

Advanced Material

This Advanced Material contains a pre-seen case study provided to students prior to the exam date. Students should familiarise themselves with the Advanced Material before they sit the exam. The Advanced Material provides key information and forms the basis of the requirements set out in the exam day materials. Students should carry out research into the sector and apply learning from the workbooks.

Exam: Strategic Case Study

Exam Sitting: September 2025

Introduction – Gilvania

Gilvania, is a country on the continent of Liopo, with a population of 75 million. It is a constitutional monarchy and has enjoyed a stable democracy for over 200 years. The currency is the Gilvanian pound. Inflation in Gilvania is currently 5%, up from 4% in 2024, having been stable at 2% for most of the previous decade. Forecasts show that inflation may reach 6% in the next twelve months. This is partly because there is a shortage of labour in key areas of work, which has been pushing rates of pay upwards.

At the last national election, in July 2025, the National People's Party was re-elected with a sizeable majority. The national government of Gilvania administers policy via several government departments such as the departments for health, transport, and the environment. Each department is headed up by a senior member of the majority party in parliament who is referred to as the Secretary of State for that area. The Department for Social Benefits (DSB) is responsible for state pensions and benefits for people of pensionable age (pension credits), and a range of other benefits.

Pensions and Pension Credits

Citizens of Gilvania can apply for their state pension from the age of 68 years. Their entitlement is calculated based on the number of years that they have contributed to the national insurance scheme. National insurance contributions are taken automatically from salary during a person's working life and the employer also pays a set amount into the scheme for that employee. An individual must have been contributing for ten years to obtain any state pension payments, and after 45 years of national insurance payments a person will have reached the maximum in terms of contributions and is entitled to receive the maximum state pension amount of £195 per week.

Those who reach the age of 68 and who have not contributed sufficiently to obtain the maximum weekly pension payment can claim pension credits. These credits are used to increase a person's weekly allowance to bring it in line with an amount deemed acceptable to live on. The amount of pension credit paid is based on an assessment of the individual's financial position, including any state or private pensions received, and other factors such as disability or if the individual is a care giver.

The demographic makeup of the country is changing, with an increasing proportion of the population aged 68 or over, and so there are a greater number of people in receipt of a pension and pension credits.

The government is keen to ensure that the difficulties of funding pensions, and other benefits, are not exacerbated by inefficiencies in administration. In the last few years, however, DSB expenditure has been over budget by a considerable amount, both for pension and other benefit payments, and the spend on administration.

The DSB and its work

The Permanent Secretary for the DSB is Lucille Corcoran, a civil servant who manages the whole department on behalf of the Secretary of State responsible for pensions and benefits. The Secretary of State is Josaphine Porter, newly appointed after the recent election.

The DSB has two operational sections: the Pensions and Pension Credits Section (PPC) and the Working Benefits Section (WB). The PPC is managed by the Operations Director, Pensions and Pension Credits (ODPPC), Thomas Tucker. Three managers report directly to the ODPPC, each managing operational teams within the section. Together with the ODPPC, these managers are responsible for the staffing budget for all operational clerical staff. The managers also assist the ODPPC with strategic developments, such as system improvements, data

sharing, strategies to implement policy changes and on public relations issues. The ODPPC also manages four executive assistants who, as well as assisting with strategic development issues, assist with the general administration of the PPC.

Each of the three PPC managers manages the work of five supervisors who oversee the day-to-day activity of operational clerical staff. With a staffing structure of 250 operational clerical staff, each supervisor is due to oversee the work of 16 or 17 staff. However, there have been problems recruiting staff below supervisor level and it has been several years since the PPC has been fully staffed.

The DSB has a Finance Section, led by the Finance Director (Concheta Cripps). It provides financial services for the whole of the DSB including budgetary information. An Internal Audit Service is based in the Finance Section and undertakes fraud work as well as system and other audits. An increasingly important area for Internal Audit in the DSB and other government departments is the undertaking of performance audits. Resources are under pressure and thus obtaining and demonstrating value for money in all departments is considered critical.

Other directors which report to the DSB Permanent Secretary are the Director of HR (Rachel Straw), the Director of IT (Robert Becket) and the Director General of Transformation and Improvement (Hebe Richards). These directors, along with the directors of Finance, PPC and WB, are members of the department's Executive Board headed by the Permanent Secretary. The Executive Board is collectively responsible for the implementation of government policy and the day-to-day operations of the DSB.

The Executive Board is accountable to the Departmental Board, which sets the DSBs overall strategic direction and provides oversight of its performance and is chaired by the Secretary of State. The Departmental Board also comprises three junior politicians, six non-executive directors who collectively have experience in the public and private sectors, and several

members of the executive team, including the Permanent Secretary, the Finance Director and the Director General of Transformation and Improvement.

The Secretary of State can also request information and updates from the executive team and may meet with them to discuss any specific issues that she needs to be briefed on. For example, at present she is specifically concerned about the high level of budget overspends, especially on PPC staffing. To obtain information, she can contact the Permanent Secretary who can set up a meeting, invite the relevant directors, circulate the agenda, and arrange for minutes to be taken and actioned.

Processes in the PPC

Payment of the state pension is not automatic, and individuals can apply for it once they reach 68 either via a phone line or the DSB website. The online route asks the individual to provide contact details and basic identification, such as their unique national insurance contribution number and proof of identity, and to state whether they are applying for the pension, pension credits or both. Each application is given a reference number and picked up in turn by an individual in the PPC.

New pension claims are processed by checking the individual's national insurance contributions during their working life and any other contributions made, and then calculating and processing a weekly payment made into the individual's bank account.

Only 45% of applicants make first contact with the PPC via the DSB website and complete all documentation in that way. 20% of applicants initially contact the PPC by phone, choosing to speak to a person before accessing the forms and submitting documentation online, and many of these are talked through the online process by PPC staff which is often time consuming. The remaining 35% complete the whole process by phone, submitting any documents by post; staff initialise an account for the individual and update this as documentation is received.

Many individuals have not made sufficient contributions to obtain the maximum weekly pension while some individuals have made no contributions at all. The DSB can award such individuals pension credits which will make up their weekly income to a maximum amount. These people may also access other benefits such as help with housing costs and fuel payments. Individuals who claim a full state pension, are not entitled to these additional benefits, but may be entitled to pension credits if they are a care giver or have special needs due to disability.

Processing pension applications is relatively routine. Checking national insurance contributions is usually straightforward, as each citizen has a unique number to which all contributions are linked, data being kept by the Tax and Revenue Department. Once an individual uploads their details online, or this is done by PPC staff if the application is by phone or post, the pension amount is calculated by a simple computer programme. The applicant is then notified of their entitlement and the payments are scheduled automatically once personal identity documents have been confirmed. A supervisor checks that the routine procedures have been followed before authorising the payment to be set up.

If pension credits can be claimed, the amount must be calculated based on information from the applicant, including current weekly income, assets, disability payments, and whether the person is a care giver. Processing these claims is more complicated since more information must be checked and processed and the calculations for individuals will vary greatly depending on their circumstances. All calculations are, however, governed by rules, which all employees can refer to. The supervisors have more complex and thorough checks to perform in respect of these applications than on pension payments. Once the amount of pension credit is determined the payments are scheduled so that a weekly amount is paid into the individual's bank account.

In addition, rejected applications for both pension and pension credits often result in appeals, usually dealt with by the supervisors in each team. These appeals can be time consuming,

usually involving further checks and conversations with the appellant.

Staff also must deal with many queries. While there is a Frequently Asked Questions section on the DSB website, the public in general find the information complex and confusing. Many queries relate to uncertainty as to an application and concerns about over- or under-claiming benefits. In addition, there is a need for those receiving pension credits to notify the DSB if their circumstances change in such a way as to affect the level of payment.

Problems facing the DSB

There are several pressures on the DSB budget in relation to pensions. There are a growing number of people applying for the state pension, with the population growing generally and life expectancy of 82, compared to 81 in 2015. Also, an increasing proportion of those of pensionable age are claiming pension credits. These factors are affecting not just the expenditure on pension and pension credit payments but also administration costs. There are no plans currently to reduce pension levels or increase the pension age. Government concern is currently focused on reducing DSB administration costs.

About 10,000 people currently reach retirement age each week, and from 2021 to 2025 15% of them claimed pension credits, compared to 14% in 2020. Although there are no productivity targets in PPC, there is pressure on staff to process as many claims, or deal with as many enquiries, as possible, and at a very basic level it can be calculated that each of the 250 staff in the PPC must process over 40 claims per week just to keep on top of the applications. In addition, all staff must be able to deal with queries and help with the rectification of past mistakes.

In recent years, the DSB has had significant problems recruiting clerical staff to process applications, despite a generous pension scheme and flexible working. It is a routine job but one which involves consideration of complex rules. The government has only approved a 2% salary

increase in 2025/26 for civil servants, including DSB staff, and last year those workers did not receive any pay increase.

Further, in December 2024 the government announced plans for the automation of the work of several government departments, including the DSB, since when there has been a freeze on recruitment. Currently only 215 of the 250 clerical grade posts in the PPC are filled. The level of sickness absence in PPC has also been increasing, from 2% in 2020, to almost 5% in the past three years.

Most DSB staff are members of the National Union of Public Sector Workers (NUPSW). The trade union has made several demands on behalf of the DSB workforce, including reduced workloads and a pay rise of 6%.

Following the government offer of a 2% pay rise NUPSW members at the DSB recently voted to continue a 'work to rule' policy, started in June 2024. This means that union members who are complying with the union vote will complete their contracted hours, but will not work beyond those hours or provide cover for other staff, even if additional overtime payments are offered. Those staff who are not members of the union may choose to take on additional work. This prolonged industrial dispute has resulted in a backlog of claims processing, with queries taking up to four months to address. This has led to the DSB being routinely criticised by opposition parties for poor customer service.

Below, in Table 1, is a summary of PPC staffing costs, budget and actual, for 2024/25 and the budget for 2025/26. The financial year runs from 1 April to 31 March.

Table 1: PPC Staffing Costs

	Budget	Actual	Variance	Budget
	2024/25	2024/25	2024/25	2025/26
	£000	£000	£000	£000
Staffing				
Clerical Grades	15,750	14,143.5	1,606.5	16,065
Overtime	1,050	425.2	624.8	0
Supervisors	1,305	1,278.2	26.8	1,331.1
ODPPC	225	225	0	229.5
ODPPC performance pay	35	35	0	50
Management Team	360	360	0	367.2
Administration Team	180	180	0	183.6
Agency staff costs	1,008	4,265.9	(3257.9)	201.6
Recruitment costs	3.5	3.5	0	3.6
Training costs	16.5	46.2	(29.7)	16.5
Total	19,933	20,962.5	(1,029.5)	18,448.1

The government initiated the use of temporary agency staff in April 2023, initially to assist with backlogs and to reduce the pressure on permanent staff in PPC. However, the agency staff have become an integral part of its operations since. All staff, including agency staff, must be trained on procedures and ethical standards before they are allowed to process claims, for which the DSB pays a company to provide training sessions at a rate of £550 per head. This price is fixed until December 2026.

Agency staff complete a timesheet which is authorised by supervisors. They are then paid by

the agency based on this timesheet total. The agency is paid by the DSB a flat rate of £60 per hour worked. By contrast, average pay for employed clerical staff is £25 per hour, and any overtime is £35 per hour.

Overpayments and Fraud Cases

Another reason for the pressure on PPC staff is that time is increasingly spent on the rectification of past mistakes, either on the part of applicants, especially those who apply online, or because of errors by staff in calculating and processing benefit entitlements.

For example, in late 2023 it was identified that around 15,000 people had been overpaid pension credits during 2022 and 2023. An independent enquiry identified that almost all were overpaid due to changes in the way that additional credits were paid to those with disabilities. Under the new rules, most of the affected claimants had a weekly income which was only marginally above the threshold for claiming pension credit, but having gone over that threshold they were then liable to repay the whole amount claimed. Most overpayments related to a period of 15 months, the time from the date the rules changed to the date that an audit exercise was carried out to reassess a sample of claimants using the new rules. Many of the individuals were on relatively low incomes and struggled to repay the overpayments. The conclusions of the enquiry were critical of the DSB for taking so long to identify and reclaim these overpayments. When questioned in parliament about the enquiry's findings, the then Secretary of State replied that the cause of the overpayments and the time taken to reclaim them was staffing shortages.

Also, several high-profile fraud cases have resulted in management increasing pressure on staff and supervisors to check claims more thoroughly. In addition, staff have found that they are having to spend time with the DSB fraud investigation team while potentially fraudulent claims are investigated.

In January 2025 there was a successful prosecution of a criminal gang who had defrauded the

DSB by falsely claiming £4.5m in benefits, using false identities and bank accounts. About half of this sum related to pension credit payments made over a period of eight years.

Questions were asked in a subsequent independent enquiry, as to why the fraud was not identified when applications were made, especially when there was a duplication of some of the bank accounts used for payments. Other questions related to why the amounts were not checked on a routine basis for changes in circumstances. The then Secretary of State told the enquiry that a shortage of staff meant that extensive checks were not possible unless there were reasons to suspect fraud.

Proposal to use Artificial Intelligence (AI)

The government of Gilvania is committed to the development of AI. Gilvania has a large and strong economy, and its educational and research institutions took an early lead in the development of AI. However, its technology companies have failed to develop commercial AI options and take advantage of the surge in demand, so lag behind companies based in other countries. Gilvania's 'Big Brain' research centre, however, has an international reputation for excellence in its development of new ways to use AI, and the government is keen to capitalise on this to give the industry a boost.

The Department for Technology and Science (DTS) has been working with representatives of the AI sector to develop a plan for an infrastructure that will allow businesses based in Gilvania to thrive on the international stage. The plan was initiated 12 months ago and includes:

- the development of a significant supercomputer resource that can be used by researchers in the public and private sectors,
- the development of data banks where public sector data resources, including information from departments such as Tax and Revenue and the DSB, can be shared and accessed to power research and train new generations of AI,
- a working group to identify clean and renewable energy sources to meet the increasing

needs of AI and other technologies,

- increased funding for four universities offering relevant educational courses, and
- conducting research and developing a plan to regulate the industry including data security and data protection.

An Innovation Office was established a year ago within the DTS to aid government departments as they develop AI solutions. It facilitates liaison with the private sector including procurement of specialist contractors to develop AI, and the intention is that the companies used will be based in Gilvania. All government departments can apply for additional funding to implement approved AI projects, and a capital funding pot of £3 billion has been earmarked. The government hope that the savings will outweigh costs in the long term, and have stated that they expect the administrative cost savings across all government departments to be over £1 billion per year.

Critics of the government have stated that progress with implementing AI across central government has been patchy. The Tax and Revenue Department has, though, made good progress in the automation of systems, using advanced AI technology, making it possible to automate systems which were previously thought too complex, such as tax assessments and analysis of potential fraud. The use of AI in the DSB was included in the government's AI plan in December 2024, but initial priority was given to the Tax and Revenue Department. The DSB still operates mainly manual systems and is not able to work with other departments using integrated systems. This means that there is a limit to how government departments may interact to establish synergies. Other elements of the change programme including those relating to the DSB were then put on hold until after the July 2025 election.

The new Secretary of State for the DSB has a remit to take rapid action to advance the use of technology, specifically AI in the DSB. She is acutely aware of pressure to realise savings in the DSB as soon as possible. She is very concerned about recent department budget overspends, especially in relation to staffing costs, and that new initiatives may not produce savings quickly

enough.

The government's plans to reduce administrative costs and improve services to the public using AI and improved automated systems was a key election pledge, and the Prime Minister is keen that this election promise is delivered as soon as possible. While the exact details of how the new systems will work has to be determined, it is anticipated that the new systems will ultimately reduce the need for staff in the DSB by almost 90%.

The Secretary of State has decided that a staged approach should be taken to implement AI without disrupting the smooth operation of the department. New systems powered by AI will eventually be used throughout the whole department but are to be implemented first in the PPC. Within the PPC the approach will be to automate the more routine processes as a first phase of change and then include more complex processes at later stages as the AI is 'taught' to deal with more complex issues.

The objectives for the AI project are to:

- Create a simplified online application system that individuals can also use to check their pension contributions before they apply for the pension,
- Establish an interactive 'bot' which can deal with basic queries and frequently asked questions, such as what documentation is acceptable as proof of identity,
- Design a routine for the automatic checking of documentation submitted, by reviewing documents and matching to data held elsewhere in the government's data units,
- Identify potential fraudulent claims,
- Automate all applications so that once the correct returns have been received from the applicant an account is created and the applicant notified automatically,
- Answer basic phone queries and refer callers to staff if needed, and
- Create a simplified change of circumstances routine which allows individuals to notify the

DSB of changes and be advised if this will affect any pension or pension credit payments.

The first phase will be to establish an AI system which processes all pension applications, though the processing of claims for pension credit claims, addressing queries and dealing with errors will still be carried out by staff. Once this first phase has been implemented, the number of posts in the staffing structure would be reduced. All the posts for managers and supervisors would be retained to check that processes are running as anticipated and to help with the implementation of more complex routines. The PPC's executive assistants would also be retained at this stage, but the number of operational staff at clerical level would be reduced from 250 to 100.

Once the AI systems are fully up and running it is intended that a core staff of 20 operational clerical staff and 5 supervisors would be retained to deal with phone queries from those who cannot use online systems, or to deal with more complex queries. Supervisors would check a sample of cases to ensure that they have been dealt with correctly, though if the system is operating successfully the number of cases checked may be reduced over time. The number of managers would also be reduced from 3 to 2.

All retained PPC staff would be trained on how to work with the automated systems, and to identify and prevent errors. Claimants will be encouraged to use the online system by ensuring that there are lots of prompts and help points, increasing customer confidence in its usage. The government is also aware that many people are concerned about the possibility of data breaches and that the most sensitive data relating to identity, health issues and financial status may be hacked, corrupted or stolen. The DTS has therefore been considering new safeguards for these risks.

There has been significant objection to the introduction of AI in the DSB; critics point out that any errors in the systems will disadvantage the most vulnerable in society who rely on benefits such as pension credits. The opposition party and several national charities, such as those who

provide support to the elderly, have urged the government to think again about their decisions to increase use of AI in the DSB. The NUPSW have also criticised management of the DSB, stating that their failures have led to the problems being faced. A union statement argued that unrealistic budgets have been set in recent years, leading to the overspend. Also, the union stated that management have consistently failed to listen to staff suggestions for service improvements and have demonstrated an authoritarian leadership style which does not motivate staff or encourage team working.

Candidate's Role

The candidate's role is Jo Smith, Finance Officer in the DSB.

Abbreviations

AI	Artificial Intelligence
DTS	Department for Technology and Science
DSB	Department for Social Benefits
ODPPC	Operations Director, Pensions and Pension Credits
NUPSW	National Union of Public Sector Workers
PPC	Pensions and Pension Credits Section
WB	Working Benefits Section