Cuts to the Department of Work and Pensions' overhead costs threaten the promised benefits of welfare reform

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Avery Hancock *questions how the department charged with some of the biggest and most controversial overhauls will cope with massive budget and overhead reductions.*

The alleged benefits of slashing a further £7 billion from the welfare bill are obviously being debated in the media and protested against on the streets. But what is equally troubling is how exactly the department of work and pensions (DWP) plans to implement sweeping changes to the pension and welfare system when its core budget will be reduced by 26 per cent by 2014-15 and it will have to cut corporate overheads by 40 per cent through nebulous 'centralisation of support services and rationalisation of strategy and policy functions'. The DWP is not the worst off in terms of core budget cuts (Communities and Local Government faces 51 per cent and the Cabinet Office 33 per cent). But curiously it is the only department listed in the Comprehensive Spending Review (CSR) as having its corporate overheads reduced. Meanwhile its total departmental expenditure limit (DEL) is only set to increase from £7 billion in 2010-11 to £7.8 billion in 2014-2015.

From the increased DEL, the chancellor has set aside £2 billion for DWP's minister Iain Duncan Smith to replace all benefit and tax credits with a 'single, simple' universal credit over the next two parliaments. The Comprehensive Spending Review promises further details in DWP's forthcoming white paper on how this change will 'sharpen work incentives and reduce fraud and error'. The chancellor claims these changes will save the Department up to £9 billion a year and 'encourage people to work', but the question remains: who will be around to introduce these reforms? Today the Guardian reported that Sir Leigh Lewis, permanent secretary of the DWP, wrote to all staff after the CSR announcement to inform them that up to 15,000 redundancies will be made over the next two years, representing 15 per cent of the workforce.

If it's not people than perhaps technology will provide the solutions. The CSR claims 27 per cent savings through the greater use of 'digital services for processing benefits'. For example, the chancellor claims £300 million will be saved by using real time PAYE information, which will supposedly reduce error and fraud and reduce overpayment. But a quick look at the CSR's list of policy measures (found on page 12) reveals that from 2011-2014 switching to a digital system will incur *zero cost* until the £300 million savings magically springs up in 2014-15. Surely the switchover will require significant investment. Even then the CSR Policy Costing document highlights three areas of uncertainty for this policy:

- The costing assumes that 25 per cent of tax credit customers migrate to Universal Credit during 2014-15, predominantly out-of-work claimants.
- To be consistent with other packages the costing assumes that the PAYE data has an accuracy rate of 90 per cent.
- Finally, as with all IT projects there is always a level of risk associated with delivery, which could affect the final design (and implementation) of the policy.

The risk of poor IT delivery is likely to be exacerbated by the core budget and overhead cuts. According to the BBC the department was already asked in May to make savings of £535 million, including £70 million from 'stopping or delaying some IT projects and reducing spending on IT consultancy.' As Jerry Fishenden and others on this blog have noted there are some serious issues in public sector IT that need to be resolved if technology and policy are to smoothly run hand-in-hand.

The Independent's Johann Hari offers a far simpler solution to cutting the welfare bill. He claims Vodafone, one of the country's largest businesses, has an outstanding tax bill of £6 billion which Osborne 'simply cancelled' last year; almost enough to stave off all cuts to the country's welfare recipients. It says something about the 'fairness' of this review and who the real winners and losers are.

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