National Audit Office

Report
by the Comptroller
and Auditor General

Department for Work & Pensions

Personal Independence Payment: early progress

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National Audit Office

Department for Work & Pensions

Personal Independence Payment: early progress

Report by the Comptroller and Auditor General

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Comptroller and Auditor General
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This report examines the Department for Work & Pensions' progress in implementing Personal Independence Payment. We describe the evolution of the Personal Independence Payment programme.

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Contents

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This report can be found on the National Audit Office website at www.nao.org.uk/2014-personal-independence-payments

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Key facts

3.6m

total claimants to be assessed for Personal Independence Payment by the start of 2018

£3bn

expected annual savings in benefit expenditure from 2018-19

16%

expected Personal Independence Payment decisions made by 25 October 2013

1.7 million	recipients of Disability Living Allowance to be reassessed for Personal Independence Payment by the start of 2018
92,000	claims outstanding with contracted assessment providers at 25 October 2013 (against an expected 32,000)
107 days	actual time for non-terminally ill claimants to receive a decision in our sample of early claims (against an expected 74 days)
28 days	actual time for terminally ill claimants to receive a decision in our sample of early claims (against an expected 10 days)
£780 million	Department's initial expectation for savings to benefit spending during the current Spending Review period up to April 2015
£140 million	estimated shortfall in benefit savings during the current Spending Review period up to April 2015

Summary

1 Personal Independence Payment is a non-means-tested benefit to help disabled people with the additional costs of living with a disability. Awards consist of components for mobility and daily living, and range between £21 and £134 per week. The Department for Work & Pensions (the Department) is bringing in Personal Independence Payment to replace Disability Living Allowance for people who are between 16 and 64 years old. Claimants include some of the most vulnerable in society. Many face long-term health conditions including physical, sensory, mental, cognitive or intellectual difficulties, or any combination of these. In 2012-13 the Department spent £13.7 billion on Disability Living Allowance for 3.3 million claimants.

2 The Department is using Personal Independence Payment to match support more closely to claimants' needs. For non-terminally ill claimants there will be no specified conditions that give people automatic entitlement, a change from Disability Living Allowance. The Department will periodically review all awards that last two years or longer. All terminally ill claimants automatically qualify for the daily living component and awards are usually time limited.

3 The Department expected to make cumulative savings in benefit spending of £780 million over the current Spending Review period up to April 2015, and annual savings of £3 billion from 2018-19. It expects that 600,000 fewer people will receive Personal Independence Payment by May 2018 compared with projections for Disability Living Allowance.

4 The Department administers and awards claims for Personal Independence Payment but it pays private sector contractors to assess claimants' needs. Atos Healthcare (Atos) and Capita Health and Wellbeing (Capita) conduct face-to-face consultations or paper-based assessments against criteria set by the Department. The Department expects to spend £200 million each year to administer the benefit, of which £127 million would pay for providers' assessments.

5 The Department introduced Personal Independence Payment through a 'controlled start' so that it could test early parts of the process, including the new IT systems, staff guidance and telephone application process, as it rolled out the new benefit. It started taking new claims in parts of the North of England from April 2013 and nationally from June 2013. From October 2013 the Department began to reassess Disability Living Allowance claimants whose benefit requires a review (known as 'natural reassessment').[1] Between October 2015 and October 2017 it will reassess the remaining Disability Living Allowance claimants (known as 'managed reassessment'). By the start of 2018 the Department expects to have received 1.7 million Personal Independence Payment claims from existing Disability Living Allowance claimants alongside 1.9 million new claims.

Scope of our report

6 It is too early to say whether Personal Independence Payment will improve the overall value for money of benefit spending. In theory it should improve the targeting of support by relying on an independent assessment of claimants' ability to complete daily tasks rather than conditions. But we do not yet know what the full impact of the new benefit will be, or how well assessments will identify the underlying needs of claimants.

7 In this report we look at the operational performance of the Department as it introduced Personal Independence Payment. Early performance directly affects people who have already submitted claims, and can also point to longer-term risks. Our past reports have shown that early issues in major programmes often indicate more substantial problems including: programme delays; poor administrative performance; rising costs; difficulties managing suppliers; and reduced effectiveness of the programme.[2]

8 In this report we consider how the Department has introduced Personal Independence Payment up to the end of October 2013 compared with its plans in May 2013. Where possible, we mention where the Department has revised plans but we do not evaluate those plans in detail. We consider the Department's:

- aims for Personal Independence Payment (Part One);
- progress against plans (Part Two); and
- identification and management of risks (Part Three).

1 Natural reassessments cover Disability Living Allowance claims where: claimants report a change that affects the rate of payment; fixed term awards expire from February 2014; and children turn 16 years old.

2 Comptroller and Auditor General reports: *Universal Credit: early progress*, Session 2013-14, HC 621, National Audit Office, September 2013; *Failure of the FiReControl Project*, Session 2011-12, HC 1272, National Audit Office, July 2011; *Progress in the Thameslink programme*, Session 2013-14, HC 227, National Audit Office, June 2013; and *Tackling tax credits error and fraud*, Session 2012-13, HC 891, National Audit Office, February 2013.

Key findings

Progress against plans

9 **The Department introduced Personal Independence Payment as planned through a controlled start in April 2013.** The Department started by accepting new claims in areas in the North of England, testing systems and some processes on a small volume of claims. The Major Projects Authority identified the controlled start as a postive way to reduce risks of national roll-out. In June 2013, the Department expanded to cover all new claims nationally (paragraphs 2.2 to 2.4).

10 **In mid-2013 backlogs developed and the Department has made far fewer claim decisions than it expected.** Backlogs have developed at each stage of the claimant process. Both the Department and assessment providers have processed fewer claims than they expected, despite the number of new claims being in line with expectations. By 25 October 2013 the Department had made only 16 per cent of the number of decisions it expected, over 166,000 people had started new claims for Personal Independence Payment and 92,000 claims had been transferred to the assessment provider and not yet returned to the Department – nearly three times the volume expected by the Department at this stage (paragraph 2.5).

11 **Claimants face delays, and the Department is not able to tell them how long they are likely to wait, potentially creating distress and financial difficulties.** We examined a sample of claims completed in the first six months of processing (which are likely to have had shorter delays) and found that claims from terminally ill claimants took an average of 28 days to process against the Department's working assumption of 10 days. Claimants are given back-dated payments if they are awarded Personal Independence Payment but face uncertainty and costs while they wait. For new claimants this may include difficulties paying for care, housing costs and other daily living costs (paragraphs 2.6 to 2.10).

12 **The Department has postponed the reassessment of most existing Disability Living Allowance claims.** The Department intended to introduce Personal Independence Payment from 28 October 2013 for claimants whose existing claims came up for natural reassessment. In a late decision the Department announced on 21 October that it would not roll out reassessments nationally as planned. Following discussions with assessment providers, it postponed roll-out in most of the areas where Atos is the assessment provider because it needed to consider further Atos's ability to reduce backlogs and manage higher volumes. At this stage the Department has not confirmed any further roll-out plans. Existing claimants will continue to receive Disability Living Allowance until their claims are reassessed, but delays may contribute to uncertainty and confusion (paragraphs 2.11 to 2.15).

13 **The Department will not achieve the savings it expected in the current Spending Review period, but still expects to achieve long-term savings.** The revised timetable for reassessments means savings during the Spending Review period to April 2015 will fall from £780 million to £640 million. The Department still expects to achieve long-term savings of £3 billion annually from 2018-19 (paragraphs 2.16 to 2.17).

Identification and management of risks

14 The Department adopted a challenging timetable for introducing a large programme. The introduction of Personal Independence Payment was a significant challenge, both in its own right and in the context of several major reforms of benefits. The Department started taking new claims in April 2013, after designing a new policy and process, agreeing contracts with assessment providers and introducing a new case management system. It assessed the programme as high risk in light of the significant financial investment, high levels of public interest and the operational changes Personal Independence Payment would bring. It simplified the programme and adopted a phased roll-out to reduce these risks (paragraphs 3.2 to 3.6).

15 The Department sought the views of others in developing Personal Independence Payment. The Department established informal and formal mechanisms for disability organisations and claimant groups to comment on the policy and decision process. The Department adopted some recommendations, for example making telephone calls to claimants to explain decisions after they received their decision letter. Disability organisations acknowledged that there had been opportunities to comment but they regularly felt their comments had not been addressed (paragraphs 3.8 to 3.11).

16 The Department used the controlled start and phased roll-out to reduce risks in the programme, but left little time to test whether it could handle a large volume of claims. The Department used a controlled start to test early parts of the process including IT, staff guidance and the telephone application process. It did not intend to use the controlled start to test the end to end process for making decisions. It takes several weeks for claims to work their way through the assessment process so the Department could not fully assess performance across the complete benefit process before starting national roll-out of new claims in June 2013. In August 2013 the Department did identify growing backlogs but had not allowed sufficient time to resolve problems before the planned roll-out of reassessments in October (paragraphs 3.13 to 3.16).

17 Actual performance has varied from operating assumptions.[3] The Department developed a volumetric model to calculate the time and costs of administering a claim. It did not initially use the model to estimate backlogs or the costs of processes taking longer than expected. Backlogs developed for a number of reasons. The Department estimated assessment providers would be able to return an assessment, including quality audit within 30 working days. By the end of October, Atos and Capita had completed 55 per cent and 67 per cent of assessments within the required timeframe. Performance has also differed from initial assumptions around the Department's internal administrative processes. It assumed that only 20 per cent of new claims information would conflict with data on existing benefit systems, whereas 83 per cent of claims had conflicting information (paragraphs 3.18 to 3.24).

3 Use of the term 'assumption' refers to the Department's best estimate of assumptions across Personal Independence Payment in the early stages of programme development. Assumptions were estimates with the acceptance that volume and process timings could differ. We do not take a view on the status of assumptions or draw a distinction between indicative and more concrete assumptions.

18 **In August 2013, the Department identified that assessment providers were taking longer than expected to return assessments.** Initially it considered the risks of assessment providers being unable to hire staff or prepare assessment centres before the April and June 2013 roll-out dates, and relied on assessment providers' assurances about their readiness. In August the Department introduced a measure to directly monitor whether assessment providers had the capacity and capability to undertake reassessments in October 2013 (paragraphs 3.26 to 3.27).

19 **The Department has learned some lessons from previous experiences with assessment providers.** The Department has improved its commercial approach compared with the work capability assessments for Employment and Support Allowance. For example, it now employs two assessment providers rather than one, and has greater oversight of pricing.[4] However, we continue to be concerned about the ability of the Department to recover quickly from backlogs. Past experience with the work capability assessment suggests this will be a significant challenge (paragraphs 3.31 to 3.35).

Conclusion on value for money

20 The Department has introduced the core elements of Personal Independence Payment despite a compressed timetable. It has adopted a new IT system and learned from past experience in the way it manages contracted assessment providers. The Department has also recognised the need to introduce major programmes in stages.

21 But early operational performance has been poor, leading to delays and uncertainty for claimants. The Department has had to delay the roll-out of the programme and reduce expected savings during the current Spending Review period. To achieve value for money the Department will need to show that it can reduce delays for claimants and deliver planned savings while maintaining the quality of its decisions.

22 It is still early in the programme and all major programmes run the risk of early operational problems. We are not yet able to judge the extent to which the Department and assessment providers are responsible for backlogs. In our view the Department did not leave enough time to assess potentially foreseeable problems with its own and providers' performance before rolling out successive phases of assessments. Because it may take some time to resolve delays the Department has increased the risk that the programme will not deliver value for money in the longer term.

4 Comptroller and Auditor General, *Contract management of medical services*, Session 2012-13, HC 627, October 2012.

Recommendations

23 During 2014 the Department plans to reduce assessment backlogs and expand the roll-out of Personal Independence Payment. As the Department prepares to process a much larger number of claims it will need to show that it has:

a **Set out a clear plan for informing claimants about the likely delays they will experience while plans to improve performance take effect or in the event of problems in the future.**

- The Department should help claimants to anticipate likely delays, even if it is difficult to measure the expected time taken to process individual claims.
- Even where there is no formal commitment to claimants about the time it will take to process a claim, the Department should publish planned and actual measures of time taken, and help readers to interpret what this might mean for their claims.

b **Tested assessment providers' and departmental plans for dealing with backlogs and increased numbers of assessments.**

- The Department will need to ensure that assessment providers' plans are realistic and take into account uncertainty in the number of referrals and the need to move along an operational learning curve.
- Assessment providers' plans should not allow service quality to degrade or impose additional costs on other parts of the decision-making process or government.
- Assessment providers should bear the cost of meeting agreed performance levels, and plans to improve performance should include a transparent assessment of costs to the Department and providers.

c **Tested its operating assumptions across the whole claim process, to identify and prevent future bottlenecks.**

- The Department should review all of its major operating assumptions and how in practice they affect the speed and quality of decisions, not just those assumptions that relate to the performance of assessment providers.
- It should use volumetric models to identify where backlogs might develop in its own administration of claims.
- It should conduct sensitivity testing of major assumptions in light of performance to date and estimate the impact on cost of different operating assumptions.
- When making decisions about further roll-out, the Department should allow time to assess performance fully.

d **Identified any outstanding commercial risks in its relationship with contracted assessment providers that might affect operational recovery.**

- The Department should regularly reassess the risk to the programme of any continuing discussions and the potential impact on delays for claimants.
- The Department should seek to conclude any commercial discussions at the earliest opportunity.

e **Revised expected benefit savings and longer-term risks to the programme.**

- The Department should review whether the operational problems it has experienced so far might affect longer-term savings from the programme, the ability to target support to those with greatest need or the cost of administering assessments.
- Where savings are lower than expected the Department will need to agree with HM Treasury how this will affect annual budget discussions and the proposed introduction of a cap on total benefit spending.

Part One

The aims of Personal Independence Payment

1.1 Personal Independence Payment is a non-means-tested benefit to help people with the additional costs of living with a disability. This part explains how the Department for Work & Pensions (the Department) is using Personal Independence Payment to:

- replace existing benefits;
- target support and reduce benefit spending;
- make decisions about awards; and
- reassess Disability Living Allowance claimants' needs.

Personal Independence Payment replaces Disability Living Allowance

1.2 Personal Independence Payment is a new benefit that replaces Disability Living Allowance for people who are between 16 and 64 years old. Claimants include some of the most vulnerable members of society. Many face long-term health conditions including physical, sensory, mental, cognitive or intellectual difficulties, or any combination of these. Children and those over 65 years old will continue to receive Disability Living Allowance. In 2012-13 the Department spent £13.7 billion on Disability Living Allowance for 3.3 million claimants. It estimates that working-age claimants account for £7 billion of Disability Living Allowance payments and 2 million claimants.

1.3 As with Disability Living Allowance the Department will split awards into components. Personal Independence Payment will make awards for daily living and mobility, depending on the level of claimants' needs. Total awards for Personal Independence Payment will range between £21 and £134 per week in 2013-14.

1.4 The Department is using Personal Independence Payment to match support more closely to assessments of claimants' needs. For non-terminally ill claimants there will be no specified conditions that give people automatic entitlement to Personal Independence Payment, a change from Disability Living Allowance. The Department will periodically review all awards that last two years or longer. All terminally ill claimants automatically qualify for the daily living component and awards are time limited. **Figure 1** compares Personal Independence Payment and Disability Living Allowance.

Figure 1
Comparison of Personal Independence Payment and Disability Living Allowance

Personal Independence Payment replaces Disability Living Allowance

	Disability Living Allowance	Personal Independence Payment
Introduced	1992	2013
Award	Two components: a care component with three award levels and a mobility component with two award levels	Two components: a daily living component and a mobility component, each with two award levels
Basis for award decisions	Self-assessment by claimant. Some conditions, such as blindness, automatically lead to support	Independent assessment by health professional and further medical evidence
Reassessment	Around 30 per cent of awards have a specified review period	100 per cent of awards of two years or more have specified review period
Age range	0 to 64 years old	16 to 64 years old
Weekly award range in 2013-14	£21 to £134	£21 to £134
Administration cost of new claims	£49	£182
Expected average time to make a decision on a new claim	37 days	74 days

Notes
1 Disability Living Allowance claimants without a specified review period must report changes in circumstances to the Department when they occur.
2 Disability Living Allowance claimants can continue claiming Disability Living Allowance if after the age of 64 they continue to meet the conditions. This will also be the case for Personal Independence Payment claimants.
3 Expected average time to make a decision counts calendar days. For Disability Living Allowance a claim starts when the Department receives the claim form. For Personal Independence Payment a new claim starts when a claimant calls to make a claim.

Source: Department for Work & Pensions, *Personal Independence Payment business case*, May 2013; interviews with departmental staff

Personal Independence Payment aims to reduce spending

1.5 In its December 2010 consultation paper, the Department set out the aims of Personal Independence Payment as: targeting support at those most in need of support; being more responsive as claimants' circumstances change; providing a fairer, transparent and consistent assessment of need; and being easier for claimants, staff and disability organisations to understand.

Post publication this page was found to contain an error which has been corrected
(Please find Published Correction Slip)

1.6 The Department aims to reduce overall spending compared with Disability Living Allowance. In the absence of reform the Department expects that annual spending on Disability Living Allowance could rise to £16.9 billion in 2018-19, a 23 per cent increase from 2012-13.[5] By introducing Personal Independence Payment the Department expects to save £3 billion annually from 2018-19. During the course of the current Spending Review period up to April 2015, the Department expected to save £780 million in benefits (**Figure 2**).

1.7 The Department expects that there will be 600,000 fewer people receiving support by May 2018 compared with the expected trend for Disability Living Allowance. By October 2013, around 60 per cent of Personal Independence Payment claimants receiving a decision were awarded the benefit but this proportion has varied over time and it is too early to tell what the long-term proportion will be.

1.8 The Department's May 2013 business case estimates the net present value of the programme up to April 2022 at £13 billion. This takes account of savings to government and the additional costs of introducing and administering Personal Independence Payment. Appendix Three outlines the costs associated with the Personal Independence Payment programme and administration. The Department did not include in its calculations any impact on wider society from the reductions in claimants receiving disability benefits.

Decisions based on an independent assessment of need

1.9 The Department is responsible for deciding awards of Personal Independence Payment, and handles the initial calls and evidence gathering forms. It relies on contracted assessment providers to assess claimants' needs against set criteria, and on claimants to submit additional evidence where available (**Figure 3**). The Department has adopted a more streamlined process for terminally ill claimants, which means they do not need to submit an evidence gathering form.

Figure 2
Economic case for Personal Independence Payment

The Department expects significant benefits from Personal Independence Payment

£ billion	Spending Review period (April 2011 to April 2015)	Eleven years (April 2011 to April 2022)
Total saving (cost) to government (DEL)	(0.5)	(1.7)
Total saving (cost) to government (AME)	0.8	18.5
Total benefit (cost) to wider society	–	–
Net benefits	**0.3**	**16.8**
Net present value	0.3	13.0

Notes
1 Costs and savings expressed in real terms.
2 Departmental expenditure limit (DEL) includes administration and programme costs. Annually managed expenditure (AME) includes changes to benefit payments.

Source: Department for Work & Pensions, *Personal Independence Payment business case*, May 2013

5 Costs and savings are expressed in real terms.

Figure 3

Personal Independence Payment claims process

The process relies on contracted assessment providers and claimants

New claims process	Description	Expected timing: Non-terminally ill	Expected timing: Terminally ill
Claims started	Claimant calls **Department** to start claim	Day 1	Day 1
	Department takes preliminary details of claim by phone	Day 1	Day 1
Evidence gathering forms returned	**Department** sends evidence gathering form to non-terminally ill claimants or acknowledgement letter to terminally ill claimants	Day 1	Day 1
	Department receives completed form and medical evidence	Day 22	n/a
Claims passed to assessment provider	**Department** passes form and evidence to assessment provider	Day 22	Day 1
Assessments completed	**Assessment provider** decides if a face-to-face consultation or paper-based assessment is appropriate	Day 24	Day 1
	Assessment provider completes assessment and returns claim	Day 64	Day 3
Decisions made	**Department** decides claim and sends decision letter	Day 74	Day 10
	Department calls claimant to explain disallowance (if relevant)	Day 74	Day 10
Reconsiderations requested	**Claimant** requests reconsideration of decision from Department	n/a	n/a
	Department completes reconsideration	No time limit for completion	
Appeals submitted	**Claimant** lodges appeal with HM Courts & Tribunals Service	n/a	n/a
	HM Courts & Tribunals Service decides appeal	16 weeks to hear appeal once received	

Notes

1. Planned timings are measured in calendar days.
2. Planned timings show the Department's initial assumptions about how long Personal Independence Payment claims take to process. At this stage, assumptions were estimates with the acceptance that volume and process timings could differ. The Department revised these assumptions, which remain indicative, in September and October 2013 and is continuing to review them over time.
3. Planned timings for evidence gathering forms being returned and decisions made include the time taken to scan completed claimant questionnaires, additional evidence provided by claimants and assessment provider reports.
4. Claimants can return the evidence gathering form at any point up to Day 40. Claimants have one calendar month to request a reconsideration if they are unhappy with the Department's initial decision. The Department has not introduced a time limit for completing a reconsideration. Claimants have one calendar month from the date of the reconsideration to submit an appeal with HM Courts & Tribunals Service.

Source: National Audit Office analysis of departmental data and process walk-throughs

1.10 The Department pays Atos Healthcare (Atos) and Capita Health and Wellbeing (Capita) to assess claimants' daily living and mobility needs. The Department expects most assessments to be face-to-face, but assessments can be paper-based where providers have enough evidence. Capita covers Wales and the Midlands, accounting for 23 per cent of assessments. Atos covers the remaining areas of Great Britain. The Department expects to pay assessment providers £127 million each year from 2018-19 to complete assessments for new claims and existing claims requiring a review.

1.11 Atos and Capita provide assessments in different ways. Atos subcontracts assessments to 14 smaller organisations, who conduct most assessments at specified centres using health professionals. Atos remains responsible for administration and quality assurance within its service. Capita directly employs health professionals and aims to assess 60 per cent of claimants at home, but claimants have an option to visit an assessment centre.

1.12 If claimants are unhappy with the Department's decision, they can ask the Department to reconsider. The reconsideration process is an opportunity for claimants to ask the Department to review its decision and provide any new evidence that has become available. After mandatory reconsideration claimants can lodge an appeal directly with HM Courts & Tribunals Service, to be decided by an independent tribunal. The Department estimated it will spend £19 million a year on appeals against its Personal Independence Payment decisions from 2018-19.

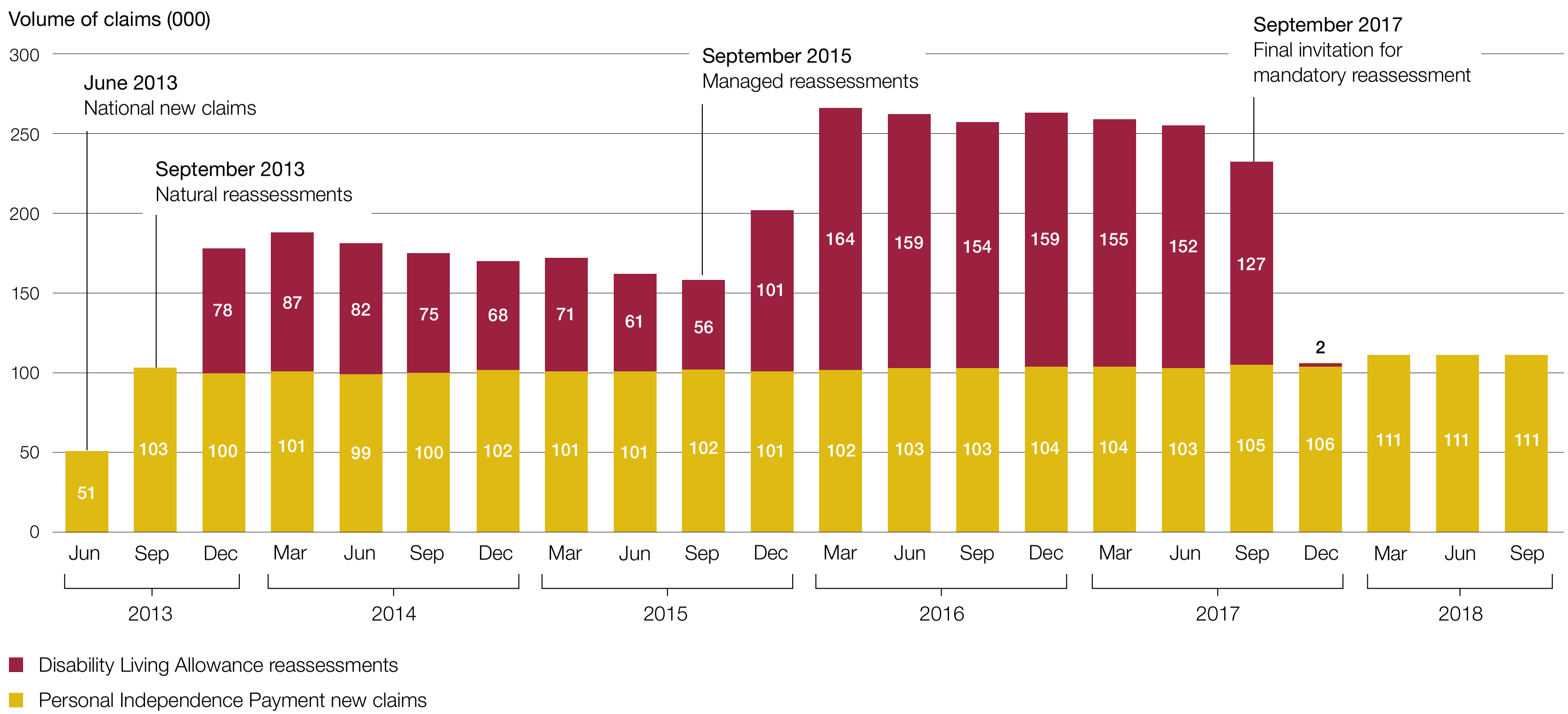
The Department will consider 3.6 million claims up to 2018

1.13 The Department expects to receive 3.6 million claims between April 2013 and December 2017 – its timetable for reassessing Disability Living Allowance claimants for Personal Independence Payment. It plans to assess 1.9 million new claims, around 30,000 per month from the national roll-out of new claims in June 2013. It also plans to reassess 1.7 million existing Disability Living Allowance claimants from October 2013, peaking at around 55,000 reassessments per month (**Figure 4**).

1.14 The Department is carrying out its reassessments of existing claimants in phases, starting in October 2013 with people who report a change to their circumstances, for example a new medical condition, or claims that end, such as when a child claiming Disability Living Allowance turns 16 years old. The Department will then move on to the remaining Disability Living Allowance claimants (managed reassessments) in October 2015. It will cost the Department £550 million to reassess existing Disability Living Allowance claimants for Personal Independence Payment over the next five years.

Figure 4
Expected Personal Independence Payment claims

The Department plans to reassess Disability Living Allowance claimants in stages



Note

1 Figures do not show the Department's recent decision to delay the reassessment of most Disability Living Allowance claimants from October 2013 onwards.

Source: Department for Work & Pensions, *Personal Independence Payment Reassessments and Impacts paper*, December 2012

Part Two

Progress against plans

2.1 The early performance of the programme is important in its own right and affects the people who have already made claims. It also helps to identify where there are risks to the long-term success of the programme and where the Department for Work & Pensions (the Department) needs to improve. In this part we look at the early performance of the Department in administering claims, including:

- how the Department has introduced Personal Independence Payment;
- performance in administering and deciding claims;
- the service claimants receive;
- changes to the timetable for rolling out the programme; and
- the impact on costs and proposed savings.

We compare performance with the Department's planning up to its May 2013 business case and related forecasts. The Department has since updated its business case.

A controlled start in April 2013

2.2 On 8 April 2013 the Department introduced as planned Personal Independence Payment for new claims in parts of the North of England. The Department adopted a controlled start so that it could assess early parts of the process, including the new IT system, staff guidance and the telephone application process, while the volume of claims remained small. It then expanded to national new claims in June 2013. The Major Projects Authority identified the controlled start as a positive way to implement the programme and reduce the risks associated with rolling out new claims nationally in June 2013.

2.3 By 25 October 2013 the Department had received 166,000 claims for Personal Independence Payment (**Figure 5**). This is around 5 per cent of total claims expected from April 2013 to December 2017. Actual volumes of new claims were consistent with the Department's expectations.

2.4 To date, the Department has delivered Personal Independence Payment to budget. During 2013-14, the Department expects to stay within its £101 million budget for implementing the programme (Appendix Three) and has met budget requirements in previous years.

Figure 5
Personal Independence Payment claims up to 25 October 2013

The Department received 166,000 new claims up to 25 October 2013

	Claims (thousands)	Percentage of total
New claims	166	100
of which Atos areas	128	77
of which Capita areas	38	23
of which non-terminally ill claims	159	96
of which terminally ill claims	7	4

Notes

1 The new claims figure includes claims where a decision has and has not been made. It is based on estimates from the Department's management information which has not been fully quality assured. It does not form part of the Department's official statistics. The Department is not yet able to break down the number of claims received. The split between terminally ill and non-terminally ill claims has been estimated based on the proportion of new claims to date from the Department's published data. The split between Atos and Capita has been estimated based on the Department's expectations.

2 In February 2014 the Department published high-level data on Personal Independence Payment new claims registered and decisions made, sourced from the Personal Independence Payment computer system. The data is provisional and subject to revision. It does not yet meet the minimum quality standard required by the UK Statistics Authority to be official statistics, but is robust enough to be published.

3 There are discrepancies between the Department's published data and the management information presented to the programme board and used in this report. The Department has explained this is because of differences in timing and levels of data scrutiny.

Source: Department for Work & Pensions' Personal Independence Payment implementation programme weekly report; and departmental analysis of claim classification and assessment provider area

Backlogs have developed

2.5 By the end of August 2013 the Department realised that significant backlogs had developed and continued to grow. By 25 October, the Department had decided 16,000 claims, 16 per cent of the number it expected. Over 92,000 claims were outstanding with assessment providers, nearly three times the level the Department originally expected (**Figure 6** overleaf). Contractually, assessment providers should complete 97 per cent of assessments within 30 days. By the end of October, Atos and Capita had completed 55 per cent and 67 per cent (respectively) of assessments within the required timeframe.

Claimants face delays and uncertainty

2.6 The Department cannot currently measure how long it is taking to make decisions on individual claims or the time taken at individual stages of the process. But it is clear that many claimants have to wait much longer for decisions than originally planned. To identify the time taken to administer claims we randomly selected and reviewed a sample of 296 claims where decision letters had been sent out by mid-October 2013.[6]

6 We reviewed a random sample of 296 cases drawn from the Department's log of 9,000 decision letters sent between April and mid-October 2013. This sample size gave us a confidence level of 95 per cent and a confidence interval of at most +/- 6 per cent. We did not stratify our sample to reflect the number of terminally ill and non-terminally ill decisions made as the Department could not provide this information. Of our sample 47 per cent were non-terminally ill cases and 53 per cent were terminally ill cases.

Figure 6
Expected and actual outstanding claims at 25 October 2013

The Department made 16 per cent of the decisions it had expected

New claims process	Expected claims	Actual claims	Actual compared with expected (%)
Claims started	171,000	166,000	97
Evidence gathering forms returned	Not reported	Not reported	Not reported
Claims passed to assessment provider	143,000	109,000	76
Assessments completed	111,000	17,000	15
Decisions made	102,000	16,000	16
Reconsiderations requested	4,000	500	13
Appeals submitted	1,000	13	1

Notes

1 'Claims passed to the assessment provider' include claims awaiting assessment and completed assessments awaiting assessment report, audit or return to the Department. As at 25 October, 92,000 claims were outstanding with assessment providers.

2 'Assessments completed' shows assessments fully completed and returned to the Department for a decision.

3 Of the 16,000 decisions made, 10,000 claimants were eligible for Personal Independence Payment and 6,000 claimants were not.

4 The Department has not identified what is a reasonable volume of outstanding claims at each stage of the process.

5 Figures based on estimates from the Department's management information which have not been fully quality assured. They do not form part of the Department's official statistics.

6 In February 2014, the Department published high-level data on Personal Independence Payment new claims registered and decisions made, sourced from the Personal Independence Payment computer system. The data is provisional and subject to revision. It does not yet meet the minimum quality standard required by the UK Statistics Authority to be official statistics, but is robust enough to be published. There are discrepancies between the Department's published data and the management information presented to the programme board and used in this report. The Department has explained this is because of differences in timing and levels of data scrutiny.

Source: National Audit Office analysis of the Department for Work & Pensions' Personal Independence Payment management information

2.7 In April 2013 the Department estimated it would take 74 calendar days to decide a non-terminally ill new claim, and 10 days to decide a terminally ill claim. For non-terminally ill claims our case file review found that the average time to reach a decision was 107 days, 45 per cent longer than expected. For terminally ill claims our sample average was 28 days, 180 per cent longer than expected (**Figure 7** overleaf). Claims with decisions are likely to have shorter delays than average, so our sample is likely to understate delays.

2.8 Our sample shows that delays are partly due to people taking longer than expected to return evidence gathering forms. This accounts for around 3 of the 30 days' delay on non-terminally ill claims in our sample. The stage between claimants returning their forms to the Department and assessment providers returning assessments accounts for the largest share of delays – around 20 days for a non-terminally ill claim. The Department has also taken around 6 days longer than expected to complete decisions. In October 2013 the Department revised its assumptions about the length of the new claims process. It increased the expected time from 74 to 85 days, largely by increasing the time it allows for people to return evidence gathering forms.

2.9 The Department has not told claimants how long claims should take or how long they have to wait. A possible effect of this uncertainty is that claimants have been calling the Department more frequently than expected. Calls to the Department's enquiry lines are twice the level expected.

2.10 Benefit payments start when the Department has made its decision, and are backdated to the start of the claim or the date entitlement started, whichever is the later. In the long term, claimants are unlikely to lose out financially from delays to decisions. While they are waiting for a decision, claimants may find it difficult to manage the uncertainty and stress that delays create. Some new claimants may also face short-term financial difficulties while they wait for a decision without receiving regular support. Citizens Advice has found that claimants are concerned about paying for their care, covering housing costs and having enough money to pay for necessities such as heating, electricity and food.

The Department delayed reassessments

2.11 On 28 October 2013 the Department planned to start natural reassessments of existing Disability Living Allowance claimants. On 21 October 2013, the Department announced its decision to postpone reassessments in most areas where Atos is the assessment provider. Capita started reassessments as planned in Wales and the Midlands areas that account for around 23 per cent of expected claims. In December 2013, the Department announced that natural reassessments would be rolled out in nine additional postcode areas in January and February 2014. It has not announced a date for introducing natural reassessments nationally.

Figure 7
Sample times for Personal Independence Payment claims

Both terminally ill and non-terminally ill claims are taking longer than expected

Calendar days to complete step (Cumulative days in process)

New claims process	Non-terminally ill claims: Expected	Non-terminally ill claims: Actual	Terminally ill claims: Expected	Terminally ill claims: Actual
Claims started	**1 day** (Day 1)	**5 days** (Day 5)	**1 day** (Day 1)	**1 day** (Day 1)
Evidence gathering forms returned	**21 days** (Day 22)	**24 days** (Day 29)	Terminally ill claimants are not required to complete a form	
Claims passed to assessment provider	**Not recorded** (Not recorded)	**Not recorded** (Not recorded)	**Not recorded** (Not recorded)	**Not recorded** (Not recorded)
Assessments completed	**42 days** (Day 64)	**62 days** (Day 91)	**2 days** (Day 3)	**23 days** (Day 24)
Decisions made	**10 days** (Day 74)	**16 days** (Day 107)	**7 days** (Day 10)	**4 days** (Day 28)
Reconsiderations requested	Not reviewed in sample due to small number of reconsiderations requested			
Appeals submitted	Not reviewed in sample due to small number of appeals submitted			

Notes

1 The sample consisted of 296 claims randomly selected from 9,000 decision letters sent out by the Department up to 22 October 2013. The Department was unable to provide us with a list of decisions made. This sample size gave us a confidence level of 95 per cent and a confidence interval of at most +/- 6 per cent. We did not stratify our sample to reflect the number of terminally ill and non-terminally ill decisions made as this information was unavailable. Of our sample 47 per cent were non-terminally ill cases and 53 per cent were terminally ill cases.

2 The sample is based on claims that were made soon after implementation in April 2013, and may not be representative of later claims. The Department started a programme of continuous improvement in April 2013, focused on improving processing times for terminally ill claims.

3 Expected timings assume terminally ill claims are transferred to assessment providers the same day a new claim is made.

4 'Assessments completed' shows the elapsed time between an evidence gathering form being returned to the Department by a claimant and a completed assessment being returned to the Department by an assessment provider. Dates were taken from the Department's case management system which does not record the date a claim is sent to an assessment provider or when an assessment is completed, as such the 62 days measured is not directly comparable to the expected timeframe measuring days with an assessment provider. Contract management data shows that between April and October 2013 assessment providers completed and returned 98 per cent of terminally ill assessments within the required two days.

Source: National Audit Office sample of 296 claims with decision letters sent by up to 22 October 2013

2.12 The Department postponed roll-out of most reassessments largely because of concerns about assessment providers' ability to deal with backlogs. By the end of 2013 the Department was working with assessment providers to clear the backlog. It formally agreed plans with Capita in January 2014. Following discussions with assessment providers, the Department staggered the introduction of reassessments as it needed to consider further Atos's ability to handle increased volumes of claims. The Department was confident that Capita will tackle backlogs by May 2014 and increase capacity for reassessments.

2.13 The late decision to postpone the majority of reassessments meant that the Department had to change its plans very quickly. The Department announced the decision seven days before reassessments were due to start, and after the Department had already sent letters to claimants approaching their 16th birthday based on the original timetable.

2.14 The Department took a number of steps to minimise confusion for claimants, including putting in place a manual interception of automatically generated letters that invited Disability Living Allowance claimants for reassessment. The parents and guardians of 14,400 claimants approaching their 16th birthday had received warm-up letters informing them of reassessments. Following the decision to postpone some reassessments, the Department wrote again to affected claimants explaining the situation.

2.15 Despite the Department's efforts, claimants and disability organisations were confused by the late change. Disability organisations have told us they received no prior warning of the change to the reassessment timetable. Citizens Advice told us it received additional queries directly related to the change from those in areas affected and it had to amend its information to claimants at very short notice. Existing Disability Living Allowance claimants will continue to receive payment until they have been reassessed for Personal Independence Payment. The uncertainty as to whether their benefits will reduce, and over what benefit they should be claiming, may cause significant distress for vulnerable claimants. At this stage the Department has not confirmed any further roll-out plans. It is yet to announce when all natural reassessments will be rolled out and claimants in 88 out of 120 postcode areas face continuing uncertainty.

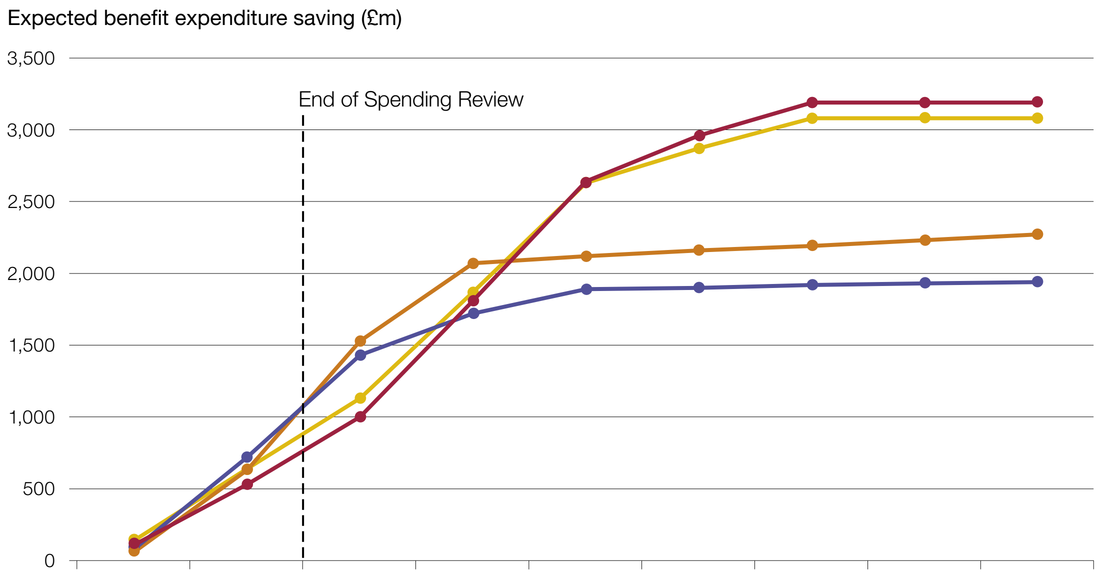
Timetable changes will affect savings, costs and performance

2.16 The most direct effect of postponing assessments is a lower level of savings in the short term and a longer period for the Department to administer both Disability Living Allowance and Personal Independence Payment. In 2010 the Department identified over £1 billion of savings from reducing disability benefit spending during the current Spending Review period. It subsequently reduced its estimate as it refined the timetable for Personal Independence Payment. A greater proportion of claimants being awarded Personal Independence Payment than expected could impact expected benefit savings reductions.

2.17 In May 2013 the Department expected savings from reducing benefit spending of £780 million over the current Spending Review period up to April 2015. In its December 2013 business case, the Department estimated that delaying the majority of reassessments to January and February 2014 would reduce savings by £140 million to £640 million over the Spending Review period. **Figure 8** shows how expected benefit savings have changed over time.

Figure 8
Estimated savings to benefit expenditure

The Department revised its estimated savings to benefit spending



Financial year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
December 2013	110	530	1,000	1,810	2,640	2,960	3,190	3,190	3,190
January 2013	140	640	1,130	1,870	2,630	2,870	3,080	3,080	3,080
May 2012	60	630	1,530	2,070	2,120	2,160	2,190	2,230	2,270
January 2012	80	720	1,430	1,720	1,890	1,900	1,920	1,930	1,940

Notes

1 Savings show discounted cash flows.

2 Annually Managed Expenditure (AME) covers the money spent on programmes that are demand-led, such as benefits, tax credits and public sector pensions.

3 Savings included in the May 2013 business case reflect the January 2013 business case figures shown in this analysis.

Source: National Audit Office analysis of the Department for Work & Pensions' business cases for Personal Independence Payment, January 2012, May 2012, January 2013 and December 2013

2.18 Delays may also increase costs as staff and resources are used less effectively or plans have to be revised. The Department formally advised HM Courts & Tribunals Service about the delay to its timetable for reassessments on 25 October 2013 – three days before the proposed start date. The Department had funded HM Courts & Tribunals Service to meet this timetable and also a higher level of demand. HM Courts & Tribunals Service prepared for 1,000 appeals up to October 2013, but received 13 appeals. There is a risk the Department's investment (£1.3 million over 2013-14) and running costs to date (£250,000 a month) has been paid earlier or at a higher rate than necessary. HM Courts & Tribunals Service told us the additional capacity had allowed them to strengthen training, test business processes and process existing work.

2.19 The problems experienced to date with early performance create additional risks for longer-term performance. These include:

- **Pressure on the market for health professionals.** In the run-up to introducing Personal Independence Payment in April 2013, the Department identified assessment providers' ability to recruit sufficient health professionals as a risk. From October 2013, assessment providers have expanded their capacity. A 2011 departmental review of the assessor market identified sufficient health professionals but found that expanding capacity further may require assessment providers to raise pay for health professionals.

- **A 'bow wave' effect as assessment providers clear backlogs.** Assessment providers plan to clear backlogs through significantly increasing capacity. The Department will need to increase its own staff to prevent further backlogs when it needs to make benefit decisions. If the Department dedicated 100 staff to decision-making it would take an estimated 37 weeks to make decisions on the backlog of cases currently waiting for an assessment.

- **Risks to quality as assessment providers focus on clearing backlogs.** New assessors and pressure to complete assessments could increase the risk of problems with the quality of assessments.

Part Three

Identification and management of risks

3.1 There is always a risk of problems with performance when introducing new programmes. In this part we look at how the Department for Work & Pensions (the Department) identified and managed risks, in particular how it:

- set up and managed the programme;
- considered the views of claimants and disability organisations;
- tested early operating assumptions;
- monitored performance risks; and
- managed commercial arrangements with assessment providers.

We have not evaluated assessment providers' plans to improve performance. But we highlight concerns about the Department's understanding and management of performance.

The Department adopted a challenging timetable

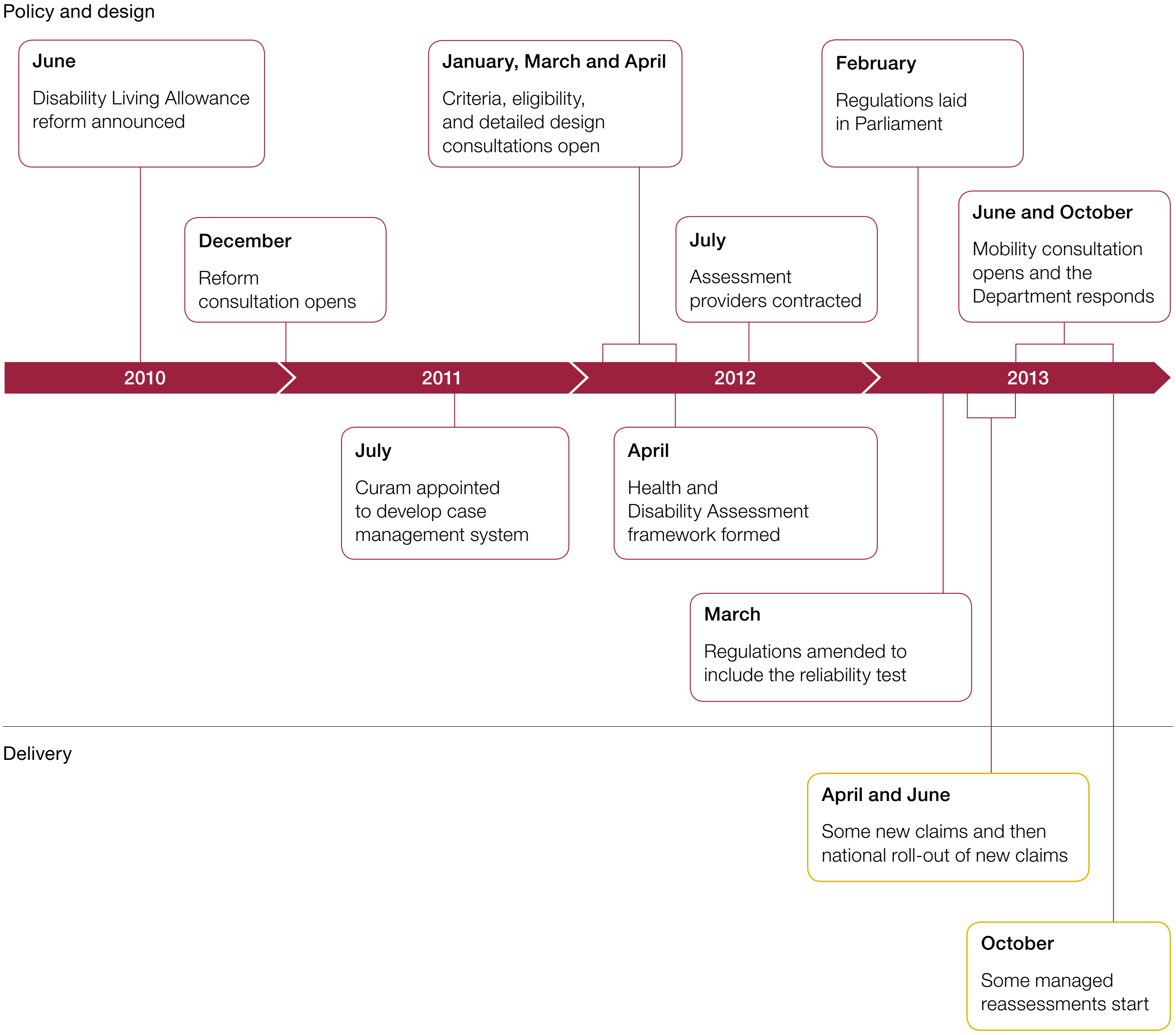
3.2 The Department introduced Personal Independence Payment within three years of announcing changes to Disability Living Allowance in June 2010. It had to design and implement a complicated programme in a short period. As with the Universal Credit programme, the Department adopted an 'agile' approach to developing Personal Independence Payment. It designed policy rules, processes and systems in parallel (**Figure 9**).

3.3 The Department has always viewed Personal Independence Payment as high risk in light of the significant public interest, the level of financial investment and the impact on its business through new commercial arrangements. It had to balance these risks against the need to achieve planned reductions in benefit spending.

3.4 In some cases the Department simplified the programme to reduce implementation risks. In early 2012 it decided that it could not provide a way for people to claim online, as originally planned. It has also made several changes to the implementation timetable. For example, the planned date for introducing managed reassessments has moved back from December 2013 to October 2015.

Figure 9
Personal Independence Payment timetable

The Department set a challenging timetable for introducing the programme



Note

1 Figure shows actual dates for elements of the programme being delivered.

Source: Department for Work & Pensions, *Personal Independence Payment: The story so far*, January 2014; interviews with departmental staff

3.5 Despite a similar timetable, the Department has not experienced the kind of problems it has had on Universal Credit (Appendix Four). An internal report by PwC found no major failings of financial control. The programme has remained within budget (Appendix Three) and the Department has responded to most recommendations made by departmental internal audit, the Office of Government Commerce and the Major Projects Authority.

3.6 Between June 2010 and April 2013, the Department designed and implemented several difficult aspects of Personal Independence Payment. This included developing and introducing a new IT system, training 1,500 staff across 9 sites and building relations with 6,500 disability organisations, providing them with information on how to support claimants making a claim.

The Department consulted with claimants and disability organisations

3.7 Claimants and disability organisations can help identify where problems might arise in new programmes. Their views help the Department to design entitlement rules and the processes for administering claims.

3.8 To improve its understanding of claimants, the Department set up a panel of 1,000 claimants. The panel commented on scripts for departmental staff to use over the telephone when taking claims, guidance leaflets and the evidence gathering forms and questionnaires claimants need to complete. In some cases the Department has made changes to forms and processes based on the panel's comments (**Figure 10**).

3.9 The Department has created opportunities for disability organisations to submit their views or discuss the programme. These include:

- a regular disability organisations discussion group;
- specific working groups, for example on evaluation and implementation; and
- four formal consultations on proposals for reform and assessment criteria.

3.10 Disability organisations told us the Department provided regular information about the programme but it was unclear where they could influence implementation. Disability organisations recognise that it is not possible for the Department to accommodate all suggestions. They told us that in many cases their concerns, in particular relating to mobility criteria and the application process, had not been addressed.

Figure 10

Changes to Personal Independence Payment following feedback

The Department amended the process to reflect claimant and stakeholder feedback

New claims process	Change made (source)
Claims started	Review commissioned following feedback from terminally ill claimants that process was not working (Disability organisations) Process reviewed to remove duplication and ensure claimant only provides information once (Claimant Insight team)
Evidence gathering forms returned	Period extended by two weeks to allow claimants to access the necessary support to complete form with further extension possible (Disability organisations)
Claims passed to assessment provider	
Assessments completed	Improved engagement between assessment providers and disability organisations (Employment and Support Allowance experience)
Decisions made	Detail added to claimant decision letter breaking down claimant scores against criteria (Claimant Insight team) Claimant phone call to explain benefit ineligibility and improve claimant's understanding (Claimant Insight team)
Reconsiderations requested	Disability Living Allowance claimants paid for four additional weeks following a Personal Independence Payment decision when their claim is reduced or disallowed and they have complied with the process (Disability organisations)
Appeals submitted	

Notes

1 Figure shows a selection of the changes made by the Department and is not an exhaustive list.

2 The Personal Independence Payment programme team commissioned the Claimant Insight team to identify improvements as part of its process design work.

3 The Department established a continuous improvement working group in November 2013. Activities and changes undertaken as a result of this group are not shown.

Source: National Audit Office analysis of the Department for Work & Pensions' data on business process design and interviews with departmental staff and disability organisations

3.11 From June to August 2013, the Department ran a six-week consultation on the mobility criteria and the decision to assess claimants on their ability to walk 20 metres. This followed feedback from potential claimants and disability organisations that their concerns had not been taken on board alongside lawyers for potential claimants applying for a judicial review of the Department's decisions about mobility criteria. The Department received over 1,000 responses to its consultation of which fewer than ten supported the proposed criteria. Taking responses and other considerations into account, the Department decided not to change the criteria following consultation.

Insufficient time to fully test the benefit process

3.12 The Department is introducing Personal Independence Payment in stages to reduce risks to the programme. Controlled starts help to identify operational problems before a more extensive roll-out.[7]

3.13 The Department designed its controlled start to test early parts of the process including its IT system, the staff guidance and the telephone application process. It did not intend to use the controlled start to test the later stages of the benefit process or understand the impact of the process on claimants. Most claims had not worked their way through the process and by early June 2013 assessment providers had completed only 660 assessments (**Figure 11**). Nevertheless, the Department expanded to national new claims on 10 June 2013, increasing weekly volumes of new claims from around 4,000 to 30,000 per month.

3.14 In practice, the Department has learned from the controlled start in April 2013 and implemented changes. This included providing staff with revised scripts for taking claims over the telephone and guidance on the time taken to issue an evidence gathering form.

3.15 The Department did not leave enough time to assess the impact of increased volumes on the length of the claims process or to identify delays in assessments before inviting new claims from across the country in June 2013. It also had limited time to identify problems before introducing natural reassessment of Disability Living Allowance claims in October 2013. The Department identified delays in late August, leaving only two months to resolve problems before volumes would increase again to around 55,000 claims per month.

7 The Department used a controlled start between April and June 2013. During this time it accepted new claims in selected areas in the North of England.

Figure 11

Claims made by Personal Independence Payment roll-out dates

The Department had very little information before the roll-out of new claims on 10 June 2013 to assess performance

New claims process	Expected and actual new claims at each stage by month			
	Up to 26 April Actual claims (Expected claims)	Up to 10 June Actual claims (Expected claims)	Up to 30 August Actual claims (Expected claims)	Up to 25 October Actual claims (Expected claims)
Claims started	**3,000** (3,000)	**9,100** (10,000)	**99,000** (112,000)	**166,000** (171,000)
Evidence gathering forms returned	Not reported (Not reported)	Not reported (Not reported)	Not reported (Not reported)	Not reported (Not reported)
Claims passed to assessment provider	**104** (Not reported)	**2,800** (6,400)	**48,000** (85,000)	**109,000** (143,000)
Assessments completed	**64** (Not reported)	**660** (2,600)	**7,000** (50,000)	**17,000** (111,000)
Decisions made	**25** (Not reported)	**360** (Not reported)	**6,000** (46,000)	**16,000** (102,000)
Reconsiderations requested	**0** (Not reported)	**0** (Not reported)	**100** (2,000)	**500** (4,000)
Appeals submitted	**0** (Not reported)	**0** (Not reported)	**4** (200)	**13** (1,000)

Notes

1 'Claims passed to the assessment provider' include claims awaiting assessment and completed assessments awaiting assessment report, audit or return to the Department. 'Assessments completed' shows assessments fully completed and returned to the Department for a decision.

2 Figures based on estimates from the Department's management information which has not been fully quality assured. They do not form part of the Department's official statistics. The Department is not yet able to break down the number of claims received.

3 In February 2014 the Department published high-level data on Personal Independence Payment new claims registered and decisions made, sourced from the Personal Independence Payment computer system. The data is provisional and subject to revision. It does not yet meet the minimum quality standard required by the UK Statistics Authority to be official statistics, but is robust enough to be published. There are discrepancies between the Department's published data and the management information presented to the programme board and used in this report. The Department has explained this is because of differences in timing and levels of data scrutiny.

Source: Department for Work & Pensions, Personal Independence Payment implementation programme weekly reports

3.16 The Department responded to delays by monitoring performance and asking assessment providers to produce plans identifying how they would address backlogs. In considering whether to roll out reassessments in October 2013, the Department reviewed plans and had discussions with assessment providers. It had more confidence in Capita's ability to address backlogs and deliver reassessments. The Department needed to further consider Atos's plans and in October 2013 decided to delay natural reassessments for 98 per cent of postcode areas managed by Atos. In December 2013, the Department announced that reassessments would be rolled out in a further nine postcode areas in January and February 2014. It has not yet introduced reassessments nationally.

Actual performance has varied from operating assumptions

3.17 When introducing a new benefit the Department has to make assumptions about how long the process will take. It cannot anticipate timings perfectly, and staff and claimants are likely to perform steps more quickly over time as they learn how the process works. In managing operational risks, the Department should identify the most important assumptions, perform sensitivity analysis to assess risks and review assumptions regularly.

3.18 The Department did identify some risks to performance, such as the required number of health professionals and assessment centres. The Department developed a volumetric model to identify the time, and associated costs, of administering claims to feed into its business case. It did not initially use the model to estimate backlogs from altering assumptions, or to estimate the costs of processes taking longer than expected. At the request of HM Treasury, in early 2013 the Department performed some sensitivity analysis on how long it took to process claims. The Department originally revised these assumptions, which remain indicative, in September 2013 and is continuing to review them over time.

3.19 Several of the Department's operating assumptions[8] have varied from actual performance (**Figure 12**). The time allowed before national roll-out did not enable the Department to fully understand and address the impact of differences between actual performance and operating assumptions. Both the Department and assessment providers are taking longer than expected to process claims leading to delays in notifying claimants of the benefit decision. Claimants are also taking longer to return claim forms. These delays stem from a number of different factors.

3.20 The Department underestimated the amount of work it would have to do to manage claims. For example, the Department expected that 20 per cent of claims would fail to match data in existing benefit systems; the actual proportion was initially around 83 per cent, increasing the work the Department has had to do to check claims.

8 Use of the term 'assumption' refers to the Department's best estimate of assumptions across Personal Independence Payment in the early stages of programme development. Assumptions were estimates with the acceptance that volume and process timings could differ. We do not take a view on the status of assumptions or draw a distinction between indicative and more concrete assumptions.

Figure 12

Selected Personal Independence Payments indicative operating assumptions

Actual performance has differed from the Department's initial operating assumptions

New claims process	Selected operating assumption	Expected	Actual
Claims started	Percentage of new claims requiring additional work by the Department	20%	83%
	Days taken from the start of a new claim for the Department to print and post evidence gathering forms	1	4
Evidence gathering forms returned	Days taken by claimants to return evidence gathering form	21	24
Claims passed to assessment provider			
Assessments completed	Percentage of claims requiring a face-to-face consultation by assessment provider	75%	97% (Atos) 98% (Capita)
	Average time taken to complete a face-to-face consultation by an assessment provider (minutes)	75	120
Decisions made	Days taken for the Department to make a benefit decision for non-terminally ill claimants	10	16
	Calls to Personal Independence Payment enquiry line (thousands)	124	263
Reconsiderations requested			
Appeals submitted			

Notes

1 Use of the term 'assumption' refers to the Department's best estimate of assumptions across Personal Independence Payment in the early stages of programme development. Assumptions were estimates with the acceptance that volume and process timings could differ. We do not take a view on the status of assumptions or draw a distinction between indicative and more concrete assumptions.

2 Figures based on evidence up to end October 2013. Actual performance may have changed since that date.

Source: National Audit Office review of assessment provider information; and Department for Work & Pensions, *Summary of process assumptions*, October 2013; operational information, October 2013; and National Audit Office sample of 296 cases decided up to 22 October 2013

3.21 Assessment providers have taken longer than expected to get staff to meet agreed standards. The Department set quality and audit standards to ensure assessments completed by health professionals consistently reached a high standard. This involved assessment providers auditing all assessments completed by those health professionals yet to be approved. To become approved, health professionals had to achieve five consecutive 'A grade' assessments. The short time available during the controlled start covering selected areas where Atos is the assessment provider meant very few health professionals had reached this standard before the increase in new claims in June 2013, contributing to a build-up of completed assessments awaiting audit. By the end of August 2013, the Department realised the extent of delays and reduced its approvals requirement to four 'A grades' and one 'B grade' assessment. By 25 October, 7,000 completed assessments were awaiting an assessment report, audit or return to the Department.

3.22 The assessment providers are responsible for training and identifying the number of health professionals required. The Department did not monitor assessment providers' progress in this area and a shortage of health professionals able to audit claims has contributed to delays.

3.23 Atos told us that the Department did not consult on the 30 working day (42 calendar day) service level for returning assessments. Before signing contracts with assessment providers in summer 2012, the Department provided indicative assumptions about the process to potential assessment providers. These reflected the Department's best estimate at the time of inviting tenders. Assessment providers were aware of the assumption and had the opportunity to make their own assumptions for business modelling purposes. They signed contracts committing them to deliver within this timeframe.

3.24 Some assumptions relate to claimant behaviour and the time taken to return forms and evidence. By 25 October the Department expected 91 per cent of claims where a claim form had been sent out to have been transferred to assessment providers, but only 71 per cent had been transferred. The Department intentionally designed a detailed evidence gathering form so claimants could provide more detail about the impact of their condition on daily living. It has not yet investigated why claimants are taking longer than envisaged to complete this form. Disability organisations told us that claimants needed more help and support than the Department initially thought, which increases pressures on those organisations that help claimants.

Delays identified in August 2013

3.25 The Department has in place processes to identify, discuss and monitor risks to Personal Independence Payment. Reviews by the Major Projects Authority and the Department's internal audit team found that the Department had a good approach to identifying risks, but that it needed to improve mitigation and ensure risk ratings accurately reflected the severity of risks. The Department has started to address these concerns. It considers that risk management on the Personal Independence Payment programme has been strong and that the controlled start and decisions to stagger natural reassessments have reduced risks on the programme.

3.26 The Department identified and monitored a range of risks including the delivery of IT systems, programme affordability and the readiness of HM Courts & Tribunals Service. Given the challenging timetable for implementing the programme and achieving savings, the Department relied on assurances from assessment providers about their readiness for roll-out. It tracked the risk that assessment providers would not provide appropriate assurance. It did not include directly on its programme risk register delays caused by assessment providers, or assessment providers failing to meet contractually agreed performance levels.

3.27 From the start of the Programme until August 2013 the programme board focused on whether assessment providers had the necessary staff and infrastructure in place to support the April and June roll-out dates (**Figure 13** overleaf). In August 2013 the Department realised that assessment providers were not meeting expected performance levels and focused its attention on assessing the risks this posed to successfully achieving its October 2013 timetable for reassessments. In response, it added a risk to its register concerning assessment providers' capacity and capability to deliver reassessments. It has rated Atos as 'Red' and Capita as 'Amber' against this risk from August 2013.

3.28 Management information at the start of the programme was limited. The Department did not complete initial work on its new management information tool in April 2013, as planned, despite discussing this risk regularly since January 2013. The Department now expects to complete all work by the end of 2014. It has adopted an interim solution that relies on information produced by assessment providers, supplemented by data collected manually through the Department's case management system.

3.29 Limitations in the data have meant the Department has not been able to fully understand how long terminally ill and non-terminally ill claims take to process; where and why delays are occurring; and claimant characteristics. But the Department's interim management information had begun to show trends in performance such as an increasing number of outstanding cases as early as June 2013.

3.30 The Department's management information is improving and the Department feels it now has enough information to manage performance. From September 2013, the Department's information has distinguished between terminally ill and non-terminally ill claims.

Figure 13

Risks included on risk registers and discussed by the programme board

In August 2013, the Department identified the risk of assessment providers not being able to deliver reassessments in October 2013

Risks monitored	Activities considered as part of risk assessment	Risk rating reported	
		April 2013	June 2013
To August 2013			
Atos will not provide appropriate assurance and confidence in their ability to deliver an effective operating model	Security accreditation Availability of assessment sites Recruitment of healthcare professionals	Amber-Green	Amber-Green
Capita will not provide appropriate assurance and confidence in their ability to deliver an effective operating model		Amber-Red	Amber-Red
From August 2013		October 2013	
Atos will not have the organisational capacity and/or capability to cope with the changes in October 2013	Recruitment and retention of health professionals Availability of consultation sites and supply chain management Plans to reduce consultation times Contingency planning	Red	
Capita will not have the organisational capacity and/or capability to cope with the changes in October 2013		Amber	
Atos will not have the organisational capacity and/or capability to cope with the introduction of natural reassessments		Monitoring did not start until November 2013	

Notes

1 Figure does not show an exhaustive list of risks.

Source: National Audit Office review of programme board minutes and risk registers

Contract oversight has improved

3.31 The Department has learned from its past contracts for health and disability assessments (**Figure 14** overleaf). For example, the Department established a framework of providers to bid for the Personal Independence Payment contract in 2012, broadening the range of providers who could carry out assessments. It also simplified its pricing structure to better understand costs.

3.32 Despite improvements in the Department's commercial approach Atos and Capita have not achieved the planned levels of performance. From April to October 2013, assessment providers did not consistently achieve agreed performance levels. As a result, £1 million of service credits have accrued over the two contracts (£0.8 million against Atos; £0.2 million against Capita). The Department can apply up to 15 per cent of the invoice value of service credits for a given month.

3.33 Past experience shows how difficult it is to recover from backlogs.[9] The Department has a separate contract for work capability assessments, to support Employment and Support Allowance claims. This contract has experienced substantial backlogs. Since 2011, the Department suspended the service credits regime three times and revised how it monitored contractual performance. The Department still faces a backlog of 780,000 Employment and Support Allowance claims awaiting an assessment as at 25 October 2013. In July 2013 the Department announced that from summer 2014 additional assessment providers would be brought in following concerns over the quality of service and backlogs.

3.34 In managing the work capability assessment contract, the Department recognised how it could change its approach to managing assessments, including how assessment providers and the Department approach backlogs. In managing the Personal Independence Payment contract the Department has made a number of changes. So far it is not yet clear whether these have materially improved performance or helped to resolve backlogs. Changes include:

- delaying the roll-out timetable in order to address performance issues;
- reacting more quickly in starting discussions with assessment providers on how to address performance issues; and
- reinforcing the existing service credit system, pushing for better performance without taking on greater financial risks.

3.35 Commercial discussions are ongoing in respect of Personal Independence Payment contracts and the work capability assessment contract.

9 Comptroller and Auditor General reports: *Contract management of medical services*, Session 2012-13, HC 627, National Audit Office, October 2012; *The role of major contractors in the delivery of public services*, Session 2013-14, HC 810, National Audit Office, November 2013.

Figure 14

Comparison of contracts on work capability assessments and Personal Independence Payment

The Department has changed its approach to the Personal Independence Payment contract following experiences on work capability assessments

	Work capability assessment	Personal Independence Payment
Assessment	Ability to work	Mobility and daily living needs
Delivery	One provider (Atos)	Two providers (Atos and Capita) across four regional lots
	Assessments completed by Atos staff and at Atos assessment centres	Atos subcontracted to 14 subcontractors with most claimants assessed at an assessment centre Capita is not subcontracting and is expecting to complete 60 per cent of assessments at claimants' homes
Healthcare professionals	Doctors, nurses and physiotherapists	Doctors, nurses, physiotherapists, occupational therapists and paramedics
Pricing	Complex financial model operated by Atos	Unit cost per assessment calculated by the Department
Governance	Commercial and operational teams' responsibilities lacked clarity	Commercial and operational teams' responsibilities clear
Contract management approach	Ten per cent of service credits applied between September 2005 and March 2012 Department did not produce guidance outlining acceptable mitigating factors in applying service credits. Series of service credit suspensions up to July 2013	21 per cent of service credits applied on Capita up to 25 October 2013 Department clearer on what constitutes an acceptable mitigating factor but has not agreed these with assessment providers Responded quickly to poor performance without suspending service credits
Stakeholder engagement	Assessment provider discouraged from meeting with specific disability organisations	Structures in place to encourage engagement

Notes

1 The work capability assessment and Personal Independence Payment are intended to support different claimant groups to achieve different aims. Both rely on an independent assessment to inform its decision-making process.

2 It has not been possible to calculate the service credits applied on Atos given ongoing discussions.

3 The Public Accounts Committee previously made recommendations about how the Department transfers risk to its contractors. We have attempted to review how the Department has acted on these recommendations within Personal Independence Payment but have been unable to review sufficient evidence to reach a clear conclusion.

Source: National Audit Office analysis of contracts for Personal Independence Payment and work capability assessment; and interviews with departmental staff and assessment providers

Appendix One

Our audit approach

1 This report examined the Department for Work & Pensions' (the Department's) progress in implementing Personal Independence Payment.

2 Our review considered the early implementation of the programme, and does not assess the longer-term value for money of Personal Independence Payment. We evaluated whether the Department introduced the programme as planned up to the end of October 2013 and achieved expected levels of performance in assessing claimants. We evaluated how the Department managed risks in early development and implementation.

3 In reviewing these issues, we applied an analytical framework with evaluative criteria, which consider what arrangements would be optimal for delivering the planned service to claimants and reducing benefit spending. By 'optimal' we mean the most desirable possible, while acknowledging expressed or implied restrictions or constraints.

4 Our audit approach is summarised in **Figure 15** overleaf.

Figure 15
Our audit approach

Government objectives

In its December 2010 consultation paper, the Department set out the aims of Personal Independence Payment as:

- targeting support at those disabled people most in need;
- being more responsive to claimants' changing circumstances;
- providing a fairer, more transparent and consistent assessment of claimant's needs; and
- make claiming and administration of Personal Independence Payment easier for claimants, staff and disability organisations to understand.

How this will be achieved

The Department is introducing Personal Independence Payment to replace Disability Living Allowance for people of working age. The Department administers and awards claims for Personal Independence Payment but pays private sector contractors to assess and advise on claimants' needs. It will also periodically review all non-terminally ill awards of Personal Independence Payment that last two years or longer.

Our study examines

How the Department has introduced Personal Independence Payment, and the operational performance of the Department in early implementation of the programme up to October 2013.

Our evaluative criteria

The Department has introduced the programme as planned.

The Department has achieved planned levels of operational performance.

The Department has managed risks to claimants, programme delivery and operational performance.

Our evidence

We assessed the introduction of the programme against plans by:

- comparing the Department's business case with actual spending and subsequent changes to forecasts;
- comparing original and revised plans for rolling out the programme over time; and
- reviewing early steps in programme management, design and implementation.

We assessed performance up to October 2013 by:

- reviewing departmental management information on claims;
- testing a sample of 296 claims;
- interviewing disability organisations;
- visiting sites where claims are administered by the Department; and
- visiting assessment centres run by contractors.

We assessed the management of risks by:

- reviewing departmental documents including minutes and risk registers;
- reviewing operational modelling and assumptions;
- interviewing departmental officials and assessment providers;
- reviewing changes made in response to stakeholder engagement; and
- considering the management of risks in similar assessment processes or programmes.

Our conclusions

It is still early in the programme. The Department has introduced the core elements of Personal Independence Payment despite a compressed timetable. But early operational performance has been poor, leading to delays and uncertainty for claimants. In our view the Department did not leave enough time to assess potentially foreseeable problems before rolling out successive phases of assessments.

The Department delayed the programme roll-out which reduced expected savings in the short-term. Because it may take some time to resolve delays the Department has increased the risk that the programme will not deliver value for money in the longer term.

Appendix Two

Our evidence base

1 We completed our review of the Personal Independence Payment programme after analysing evidence we collected between August and November 2013.

2 We reviewed the Department's implementation against plans.

- We reviewed departmental documents to understand how the business case for Personal Independence Payment developed and changed.
- We reviewed how estimates of savings have changed over time including the impact of changes to the timetable on savings during the current Spending Review period.
- We reviewed departmental documents on programme management to understand how the Department introduced the programme through a controlled start and managed the programme at a high level.
- We carried out semi-structured interviews with departmental staff to gather further information on how the programme was developed and managed alongside understanding the background to decisions about the timing of roll-out.

3 **We reviewed operational performance of the assessment process.**

- We reviewed the Department's management information on the number of claims at each stage of the assessment process.
- We analysed a new sample of 296 claims where decision letters had been sent out by mid-October 2013 to give an indication of the time taken at each stage of the process. We drew a random sample of cases of which 47 per cent were non-terminally ill cases and 53 per cent were terminally ill cases. This sample size gave us a confidence level of 95 per cent and a confidence interval of at most +/- 6 per cent.
- We interviewed disability organisations, in particular the Disability Benefits Consortium, to understand how operational performance and delays could impact claimants, and how the Department communicated with such organisations.
- We visited two benefit centres and one call centre to understand how the Department's staff managed with new systems and processes. We also walked through the process at the Department's 'model office' site.
- We visited administration sites for both Atos Healthcare and Capita Health and Wellbeing to understand how they managed their parts of the process.

4 **We reviewed the Department's management of risks.**

- We reviewed departmental documents, including minutes and risks registers, to understand the risks managed by the Department and how it undertook this.
- We reviewed internal audit and Major Projects Authority reports to understand how the Department managed the programme, including the use of a controlled start period.
- We interviewed departmental officials to understand which factors affected operational performance, and how early assumptions compared to actual performance.
- We reviewed departmental documents and interviewed disability organisations to understand how the Department has engaged with stakeholders.
- We compared the Department's design and management of the Personal Independence Payment process with work capability assessments, to understand how it has changed its approach.

Appendix Three

Personal Independence Payment costs

Figure 16

Personal Independence Payment investment costs

The Department expects to spend £808 million implementing the programme

Activity area	Lifetime programme budget (up to 2018-19) (£m)	2013-14 programme budget (£m)	2013-14 programme costs (£m)
Contract	259	25	–
Non-departmental costs (HM Courts & Tribunals Service and local authorities)	157	5	0.5
Design, build and testing of IT systems	153	40	59
Staff costs (departmental staff handling claims)	139	7	1
Programme management	70	15	17
Inflation and taxation	30	–	–
Other costs	–	10	8
Total	**808**	**101**	**85**

Notes

1. Actual costs to date are calculated based on actual expenditure for the first nine months of 2013-14 and forecast spend for the remaining three months. Figures may not sum due to rounding.
2. Staff costs include the cost of departmental staff dealing with claims reassessed from Disability Living Allowance to Personal Independence Payment.
3. Other costs include consultancy, training and office costs.
4. The 2013-14 programme budget has been taken from the business case. The allocated budget as at 31 December 2013 was £109 million.

Source: Department for Work & Pensions, Personal Independence Payment: May 2013 business cases

Figure 17

Personal Independence Payment expected running costs

The Department expects to spend £206 million a year administering Personal Independence Payment

2013 prices	Expected running costs 2018-19 (£m)
Departmental staff costs	**46**
Claim processing	37
Medical services support team	1
Telephony	8
HM Courts & Tribunals Service	**19**
New claims	9
Rising 16s and others	10
Other	**140**
IT (ongoing system maintenance)	13
Accommodation	0
Assessment providers	127
Total	206

Note

1 2018-19 has been taken as an indicator for the expected annual costs in administering Personal Independence Payment during steady state. The Department expects to have reassessed Disability Living Allowance claimants for Personal Independence Payment by this date. The costs of these reassessments are not included.

2 Figures may not sum due to rounding.

Source: Department for Work & Pensions, Personal Independence Payment: May 2013 business case

Appendix Four

Comparison with Universal Credit

Figure 18
Comparison of Universal Credit and Personal Independence Payment

Personal Independence Payment has not experienced problems with early programme management

	Universal Credit	Personal Independence Payment
Summary description		
Aims	Simplifying benefits and encouraging people to work	Better targeting of support for disabled claimants
Description	Replaces six working-age benefit streams with a single payment	Replaces Disability Living Allowance for people aged 16 to 64 years old
Implementation timetable	2013–2017	2013–2017
Claims received	2,000	166,000
Expected caseload by the start of 2018	8 million	1.6 million
Current stage	Pathfinder extension and developing new long-term plans	National roll-out of new claims and partial roll-out of reassessments
Programme management		
Timetable	April 2013 pathfinder and October 2013 new claims, compared with internal assessment of start date in April 2015	April 2013 controlled start and June 2013 national new claims roll-out. Reassessments planned between October 2013 and October 2017
Management approach	Agile adopted up to early 2013 then changed to more traditional method	Agile used throughout the design and implementation
Clarity of end state	Repeated concerns over clarity of end state and attempts to redefine blueprint	Clearly defined end state identified early in programme development
Transparency and challenge	Good news culture and fortress mentality identified through third-party reviews	No issues reported as part of third-party reviews
Financial control of suppliers	PwC identified serious failings of financial control	No major failings identified by PwC
Departmental oversight	Large programme board with frequent changes in attendance; lack of challenge	Programme board with a consistent membership that met regularly
Assurance reviews	In mid-2012 failure to address recommendations from assurance reviews	Majority of recommendations accepted and steps taken to address these
Restructuring	Major simplification exercise in early 2012, followed by restructuring in autumn 2012	Limited narrowing of scope for online claims and internal systems

Notes

1 The description of Universal Credit reflects the position in September 2013 when the National Audit Office last reported on its progress. The Department has been working to address concerns raised.

2 'Universal credit claimants' expected reflects the Department's plans from December 2012. The Department is currently revising its plans for Universal Credit claimant migration and will seek HM Treasury approval in spring 2014.

Source: Personal Independence Payment, May 2013 business case; Comptroller and Auditor General, *Universal Credit: early progress*, Session 2013-14, HC 621, National Audit Office

Report by the Comptroller and Auditor General

Personal Independence Payment: early progress

HC 1070 Session 2013-14

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CORRECTION

Figure 1 (page 13) of the report contained incorrect wording (highlighted).

Please see the corrected figure overleaf:

Figure 1

Comparison of Personal Independence Payment and Disability Living Allowance

Personal Independence Payment replaces Disability Living Allowance

	Disability Living Allowance	Personal Independence Payment
Introduced	1992	2013
Award	Two components: a care component with three award levels and a mobility component with two award levels	Two components: a daily living component and a mobility component, each with two award levels
Basis for award decisions	Self-assessment by claimant. Some conditions, such as blindness, automatically lead to support	Independent assessment by health professional and further medical evidence
Reassessment	Around 30 per cent of awards have a specified review period	100 per cent of awards of two years or more have specified review period
Age range	0 to 64 years old	16 to 64 years old
Weekly award range in 2013-14	£21 to £134	£21 to £134
Administration cost of new claims	£49	£182
Expected average time to make a decision on a new claim	37 days	74 days

Notes

1 Disability Living Allowance claimants without a specified review period must report changes in circumstances to the Department when they occur.

2 Disability Living Allowance claimants can continue claiming Disability Living Allowance if after the age of 64 they continue to meet the conditions. This will also be the case for Personal Independence Payment claimants.

3 Expected average time to make a decision counts calendar days. For Disability Living Allowance a claim starts when the Department receives the claim form. For Personal Independence Payment a new claim starts when a claimant calls to make a claim.

Source: Department for Work & Pensions, *Personal Independence Payment business case*, May 2013; interviews with departmental staff

Please see the corrected figure below:

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Source: Department for Work & Pensions, *Personal Independence Payment business case*, May 2013; interviews with departmental staff

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