



Department for Work and Pensions Payment Modernisation Programme:
enabling £100 billion in social security payments per annum

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EDS is a key Department for Work and Pensions (DWP) business partner, we provided critical support for their Payment Modernisation Programme (PMP).

The challenge

In 2002 the DWP paid 58 per cent of the 23 million pension and benefit recipients indirectly, either by giro cheque or by cash on presentation of an order book. This was costly, inefficient and did nothing for financial inclusion.

PMP transformed the way the Department for Work and Pensions paid benefits. It gave customers more choice about where and when they collected their money as well as providing a safer and more secure service, which reduced fraud and provide much better value for money.

Improving Public Services and Making a Difference

The benefits of PMP have been considerable, for the Department, for its customers and for the taxpayer. Customers have much greater choice over where to collect pensions or benefits (but can still get their cash at the Post Office if they wish. Furthermore, the Department has made major efficiency savings by phasing out costly order books, used since the 1940s. Fourteen out of every 15 payments are now made directly into a bank, building society or Post Office account. As Direct Payment costs only 1 penny per payment compared to £1.49 for Giro cheques payments and 67 pence for order book payments, it means that savings of more than £1 billion have been identified over the five years of the contract which finishes in 2009-2010.

The effects of PMP stretch far beyond this. Every year, fraudsters used to swindle £50million in lost and stolen order books with 100 books being stolen from pensioners every week. Direct payment is not only better, it's safer.

In addition print runs for cheques that once took two hours to complete now take a mere 10 minutes – it takes much longer to check, verify and certify the accuracy of the cheques than it does to actually produce them.

Programme Success and Takeup

The DWP Public Service Agreement target of getting 85 per cent of benefits and pensions customers on direct payment by April 2005 was met early and then exceeded. 22.5 million accounts are now being paid directly into a bank or building society account, that is 97 per cent of customers now use direct payment, and this was achieved by May 2005. What's more, 95 per cent of those converted to direct payment were happy with the service. This payment method will save the taxpayer in excess of £1 billion over the next five years

The programme is now so successful that:

Each week EDS:

- Processes more than 100 million transactions
- Processes £2billion in payments to citizens

Each year EDS:

- Facilitates £100bn in social security benefit payments
- Helps the DWP automatically pay 11 million winter fuel payment to people aged 60 or over
- Facilitates the payment of 11 million Christmas bonus payments to pensioners.

Scale and Complexity

PMP posed significant challenges, both behavioural and technological, for the Department and its suppliers. It not only meant converting over 14 million benefit recipients to a new system of payment, it represented a cultural change for both customers and DWP employees.

The scope of the work encompassed the following:

- The phasing out of order books
- Payment into bank accounts to be established as the normal method of payment
- The introduction of a Customer Conversion Centre, used to contact benefit recipients and facilitate conversion
- Interfacing the legacy benefit systems with the conversion centre
- Enhancing direct payment capability, a major functional change
- Introducing direct payment and allowing for a variety of payment frequencies
- Introducing BACS recall functionality to automatically retrieve unwanted payments
- Implementing a BACS high speed transfer facility
- Introducing cheques as a regular form of payment if this is preferred
- Establishing security and anti-fraud initiatives

Although much more than an IT project, PMP couldn't have taken flight without having the right technology in place. Principally, this meant successfully delivering PMP functionality in more than 50 legacy system releases.

To help generate further cost savings, EDS also supported the DWP in its introduction of laser printed benefit cheques, a faster and more efficient way of forwarding payments for 790,000 customers who have not provided bank details.

The programme contained a significant element of risk management. Due to difference in payment methods EDS also had to assist the DWP with contingency measures to ensure that payments would continue if there were system failures or postal disruptions.

What the client said

"The Payment Modernisation Programme faced a number of challenges including a conversion exercise on an unprecedented scale requiring a change of behaviour from millions of customers, many of who had strong reservations. Success was achieved through strong and continuous support from the top, continuous and determined leadership, extensive stakeholder management and consultation, a strong focus on outcomes and success criteria and aggressive risk management and assurance."

Department for Work and Pensions