National Audit Office

Report
by the Comptroller
and Auditor General

Department for Work & Pensions

Personal Independence Payment: early progress

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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.