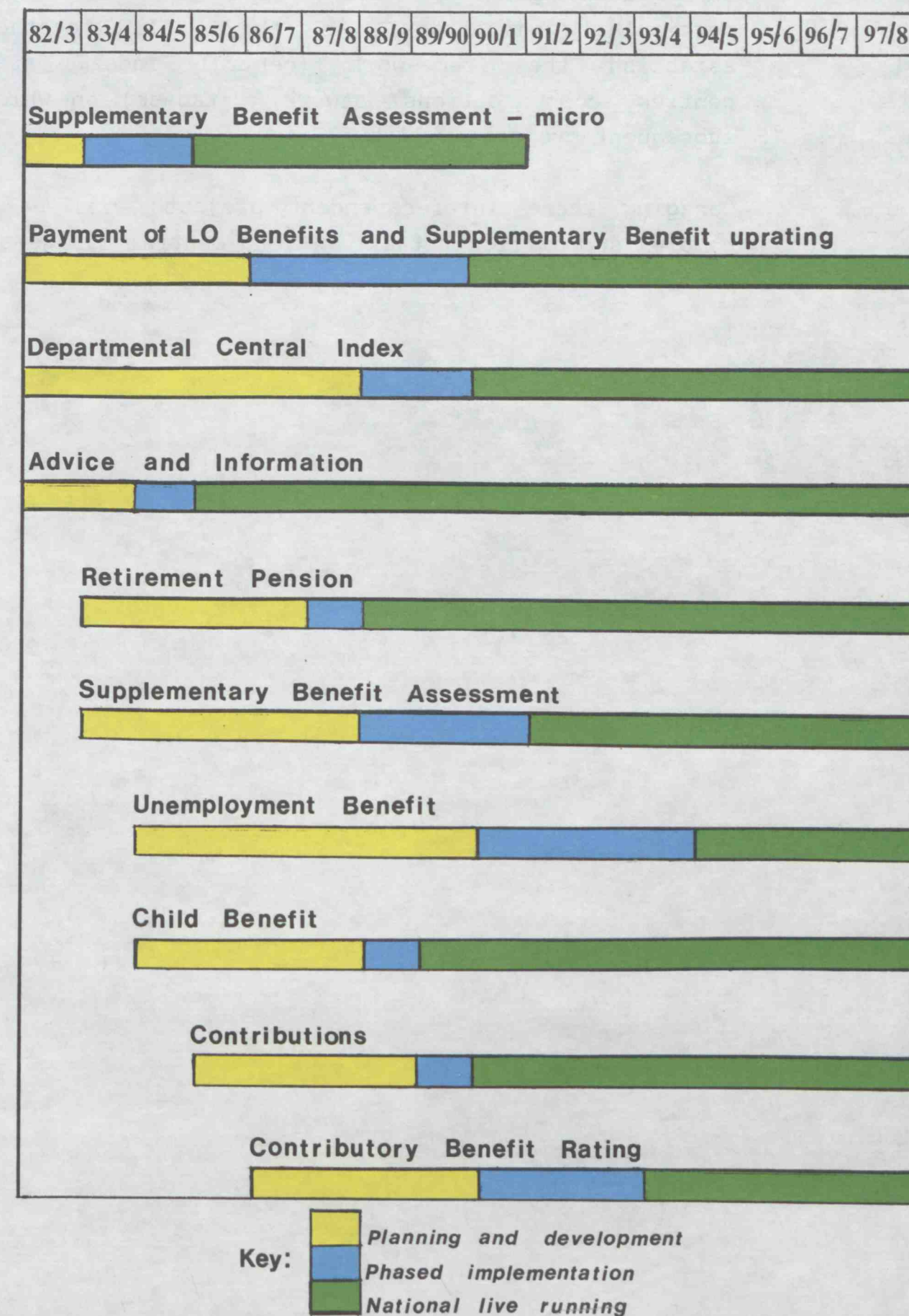


Figure 4

The first and fourth projects are relatively small-scale micro-computer systems which could be implemented quickly. The second and third are particularly important, as they will together establish the frame-work (central index, area centres, communications network, database) on which subsequent projects will build.

Managing these inter-dependent projects will be a complex and difficult task. Strong central management will be essential.

THE GAINS

The proposals would enable a better service for the public. As local office staff would have ready access to all the information they need to deal with a case they would be able to provide better information to customers and a quicker and more efficient service. As computers shoulder more of the burden of calculations and ensure that all the right questions are asked, errors should be reduced and calculations speeded up. As staff would be less burdened by procedural and arithmetical work each of them would be able to handle a wider range of social security business, instead of requiring claimants to contact different counters at different offices. It would then be possible for them to treat customers as 'whole persons'.

The Government would achieve substantial savings (discussed further below); fewer complaints about inaccuracies, overpayments etc; better controls against abuse due to improved cross-referencing of available information; and a computer structure which was more responsive and adaptable to change than the present systems and more able to cope with additional demands than the present over-stretched manual systems. (The administrative difficulties of introducing a tax credits system, for example, would be reduced.)

The staff too would benefit. The focus of their work could shift from processing paper to dealing with people and resolving their problems. By having the information on which they depend readily available they would be able to do a better and satisfying job. The frustrations of not having information available, of depending on others elsewhere to complete a task, and of relying on complex and voluminous instruction manuals should all diminish.

COSTS AND SAVINGS

NET CASH FLOW OVER STRATEGY PERIOD

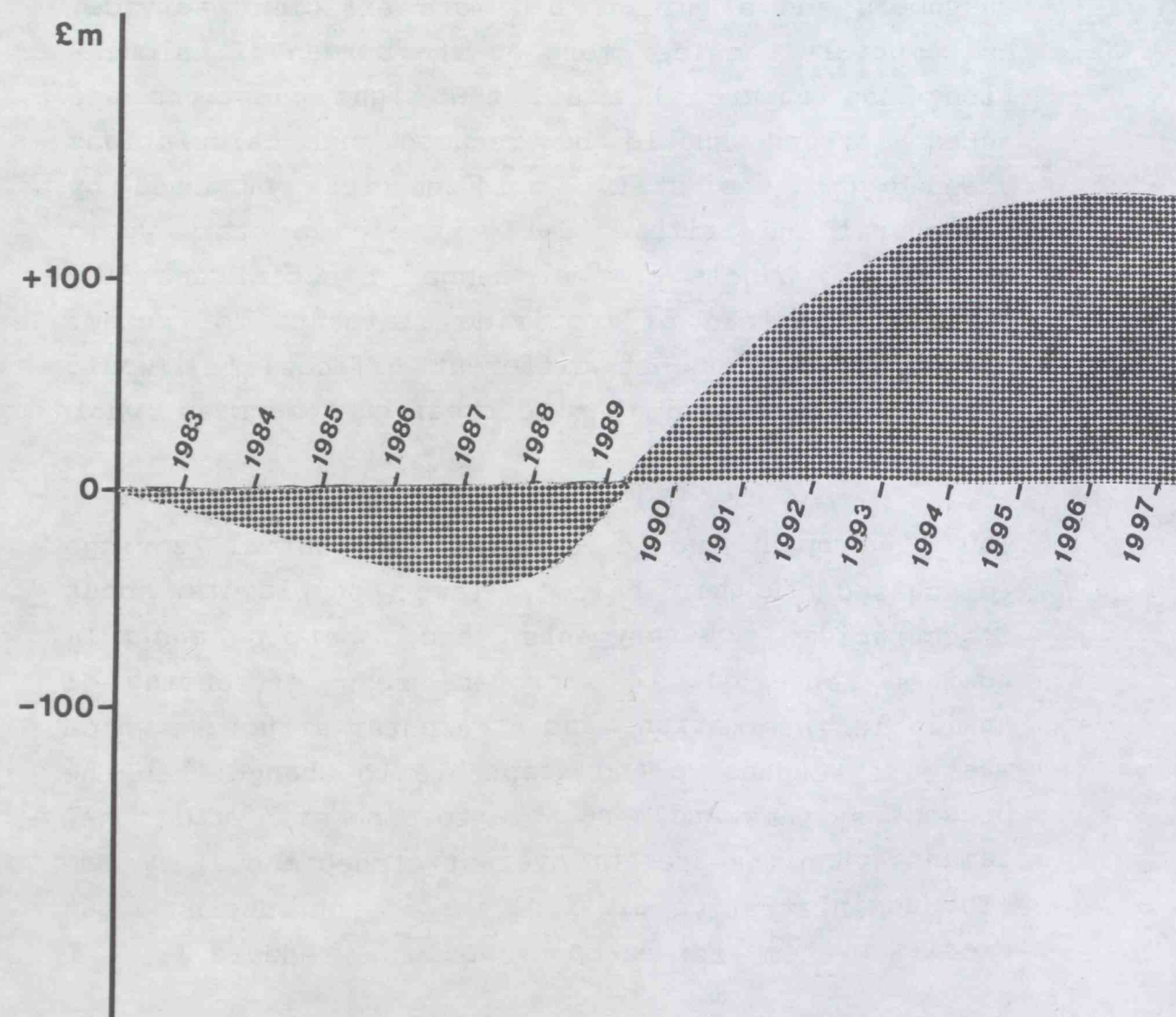


Figure 5

COSTS AND SAVINGS

DHSS will need to spend around £900 million* (November 1981 prices) over the 20 years 1982/2002 simply to keep the current computer structure running with minimal improvement.

Implementation of the full strategy proposals would cost an additional £700 million* and would produce gross savings of £1,900 million* over the same period: a return of 123%. The internal rate of return (the discount rate at which savings would equal expenditure) is 27%.

Figure 5 shows the cash flow: net annual expenditure in the 1980s turns to net annual savings after 1990. In net present value terms the strategy will have paid for itself by 1993.

Most of the long-term savings would come from a need for fewer staff in DHSS and DE, particularly in local offices. The savings would build up, project by project, and would depend on the way the strategy progressed. If the full programme of projects were carried through on the timetable envisaged in figure 4, staff savings would start in 1984 and would build up, gradually at first but more sharply from 1990, and could reach a level of 20-25,000 by 1995. Other factors, including the extent to which savings were ploughed back into improvements in the quality of service, would affect the exact level achieved. There would be discussions with the trades unions about the staffing consequences of each individual project. The aim would be to achieve savings gradually through natural wastage.

* At this stage the figures must be regarded as order of magnitude estimates.

The strategy would thus facilitate continued reductions in the size of two major Government Departments; would provide a planned framework for achieving them; and would enable this to be done while improving the level of service provided.

It is not necessary to seek global approval for the total investment needed to complete the strategy. Each project within it would be individually costed and decisions on investment would be taken one by one, in the light both of their individual justification and their contribution to the strategy as a whole. During the time the strategy is developing technology will advance and the demands on the system may change: this reinforces the need for a flexible approach, with constant reappraisal.

KEY REQUIREMENTS

Success is only possible if a number of key requirements are met.

The strategy must be flexible and responsive to change - not a strait-jacket. It should be seen as a framework within which individual projects are justified and carried forward. Constant monitoring will be necessary. In addition, several review points are built in at each of which it would be possible to stop or change direction. Working Paper II also outlines several variants, which would be less comprehensive and less expensive but would offer smaller savings and lower attainment of strategy objectives.

Privacy and security must be safeguarded. The strategy does not require any additional personal information to be held by the Departments: it proposes that existing information should be used better. Any forthcoming legislation would provide the framework for data protection. Access to sensitive information would be controlled (eg by passwords, badges, voice prints, special authorisation procedures, etc). Significant back-up support to cope with machine failure would be needed and has been included in the costings. The extent of security controls and back-up provision will be determined in the detailed planning of the individual projects, in the light of the possible risks and costs involved.

Effective management will be essential:

- . to ensure unity of purpose throughout the planning and implementation process;
- . to ensure that necessary resources (including skilled technical personnel) are available and efficiently deployed; and
- . to maintain momentum and proper control.

Effective consultations will be essential:

- . to ensure that the needs of those who receive the benefits and the views of the organisations who represent them continue to be taken fully into account
- . to ensure that the enthusiasms and ideas of the staff and those who represent them are fully engaged in the development of the strategy.

CONCLUSION

The proposed strategy would enable DHSS and DE to provide a modernised and more efficient service at lower cost. It would also have wider implications for Government:

- . it would continue the Government's drive for greater efficiency;
- . it would give practical expression to the Government's determination, in Information Technology Year, to take full advantage of modern technology in its own directly run services;
- . it would make a major contribution to technological advance in the UK, generating high technology business and jobs.

GLOSSARY

DE	Department of Employment
DHSS	Department of Health and Social Security
ILO	Integrated Local Office
LO	Local Office
NCO	Newcastle Central Office
NFCO	North Fylde Central Office
NUBS	National Unemployment Benefit System
PAC	Public Accounts Committee
UBO	Unemployment Benefit Office
VDU	Visual Display Unit

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