National Audit Office

Report
by the Comptroller
and Auditor General

Department for Work & Pensions

Welfare reform – lessons learned

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National Audit Office

Department for Work & Pensions

Welfare reform – lessons learned

Report by the Comptroller and Auditor General

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National Audit Office

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This report examines lessons from the Department's implementation of recent welfare reforms.

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Contents

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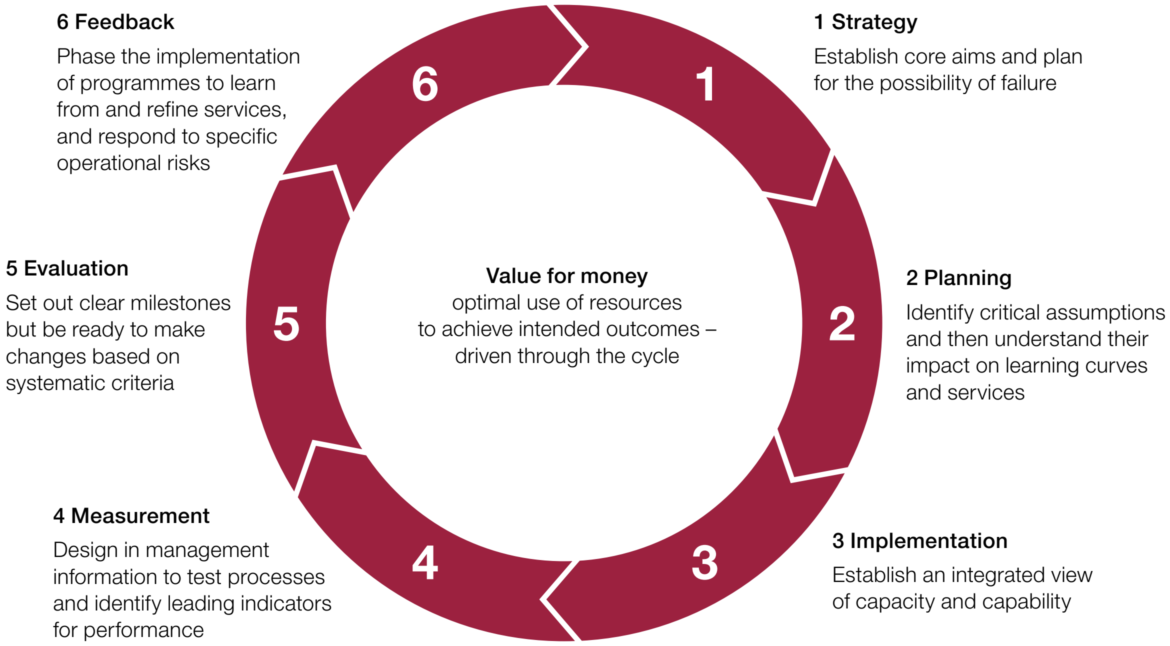
Key findings

Summary of lessons from welfare reform



Source: National Audit Office assessment of lessons across the core management cycle

Summary

1 What can we learn from recent welfare reforms? In the past five years the Department for Work & Pensions (the Department) has changed the support it offers to jobseekers, pensioners, disabled people and separated parents. The Department has had a mixed record of implementing reforms, raising questions on how to manage individual reforms and how to assess its overall capacity for change.

2 In this report we examine lessons from the Department's implementation of recent welfare reforms. The implementation of a reform matters for several reasons. First, it is important in its own right and can affect large numbers of people. Second, it can signal problems with a scheme's design or operation. And finally, it gives the Department a chance to test policies and learn from experience.

3 We consider a few specific aspects of implementation and explore them in detail. There is much guidance for programme managers and policy-makers on setting up programmes or avoiding common pitfalls. In this report we consider lessons from how the Department has managed reforms in practice. For example, many people recognise that phasing in a new programme is a good idea. But there are many ways to phase programmes including by geographic area, household size, or type of claim.

4 We take a broad view of what constitutes welfare, and include the 2012 child maintenance scheme and welfare-to-work schemes as well as more conventional benefit changes. For detailed comparisons of early implementation we draw on our previous reports on: Universal Credit, Employment and Support Allowance, Personal Independence Payment, the Work Programme, child maintenance and Housing Benefit. Building on these examples we consider:

- the context for welfare reforms (Part One);
- lessons for anticipating challenges in welfare reforms (Part Two); and
- lessons for responding to challenges in welfare reforms (Part Three).

5 To organise our findings we use our core management cycle, which shows the importance of learning and feedback in major programmes. We describe our approach in more detail in Appendix One. Lessons from welfare reform should also resonate widely across government. Jobseekers react in uncertain ways to welfare-to-work support, just as energy users react unpredictably to efficiency incentives. And benefit claimants criticise delays in processing, as do people renewing passports.

Lessons learned

Recent context

6 **The Department has had to deal with an unprecedented number of major programmes and reforms.** The Department has introduced some change to almost every benefit it manages. We estimate that over the past five years it has introduced around 30 distinct programmes, including changes to benefit entitlements and major programmes such as Universal Credit and Personal Independence Payment.

7 **The Department has reduced its spending, while dealing with the challenges of an economic downturn.** It has reduced departmental administrative and programme spending by 18% between 2010-11 and 2013-14. At the same time it has had to deal with greater demands on jobcentres through the recent economic downturn. We have found previously that the Department sustained headline performance levels through the downturn.

8 **The Department has introduced many reforms without significant operational problems.** Despite some important and high-profile early failings, the Department has introduced a large number of reforms over the past five years with few signs of operational problems. We have not been able to review these programmes in depth, but the Department deserves credit for managing so many of these changes and continuing to make progress across its portfolio of reforms.

9 **The Department has also continued to make progress in major programmes.** It has expanded Universal Credit to over 270 jobcentres for single unemployed claimants and nearly 100 sites for couples and families. In June 2014 it introduced phase 2 of the child maintenance 2012 scheme including charging and case closure for legacy cases. Published statistics also show some improvements in programme performance. For example, Work Programme outcomes have continued to improve for recent cohorts, and claim clearance times have come down since 2014 for Personal Independence Payment.

Anticipating challenges

10 **The Department often has a clear, high-level vision and specific plans for reform, but needs to develop a strategic approach to managing uncertainty.** By identifying the core elements of major reforms, the Department would be able to anticipate what might happen during planned implementation, and could better manage programme and policy development iteratively. The Department did integrate policy changes with programme and IT development on child maintenance reforms. But it initially struggled to develop Universal Credit contracts, governance and assurance structures using an iterative approach.

11 **The Department has relied too heavily on uncertain and insufficiently challenged assumptions without understanding what it means for programme risks.** For Employment and Support Allowance and Personal Independence Payment the Department initially made optimistic assumptions about the assessment process.

The Department also assumed greater responsiveness by third-party providers, without fully understanding whether they could anticipate, or cope with, changes to operating assumptions.

12 The Department did not have sufficient understanding of its portfolio of programmes or overall capacity. The Department began several large reforms (and many smaller ones) without fully assessing the organisation's capacity to manage these programmes. It continued to develop these programmes despite recognising the risks of doing so at the same time as reducing costs and reorganising the Department. In 2011 it created a team to start to manage and provide assurance over the whole portfolio. The Department's approach is still evolving and it is now reorganising responsibilities for portfolio management.

Responding to challenges

13 The Department has thought too late about the management information and leading indicators it needs to monitor progress and performance. The Department should consider information requirements when designing how programmes will work. It has not always developed or interpreted leading indicators for major risks within programmes. This meant the Department took several weeks to identify backlogs in Personal Independence Payment claims. For Universal Credit it had no adequate measure of programme progress and had not sufficiently considered how to initially track progress under agile development methods.

14 In some cases, the Department has responded to uncertainty and adapted plans based on operational advice. Departments should be able to set out plans with specific timetables, costs and impacts. They should also have clear processes for revising plans against changing circumstances or expectations. For example, the child maintenance 2012 scheme programme team postponed roll-out dates several times, based on clear operational criteria. However, for Universal Credit the Department initially held too rigidly to fixed deadlines. It has now adopted a more flexible approach and will need to balance this with clear milestones against which to monitor and assess progress.

15 The Department has learnt to introduce reforms gradually and now needs to develop a more structured approach to phasing programmes. It has clearly learnt from past government experience by using phased or staged starts. Sometimes the Department has failed to use phasing successfully. When it introduced Personal Independence Payment in 2013 the Department did not leave enough time to review performance across the complete assessment process before increasing volumes.

Concluding remarks

16 The Department has accomplished a great deal in the past five years. It has taken on an unprecedented number of reforms while cutting costs and managing a surge in demand following the economic downturn. The Department has shown that it can introduce and adapt programmes flexibly in the face of uncertainty. And it has continued to make progress in difficult major programmes despite early failings.

17 We should expect that any large portfolio of reforms will experience problems. And the Department's incremental approach allows it to respond to some of the challenges of implementing these programmes. But the Department has relied too heavily on reacting to problems and has not always been able to anticipate likely points of failure or set up leading indicators for performance and progress.

18 With continued pressure to reduce costs and improve services, the Department will not be able to revert to a slow incremental approach whenever it encounters problems, or to delay or reduce planned savings whenever it fails to plan for the uncertainty of assumptions. The Department has had to manage a broad and radical change programme, and learned some hard lessons with significant financial and human costs. It is important that the Department incorporates these lessons into an enhanced approach to managing change quickly and based on more developed forward planning and anticipation of risks.

Recommendations

19 How can the Department address the lessons in this report? In most of these cases, individual reforms have been in their early stages and in the Department's view it has already addressed some of the issues raised in individual reforms. It has access to a range of guidance for managing programmes and is also developing its overall business strategy alongside identifying ways to exploit common services across the Department and government more widely.

20 In our view, the Department can learn from recent lessons by developing a more resilient anticipatory approach to major reforms. Rather than relying on its ability to react to events, the Department should:

a **Plan more openly for the possibility of failure.** Departmental planning should set out critical working assumptions, the consequences of any variances, and the Department's possible response. The Department should anticipate that assumptions are likely to be wrong, beyond simply cautioning that impacts are uncertain. Planning for the possibility of failure shifts management attention to the core programme the Department is trying to preserve, and sets clear responsibilities for managing risks. It should think through contingency arrangements rather than assuming risks can be mitigated or dealt with after the fact.

b **Design management information into programmes from the start.** Most programme guidance recommends early development of management information. Interim arrangements may be enough for narrow operational purposes. But the value of management information is to clarify processes, flush out inconsistent interpretations (or gaps in responsibilities) and identify risks. Departments should also develop leading indicators of performance at likely points of risk across a process.

c **Build an integrated view of portfolio risks and capacity.** The Department cannot reliably assess its overall tolerance for risk without clear measures of programme needs and available capacity. There is no hard and fast rule on the number of reforms the Department can manage – after all, many of the recent reforms covered different operational areas and customer groups – but the Department has clearly struggled with gaps in key roles. Based on recent experience the Department should also be extremely wary of undertaking major business reorganisation at the same time as introducing several large programmes.

Part One

The recent context for welfare reforms

A large reform programme

1.1 The Department for Work & Pensions (the Department) spent £168 billion in 2014-15, largely in the form of payments to individuals and households. When we include spending on tax credits and Child Benefit, the government spent £208 billion on benefits and pensions, or 28% of total government spending.[1] It was therefore unsurprising when the Department announced several initiatives to reduce benefit spending in 2010 as part of the government's austerity programme.

1.2 Between 2010 and 2015 the Department has undertaken an unprecedented number of welfare reforms. We estimate that it has continued or introduced more than 30 distinct reforms over this period, which the Department has described as the "most fundamental change to the social security system in 60 years". Almost no part of the Department, or benefits managed by the Department, has been untouched by reform (**Figure 1** overleaf).

1.3 The Department's reforms vary in their nature, scale and difficulty. Several reforms have restricted existing entitlements to benefits, for example by capping annual household benefits at £26,000. Others have changed claim processes and eligibility criteria, for example in incapacity and disability benefits. The challenges and risks have varied significantly across these initiatives.

Tight departmental spending

1.4 At the same time as introducing new reforms and dealing with the operational consequences of increased unemployment during the economic downturn, the Department has faced tight restrictions on administrative and programme spending. Between 2010-11 and 2013-14 the Department reduced its spending by 18% in current terms. Of these reductions, 46% related to reduced expenditure on employment programmes and 29% to reduced National Insurance Fund benefit caseloads. Based on plans for 2015-16, the Department needs to identify a further 13% of savings (**Figure 2** on page 11).

1 HM Revenue & Customs administers tax credits and Child Benefit.

Figure 1

Major welfare reforms

Welfare reforms affect all claimant and user groups

Claimant group	Reform	Description	Major Projects Authority's published rating 2012-13	2013-14
Pensioners	Automatic enrolment	Requirement for employers to enrol all eligible workers into a qualifying pension scheme unless they opt out.		
	New State Pension	Changes to the way state pension entitlements are determined.		
Disabled and ill-health	Personal Independence Payment	New benefit to replace Disability Living Allowance and support disabled claimants' living and mobility costs.		
	Incapacity Benefit Reassessment	Reassessment of existing Incapacity Benefit claimants for a new benefit (Employment and Support Allowance) with a new claim process and eligibility criteria.		
	Specialist Disability Employment Programme	New arrangements to help disabled people find work.		
Low income workers and unemployed	Universal Credit	A new single benefit to replace six existing means-tested benefits.		Reset
	Benefit Cap	Restricts the working-age benefits received by certain households to £26,000 a year.		
Families	Child maintenance 2012 scheme	New scheme introduces charges and encourages families to make their own child maintenance arrangements.		
Unemployed	Work Programme	Revised arrangements to support long-term unemployed find sustained work.		
	Youth Contract	Introduces financial incentives for employers to provide young people with jobs and work experience.		
All claimants	Fraud and error programme	Introduces new initiatives to reduce overpayments.		

Notes

1 We include all reforms monitored by the Major Projects Authority aside from the Central Payment System programme. The Department introduced other welfare reforms such as changes to Housing Benefit and limiting migrants' access to benefits.

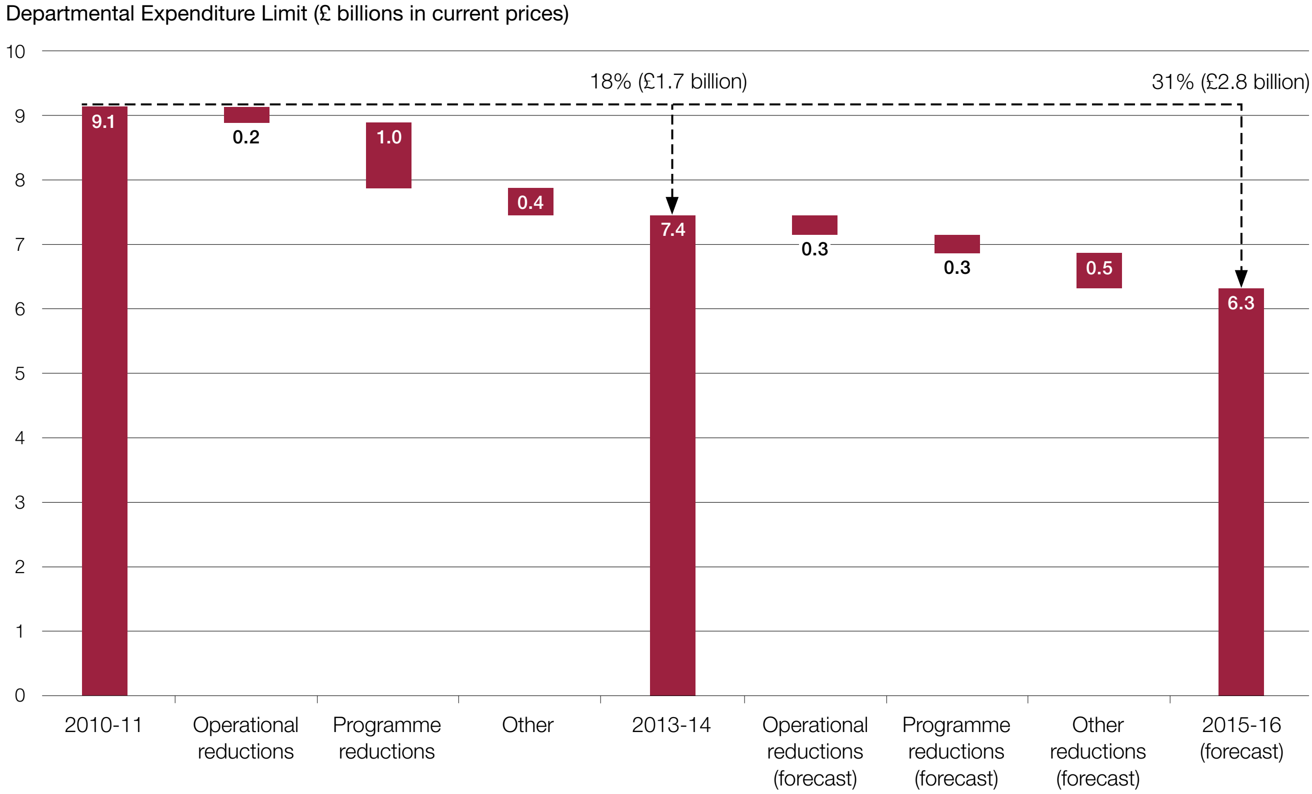
2 The Major Projects Authority's rating provides an assessment of its confidence in programmes being implemented. Ratings reflect a snapshot assessment in the September of the financial year. The Major Projects Authority stops monitoring programmes after they have been completed.

3 Programmes rated 'green' have the lowest risks to success compared with 'red' for those facing the most serious challenges. 'Reset' refers to the 12-week exercise undertaken from February 2013, which developed a 'blueprint' for Universal Credit and sought to address the serious problems that the Major Projects Authority had identified within the programme. Programmes complete or close to completion tend to receive assessments with greater confidence.

Source: Major Projects Authority, *Government Major Projects Portfolio Data for the 2013 and 2014 Annual Reports*

Figure 2
Departmental Expenditure Limit spending 2010-11 to 2015-16

The Department has reduced programme and operational spending



Notes

1 Totals may not sum due to rounding.

2 In 2013-14 the Department spent on staff (£3.0 billion, 40%), goods and services (£2.3 billion, 30%), grants to local authorities (£0.8 billion, 10%), and rentals (£0.7 billion, 9%).

3 Reductions to 2013-14 – 'Programme reductions' include changes in employment programme spending (£0.8 billion). 'Other' reductions is a net amount and includes changes to National Insurance Fund benefit processing costs following reductions in caseloads (£0.5 billion).

4 Forecast reductions to 2015-16 – 'Programme reductions' reflect changes in employment programme spending (£0.3 billion). 'Other' includes reduced grants to non-departmental public bodies (£0.3 billion) and local authorities (£0.2 billion).

Source: National Audit Office analysis of the Department for Work & Pensions' financial accounts 2013-14

1.5 In order to reduce spending and staff numbers the Department started an organisational design review in April 2010 and a further review of corporate functions in early 2011. In our report *Reducing costs in the Department for Work & Pensions*, we highlighted the risks of undertaking business reorganisation at a time of significant reform without a clear view of the departmental operating model.[2] The Committee of Public Accounts raised concerns about the ability of the Department to manage major reforms at the same time as reducing costs.[3]

2 Comptroller and Auditor General, *Reducing costs in the Department for Work & Pensions*, Session 2010–2012, HC 1089, National Audit Office, June 2011.

3 HC Committee of Public Accounts, *Reducing costs in the Department for Work & Pensions*, Forty-seventh report of Session 2010–2012, HC 1351, 13 September 2011.

1.6 Despite the downturn and spending reductions the Department has sustained its headline performance levels for its main operational areas. For example, in December 2014, 94% of claimants had stopped claiming Jobseeker's Allowance within 1 year (compared with 92% in December 2010). We have found previously that the Department sustained headline performance levels through the recent economic downturn.[4]

Mixed progress implementing welfare reform

1.7 In many cases the Department has introduced reforms quickly and without significant operational problems. Within a short space of time it has managed to bring in changes to Housing Benefit entitlements, a household benefit cap and several new welfare-to-work initiatives. It has also introduced new legislation, the Welfare Reform Act 2012, for reforms including Universal Credit and Personal Independence Payment.

1.8 We have not assessed the Department's performance across smaller reforms, and we have not reviewed whether these reforms have achieved their objectives. Nonetheless the Department deserves credit for managing a large number of smaller changes under ambitious timescales and tight resources.

1.9 In some larger programmes, the Department has experienced high-profile difficulties. Claimants have had to wait months for assessments as part of their Personal Independence Payment or Employment and Support Allowance claims. Working-age households will move over to Universal Credit several years later than originally planned, due to serious problems with the early management of the programme. In response to these problems the Office for Budget Responsibility has reduced and delayed its forecasts of savings to benefit spending.[5]

1.10 The Department has continued to make progress in major programmes. It has expanded Universal Credit to over 270 jobcentres for single unemployed claimants and nearly 100 sites for couples and families. In June 2014 it introduced phase 2 of the child maintenance 2012 scheme including charging and case closure for legacy cases. Published statistics also show some improvements in programme performance. For example Work Programme outcomes have continued to improve for recent cohorts, and claim clearance times have come down since 2014 for Personal Independence Payment. In this report we have not reviewed programme performance in depth. We plan to update on performance on specific programmes in future work.

Learning from recent experience

1.11 Given the number of reforms and the difficulties they have faced, we can identify important lessons for the future. Our reports have reviewed the early progress of several individual reforms and identified specific successes, failings and challenges. In this report we consider common themes from the Department's recent experience implementing welfare reform.

4 Comptroller and Auditor General, *Responding to change in jobcentres*, Session 2012-13, HC 955, National Audit Office, February 2013.
5 Office for Budget Responsibility, *Welfare trends report*, October 2014.

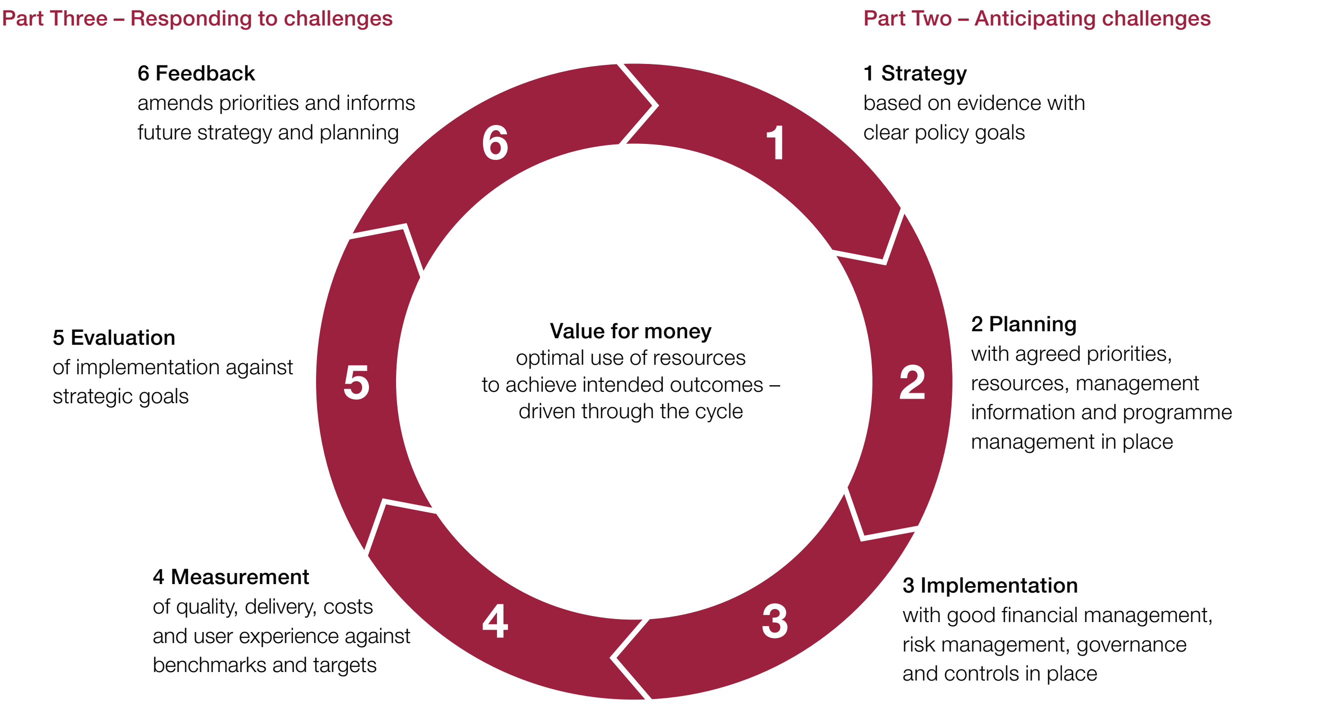
1.12 The lessons may reflect some of the specific challenges of welfare programmes. People dealing with homelessness, disability or family break-up will often be vulnerable and can respond unpredictably to policies and changes to processes. Reforms need to take account of the impact of new processes, and use expert and stakeholder input to understand likely responses. The Department often cannot know how programmes will affect people and must anticipate challenges in introducing reforms.

1.13 The Department handles millions of interactions with households. The success of reforms often relies on encouraging small hard-to-measure responses across large numbers of people. The Department's experience during early implementation allows it to modify and change processes as it goes along. It needs good information and should set up programmes so it can respond effectively.

1.14 To organise our findings we use the National Audit Office's core management cycle (**Figure 3**). It sets out the main stages that departments should consider in designing and implementing programmes, and highlights the importance of using evaluation and feedback. In Part Two and Part Three of the report we structure the lessons from recent reforms around the core management cycle.

Figure 3
Our core management cycle

The core management cycle highlights the key stages of implementing major reforms



Source: National Audit Office, *A short guide to structured cost reduction,* June 2010

Part Two

Anticipating challenges

2.1 Many people face complicated situations around their jobs, health, families and day-to-day living arrangements. They rely on a variety of government support, and can be affected in unpredictable ways by a change to any part of the system. Welfare reforms have uncertain impacts both in isolation and in how they affect people cumulatively.

2.2 Given the uncertain and systemic nature of welfare reforms, the Department for Work & Pensions (the Department) needs to set realistic expectations for how processes will work, understand its own capacity to manage reforms, and anticipate how to re-shape programmes to achieve its core objectives when problems arise.

Taking a strategic perspective

2.3 Any programme needs clear aims. Lack of clarity underlies many common problems, such as prioritisation and the management of interdependencies. Most guidance on programme management – whether for government or the private sector – highlights the need for clear aims or an overarching vision for change.

2.4 The trouble is that having a clear vision is not enough for programme leaders to rely on when problems arise. Many people would recognise the aims of Universal Credit (such as making work pay) or Personal Independence Payment (matching support to an assessment of need). The difficulty will be developing the strategy that converts the Department's overarching aims into a detailed operating model for how a programme is going to work.

2.5 In developing its strategy, the Department needs to consider how it will handle and respond to the unexpected challenges, the constraints it faces and the trade-offs it will need to make. What does it mean for Universal Credit to make work pay? How important is online take-up? What kind of risks should we accept to introduce reforms quickly?

2.6 Recent reforms suggest there are three important ways in which the Department could benefit from a more strategic approach:

- **Protecting the core objectives of reform.** The more transformational and ambitious the reform, the harder it can be to distinguish achievable short-term benefits and break a programme up into manageable steps. For example, with Universal Credit the Department struggled to set out how the detailed design of systems and processes fitted together and related to objectives. This meant that by mid-2012 the Department could not agree what security it needed to protect claimant transactions, it had adopted a demanding interpretation of the principle of 'digital-by-default', and was unclear about how Universal Credit would integrate with other programmes. After a reset of the programme in 2013, the Department formed a more coherent plan of what it wanted to achieve and was better able to distinguish between necessary and desirable aspects of the programme.
- **Exploring different ways to implement policies.** The Department recognises the value of developing policy regulations, processes and technology in an iterative way. This has led to developing some simpler policies which have reduced operational complexity. For example, for the child maintenance 2012 scheme the Department uses simpler measures to assess parents' income, which reduces the complexity of the calculations required. By contrast, in Universal Credit the Department struggled to incorporate an agile approach into contracts, governance and assurance structures in 2011 and 2012.
- **Identifying wider opportunities for government.** A strategic approach goes beyond simply managing dependencies between programmes and considers the wider opportunities across government. For example, the Department has now identified opportunities to use HM Revenue & Customs' real-time information to simplify the process of validating claims from providers on the Work Programme.

2.7 One important way in which the Department can develop a more strategic approach is to actively plan for the possibility of failure and develop clear scenario and contingency planning. Unlike risk registers and mitigation plans, which try to defend against problems and keep to a pre-determined path, contingency planning forces programme leaders to challenge assumptions about their core aims and constraints. This can be particularly valuable in complicated transformation programmes where risks are hard to anticipate.

Using assumptions

2.8 When planning reforms, the Department must specify how processes will work. It needs to make assumptions about how claimants, staff, other parts of government and third-party providers will interact with new processes and systems. All assumptions are imperfect and some assumptions will be more uncertain than others. Departments need to understand the impact these assumptions can have on their processes and then reduce or manage those risks.

2.9 Recent experience suggests that the Department should pay particular attention to the way it manages uncertainty around major programmes including:

- **Identifying critical operational assumptions.** The Department needs to identify and monitor the assumptions which pose the greatest risks to the delivery and success of the programme. Some optimistic assumptions for Personal Independence Payment claims led to the Department exceeding expected timeframes for processing claims and backlogs for claimants.
- **Testing and modelling the impact of assumptions.** The Department often recognises that assumptions are uncertain and has considered sensitivities and the financial impact of changes to assumptions. But it has not always assessed the impact of uncertainties on its processes to, for example, identify potential bottlenecks (**Figure 4**).
- **Building in appropriate learning curves.** Given the large volumes of transactions that the Department handles it is important to understand the impact of variation and 'bedding in' in the early stages of roll-out. This process can take a long time. For example, we recommended that for the Work Programme the Department factor both slow starts and uncertain volumes into timing, roll-out and design. The Department did not meet its minimum expectations for the first 450,000 claimants referred to the main Jobseeker's Allowance groups. After two years it has now met or exceeded minimum performance levels.
- **Allowing users and delivery partners to challenge assumptions.** In some cases the Department has not discussed and developed assumptions with stakeholders or delivery partners. For Personal Independence Payment, providers signed contracts with the Department based on a 42 calendar day processing target, but told us that they were not consulted on how this target was chosen.
- **Setting clear responsibilities for managing the consequences of variation.** The Department has introduced mechanisms to transfer risks to third-party providers, for example through 'payment by results' programmes such as the Work Programme. However, as the Department recognises, there are limits to transferring risks to third-parties. Departments bear ultimate responsibility for service standards and are affected by third-party under-performance. For some programmes the Department assumed providers could respond more quickly to changing circumstances, leading to poor performance and impacts on benefit spending.
- **Understanding interactions across government.** In a range of settings the Department has a wider obligation to be informed about the systems and processes it supports, and needs to fight against the risk of interpreting its own role (and accompanying risks) too narrowly. Our report *Housing Benefit fraud and error* found that the Department (which ultimately pays for Housing Benefit) had weak incentives in place for local authorities (which administer payments) to tackle fraud and claimant error after a claim had been awarded.[6]

6 Comptroller and Auditor General, *Housing Benefit fraud and error*, Session 2014-15, HC 720, National Audit Office, October 2014.

Figure 4

Approaches to understanding and reducing uncertainty during early stages of programmes

The Department has used various techniques to assess the uncertainty of assumptions during the early stages of programmes

	Work Programme	Employment and Support Allowance	Child maintenance 2012 scheme	Personal Independence Payment
Testing and modelling the impact of assumptions				
Primary purpose of model	Contract tender	Contract tender	Resource planning	Resource planning
Identifying and quantifying uncertainties				
Sensitivity analysis of variables for departmental assumptions	Yes	Yes	Yes	Yes
Sensitivity analysis of variables for third-party assumptions	No	Yes	n/a	No
Scenario planning	Yes	Yes	Yes	No
Understanding uncertainties and quantifying the impact on outcomes				
Analysis of the financial impact of changing circumstances	Yes	Yes	Yes	Yes
Analysis of the operational impact of changing circumstances	No	No	No	No
'Learning curve' period built into plans	No	No	No	No
Allowing users and delivery partners to challenge assumptions				
Service design and assumptions developed with:				
Claimants	n/a	No	Yes	Yes
Delivery partners	No	Yes	n/a	No
Representative bodies	Yes	No	No	Yes

Notes

1 Figure considers the techniques used during the early stages of programmes. For Personal Independence Payment, the January 2013 full business case included the best, worst and most likely cases for the main budgetary risks. At the request of HM Treasury, the Department produced further sensitivity analysis in its May 2013 business case after it had gone live in April 2013. It analysed the sensitivity of the budget to changes in volumes and processing times. It did not consider whether its processes could cope with those changes at this stage.

2 By 'sensitivity analysis' we mean understanding the extent to which certain variables can vary and how this affects other variables. 'Scenario testing' refers to the process of testing conditions and events with multiple variables. HM Treasury guidance emphasises the need for sensitivity analysis to inform decision-makers about how processes will operate.

3 'Analysis of the financial impact on changing circumstances' assesses the impact of changing assumptions on costs. 'Analysis of the operational impact' refers to understanding how varying assumptions affect processes and their effectiveness, such as, the impact on outcomes (such as waiting times) if aspects (such as staffing levels) change; the response required to maintain acceptable performance and how any response is constrained (such as lead-in times and staff availability).

4 For the child maintenance 2012 scheme changes, the Department did not factor a 'bedding in' period into performance assumptions but recognised accuracy and compliance would increase as staff became more familiar with the scheme.

5 By 'representative bodies' we mean user representatives such as Citizen's Advice Bureau and Employment Related Services Association.

Source: National Audit Office analysis of Department for Work & Pensions programme business cases and models

2.10 By identifying and testing critical assumptions at the start of programmes, the Department can reduce risks of optimism bias and better anticipate problems. Building on this better understanding of operational risks, the Department is also then in a better position to use controlled starts or phasing to learn from early experience, and to design appropriate monitoring and management information. We cover these issues in Part Three.

Understanding capacity and capability

2.11 In the context of wider austerity, the Department has reduced budgets and headcount. Between 2011 and 2015 the Department reduced staff by 23%, or around 23,500 full-time equivalent employees. Reductions have been evenly spread across the business (**Figure 5**).

2.12 The Committee of Public Accounts has raised concerns about the risks of introducing major reforms at the same time as a business reorganisation.[7] Reducing numbers does not necessarily impinge on the Department's ability to implement reform, but it is increasingly important for the Department to assess capacity across the organisation and plan ahead when introducing new programmes.

2.13 Recent reforms have stretched the Department's ability to manage programmes. In 2011, after it had made policy decisions on the welfare reform programme, the Department created a portfolio management team to manage and provide assurance over the change portfolio. This included monitoring its capacity and identifying gaps. In 2014-15 it estimated that demand exceeded supply by 9% for central service expertise and 20% for IT skills. To reduce demand on resources, the Department only considered programme changes that were both exceptionally urgent and important.

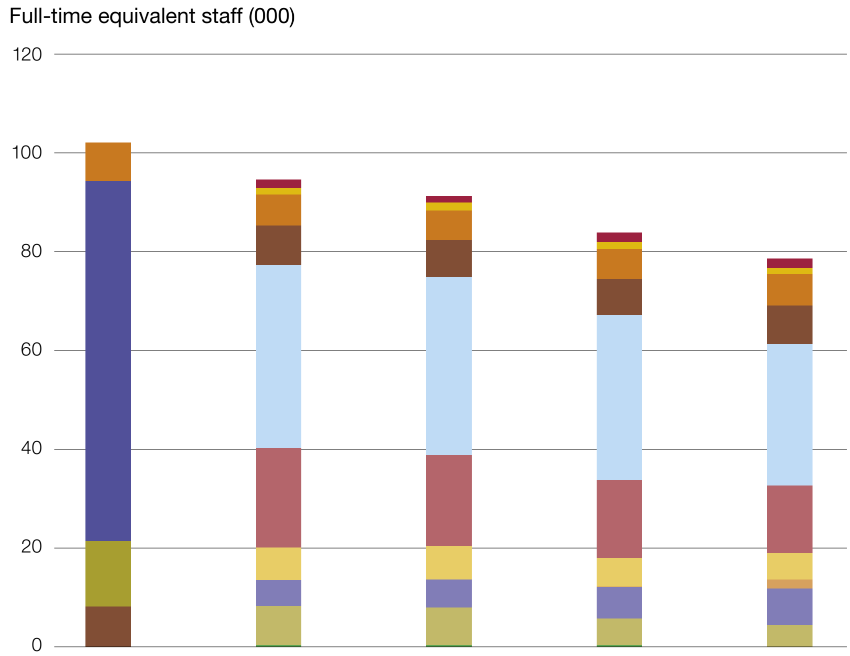
2.14 The challenge for the Department is that it cannot easily compare its available capacity or capability with the demands of reform programmes. It is difficult to assess demand consistently across programmes, particularly as the Department can influence capacity and capability in various ways such as changing staff capability, overall staff numbers, or its programme requirements (such as simplifying a programme). This challenge has been compounded by the Department not having a comprehensive understanding of capacity across the Department or a clear set of prioritisation criteria. Partly in response to these difficulties, and after making limited progress implementing its intentions for portfolio management, the Department reorganised this function in summer 2014.

2.15 Recent experience suggests the capacity and capability of leadership is particularly important for programmes with significant uncertainty, such as welfare reforms. The child maintenance 2012 scheme had a stable leadership team and we found it had developed a culture of openness and challenge. By contrast, insufficient capacity and capability at a senior level – in some cases due to unforeseeable events – created a lack of oversight in the early years of Universal Credit (**Figure 6** on page 20).

7 HC Committee of Public Accounts, *Reducing Costs in the Department for Work & Pensions*, Forty-seventh Report of Session 2010–2012, HC 1351, September 2011.

Figure 5
Changes in staff numbers between 2011 and 2015

Staff numbers have reduced equally across the business



	2011	2012	2013	2014	2015
Debt Management		1,655	1,226	1,871	1,890
Corporate Change		1,420	1,715	1,412	1,277
Corporate centre	7,828	6,281	5,878	6,023	6,383
Jobcentre Plus	72,939				
Pensions Disability & Carers Service	13,139				
Child Maintenance Group	8,246	7,898	7,401	7,372	7,790
Work services directorate		37,076	36,047	33,268	28,541
Benefits directorate		20,196	18,449	15,838	13,747
Pensions directorate		6,625	6,866	5,725	5,335
Universal Credit				183	1,824
Operational excellence		5,207	5,610	6,273	7,342
Network services		7,818	7,509	5,421	4,457
Other		449	485	430	41
Total	**102,152**	**94,624**	**91,186**	**83,817**	**78,628**

Notes

1 Totals may not sum due to rounding.

2 Excludes shared services, cross-government HR and 'MyCSP'. Aside from the Child Maintenance and Enforcement Commission, arm's-length bodies have been excluded. In 2012-13 the Commission transferred 7,000 staff to the Child Maintenance Group. Jobcentre Plus ceased to be a separate legal entity in 2011.

Source: Department for Work & Pensions management information

Figure 6
Senior programme leadership

Programmes have had changes to leadership

	Work Programme	Child maintenance 2012 scheme	Personal Independence Payment	Universal Credit
Senior responsible owners since 2010	5	2	4	6
Other responsibilities	Yes (June 2011 to December 2013)	Yes	Yes to May 2014	Yes to May 2013
Programme directors since 2010	2	3	2	6
Third-party assessment of governance around go-live	N/A	Strong	Limited assurance	Urgent concern
Transparency and challenge	Regular performance data published	Internal audit found "robust levels of governance and stakeholder engagement"	No issues reported as part of third-party reviews	Good news culture and fortress mentality identified through third-party reviews
Departmental oversight	High degree of performance management of contractors	Programme board with consistent membership that met regularly	Programme board with consistent membership that met regularly	Large programme board with frequent changes in attendance, lack of challenge

Notes

1 For programmes aside from the Work Programme, we show the number of senior responsible owners and programme directors between 2010 and May 2015. For the Work Programme we show the number of senior responsible owners and programme directors between 2010 and the programme end date in December 2013 (when the programme was no-longer included on the Government Major Project Portfolio).

2 'Other responsibilities' – Senior responsible owners for the Work Programme were also responsible for housing delivery and health services. A senior responsible owner for the child maintenance 2012 scheme was also chief executive of the Child Maintenance and Enforcement Commission and the current senior responsible owner is also Work Services Director. Two senior responsible owners for Personal Independence Payment split their time between the programme and operations, which the Major Projects Authority raised as a concern in May 2012. A senior responsible owner for Universal Credit was chief operating officer.

3 Major Project Authority reports and Department internal audit reports use different classification scales for recommendations. The Major Project Authority assessed governance for Universal Credit and Child maintenance 2012 scheme around the time of go-live. Departmental internal audit assessed Personal Independence Payment. The Department has subsequently taken steps to improve Universal Credit and Personal Independence Payment governance arrangements.

Source: National Audit Office analysis of programme business cases internal audit reports and Major Projects Authority reports

2.16 The scale of recent reform has put inevitable pressure on programme leaders. Combining programme leadership and day-to-day operational roles (for example, on Personal Independence Payment until May 2014) has concerned the Major Projects Authority. Similarly the Department has closed down programme teams and handed over new processes to business-as-usual management fairly quickly after implementation (for example on the Work Programme) only to have to revisit this design and establish new management structures. Also, without effective succession planning, moving more experienced leaders around the Department risks a loss of knowledge and continuity in programmes. The Department has since re-organised its Senior Responsible Owner functions and is aiming to have full-time Senior Responsible Owners for all major programmes.

Part Three

Responding to challenges

3.1 The Department for Work & Pensions (the Department) handles millions of transactions every week – taking new claims, processing changes and making payments. It has valuable opportunities to learn from experience within this repeated high-volume environment. When it introduces new reforms it can refine services and processes in response to early performance.

3.2 The opportunity to respond to challenges should not make departments complacent about preparing for reforms, nor should it undermine the use of clear milestones and accountability. Recent experience shows that a responsive approach puts an even higher premium on good management information, clear communication of plans and well-planned implementation.

Developing management information early

3.3 Departments require timely management information from the outset of a programme to identify problems and make informed decisions. They need to invest time in thinking about what 'early warning' data and leading indicators for major risks they need at each stage of the process. Thinking through the assumptions and risks around processes should help clarify the information required.

3.4 Across recent welfare reforms the Department has often deprioritised management information in order to meet go-live dates. The Department has not always had planned systems in place when services start (**Figure 7** overleaf). The Department has relied on interim information, which has not been complete and can take time to prepare. For example, in the very early testing stages of the child maintenance 2012 scheme, the Department had to gather information manually every day to track the progress of cases. By the time it had to deal with larger case volumes the Department had introduced an interim case management system which it believed was sufficient for phase 1 of the programme. In our report *Child maintenance 2012 scheme: early progress* we recommended that for later stages of the programme the Department shows it has introduced adequate management to monitor performance, the achievement of outcomes and progress in closing cases.[8]

8 Comptroller and Auditor General, *Child Maintenance 2012 scheme: early progress*, Session 2014-15, HC 173, National Audit Office, June 2014

Figure 7
Available management information

At the start of programmes there have been gaps in management information

	Work Programme	Child maintenance 2012 scheme	Personal Independence Payment
Date reform first implemented	June 2011	December 2012	April 2013
Date planned management information implemented	September 2012	June 2014	June 2014
Time with interim management information (months)	15	19	15
Complete interim information	Yes	No	No
Critical performance indicators identified	Yes	Yes	Yes
'Leading indicators' identified	No	No	No
Reliance on third parties for information	Yes	n/a	Yes
Internal audit assessment	Not reviewed	Limited assurance	Priority issue
		"Insufficient management information is available to support effective management…" (November 2013)	"The strategic management information solution is subject to further delay... because of data quality concerns" (October 2013)

Notes

1 Figure assesses the management information available during the early stages of programme implementation.

2 'Time with interim management information (months)' refers to the time between services starting and the intended management information system being implemented. The Department introduced improved management information for Personnel Independence Payment in June 2014.

3 'Complete interim information' refers to whether interim solutions provide the information intended at programme implementation. For example, on child maintenance the Department did not have available 30 of the 32 reports identified as critical until June 2014 and, for Personal Independence Payment, did not have processing times until June 2014.

4 'Critical performance indicators identified' refers to the Department's assessment of whether significant policy and contractual outcomes are met, for example the number of those in employment on the Work Programme and the number of decisions made on Personal Independence Payment.

5 'Leading indicators' refers to whether the Department identified the measures that would provide early indications of performance and potential problems.

6 'Reliance on third parties for information' refers to where the Department requires a provider's management information to assess performance. For Work Programme this included information on job starts and retention and for Personal Independence Payment data on claim type.

Sources: National Audit Office analysis of Department for Work & Pensions information. Comptroller and Auditor General reports: *Introduction of the Work Programme*, Session 2011-12, HC 1701, January 2012; *Child maintenance 2012 scheme: early progress*, Session 2014-15, HC 173, June 2014; *Personal Independence Payment: early progress*, Session 2013-14, HC 1070, February 2014

3.5 Recent experiences implementing welfare reform illustrate the problem with failing to anticipate management information requirements or delaying them. Early programme implementation provides a critical opportunity to learn about processes. Given the uncertainty inherent in welfare reforms the Department should be placing more not less emphasis on having adequate information and leading indicators of major risks in place from the early stages of implementation.

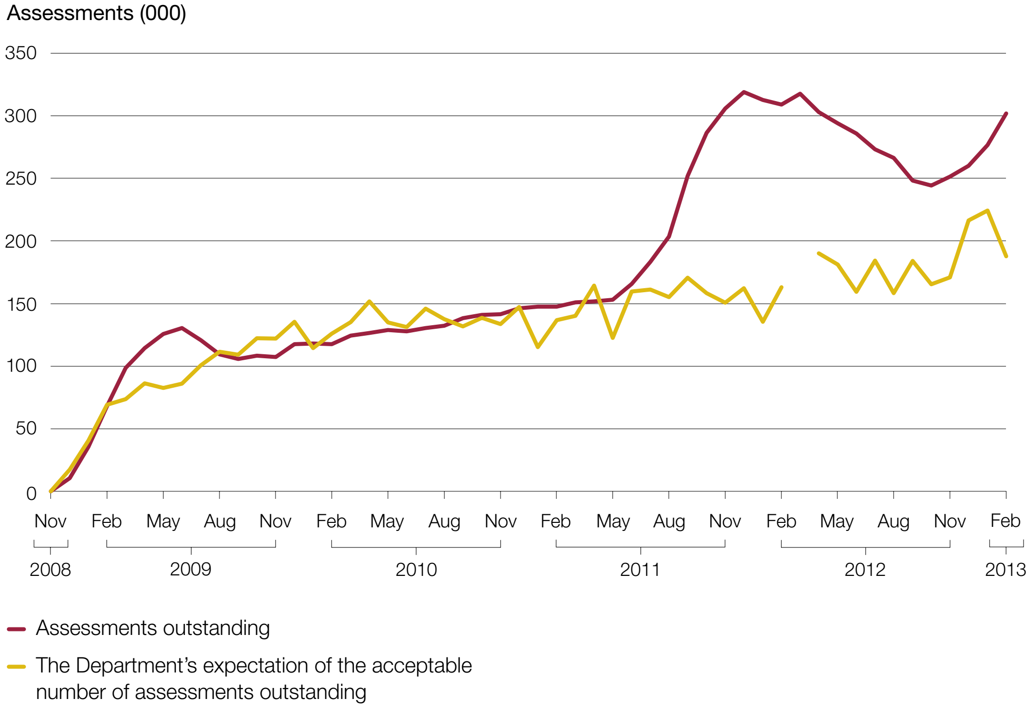
3.6 Variation will always be expected with new systems and processes. Some variances can be explained by an expected improvement period as people become familiar with the system, others will be early indicators of more significant flaws. Without understanding the reasons behind variances and having the right leading indicators in place the Department will find it difficult to determine whether it can cope with variances.

3.7 Medical assessments are an example of where a better understanding of management information and leading indicators might have helped to identify emerging problems. The Department monitored the total claims outstanding against its expectations if processes operated as planned for Employment and Support Allowance claims (**Figure 8**). It did not adopt a similar indicator or monitor how long claims were taking for Personal Independence Payment until June 2014. Interim management information had begun to show trends in performance, such as an increasing number of outstanding cases in June 2013. The Department took several weeks to identify delays when it realised assessment providers were not meeting expected performance levels.

Figure 8

Employment and Support Allowance claims

The Department compares outstanding assessments with estimates of manageable workloads



Notes

1 Assessments for new Employment and Supports Allowance claims started in 2008. Incapacity Benefit reassessments started in March 2011.

2 The Department expected some claims to be outstanding at each stage of the process. Data do not include an expectation of the acceptable number of assessments outstanding in February 2012.

Source: Department for Work & Pensions

3.8 When the Department introduced Personal Independence Payment it also did not collect data on staff productivity or break down data between claims following different processes. It has subsequently introduced these measures and identified ways to make processes more efficient and provide better information for claimants.

3.9 As well as monitoring programme performance, the Department needs to understand how programmes are getting on and develop indicators to assess progress. This will inform decision-making and encourage accountability. During the early years of Universal Credit the Department did not initially have any adequate measures of programme progress. It had not considered how to track progress under agile methods with incremental development, which requires more sophisticated measurement and evaluation to demonstrate value in the early stages of a project, alongside existing measures.

Developing clear milestones while acknowledging risks

3.10 With uncertain operational performance and behavioural responses, the Department will often need to evaluate progress and reassess plans. The early expectations and timetables that the Department sets out in business cases and operational plans will change. The use of agile project management techniques also means Departments need to think differently about governance and iterative project development.

3.11 On first glance there is a tension here. How can the Department reflect the uncertainty of welfare reform programmes when it presents detailed business cases? In our view the Department should be able both to develop transparent plans and also to reflect appropriate points where flexibility may be needed. The Department should be able to set out clear milestones, recognise openly it has not met expectations, have clear criteria for changes to plans and track where and why its plans have changed. The more uncertain and complicated the programme, the more important it becomes for the Department to be clear about what it is trying to achieve at any point in time and to identify tangible milestones.

3.12 Recent experience shows how the Department can balance clear plans with flexible responses (**Figure 9**). The Department initially struggled to monitor the progress of child maintenance 2012 scheme reforms. Our report *Child Maintenance and Enforcement Commission: Cost reduction* found that the Department could not explain changes in its budgeted costs.[9] After reorganising the programme management the Department developed much clearer control over plans. When the Department postponed and altered the introduction of the scheme several times further, it made these decisions upfront and based on clear operational criteria.

9 Comptroller and Auditor General, *Child Maintenance and Enforcement Commission: Cost reduction*, Session 2010–2012, HC 1793, National Audit Office, February 2012.

Figure 9
Welfare reform timetables

The Department has changed welfare reform timetables in different ways

	Child maintenance 2012 scheme	Personal Independence Payment	Universal Credit
Planned start date	October 2012	April 2013	April 2013
Planned end date	December 2015	31 March 2016	2020
Main timetable changes	New claims rolled-out in December 2012 (two months later than planned)	Disability Living Allowance claimant reassessment postponed from October 2013 in 75% of areas. Full details of gradual roll-out unconfirmed	End date for transfer of existing benefit claims extended to December 2019 (two years later than planned)
	Charging and case closure rolled-out in June 2014 (12 months later than planned)	Date to begin mandatory reassessments (October 2015) and end date unchanged	Scope of early system roll-out limited
Trigger for change	Operational readiness assessment identified the need for further testing	Backlogs processing new claims	Major Projects Authority expressed serious concerns
			Programme management failings

Note

1 Original planned dates based on the strategic outline business case. End date refers to the planned project end date as at May 2015.

Source: Comptroller and Auditor General reports: *Child maintenance 2012 scheme: early progress*, Session 2014-15, HC 173, June 2014; *Personal Independence Payment: early progress*, Session 2013-14, HC 1070, February 2014; and *Universal Credit: progress update*, Session 2014-15, HC 786, November 2014

3.13 By contrast our report *Universal Credit: early progress* found that the Department allowed early indicative timetables to become fixed targets with no significant consideration of alternatives.[10] The Department subsequently adopted more realistic plans and, in September 2014, the strategic outline business case was approved. But in our update report we found that the Department's new 'test and learn' approach was still evolving. The programme board recognised the need for clearer milestones against which to plan and assess progress.[11]

3.14 The challenge for the Department is not to avoid ambitious targets and introduce all programmes slowly, but it should have an appropriate assessment of the risks that timetable decisions create and be explicit on the trade-offs resulting from decisions to change timetables. The Department introduced Personal Independence Payment quickly, partly to achieve projected savings to benefit spending. This limited the time available to engage with stakeholders and test assumptions. Even where the Department slows down implementation to reduce operational risks, the impact of these decisions needs to be evidence-based and transparent.

Reducing risks through phasing

3.15 The Department has clearly recognised that 'big bang' starts will not always be appropriate. It has tried to stagger the implementation of most major programmes, and only introduced 'big bang' reforms for changes where it is operationally appropriate or required under legislation. Other programmes have adopted a variety of different approaches to implementing reforms (**Figure 10**). A challenge for the Department is to fully understand each implementation approach so it can determine the most appropriate way to introduce each reform.

3.16 Phased implementation (or controlled starts) can help reduce specific implementation risks. Recent experience shows the Department has not always managed the substance of phasing implementation successfully. In our report on the child maintenance 2012 scheme we found that the Department had introduced the new scheme carefully and safely through using different stages of implementation.[12] In introducing Personal Independence Payment, the Department did not identify the most significant risks to test. It used a phased start to test early parts of the process but did not allow enough time between phases to assess performance across the full benefit process before it increased volumes (**Figure 11** on pages 28 and 29). Backlogs developed undetected early in the programme and the Department did not have sufficient time to resolve problems before the next stage of implementation.

10 Comptroller and Auditor General, *Universal Credit: early progress*, Session 2013-14, HC 621, National Audit Office, September 2013.
11 Comptroller and Auditor General, *Universal Credit: progress update*, Session 2014-15, HC 786, National Audit Office, November 2014.
12 Comptroller and Auditor General, *Child maintenance 2012 scheme: early progress*, Session 2014-15, HC 173, National Audit Office, June 2014

Figure 10
Implementation approaches

The Department has implemented welfare reforms in different ways

Implementation approach		Work Programme	Employment and Support Allowance	Child maintenance 2012 scheme	Personal Independence Payment	Universal Credit
Pathfinder	Help design and develop policies and processes	No	Yes	Yes	No	Yes
Phased	Introduces process in incremental stages by staggering:					
	a) volumes based on:					
	• Geographical region	No	No	No	Yes	Yes
	• Claim/application type	No	Yes	Yes	No	Yes
	• New/reassessment	No	n/a	Yes	Yes	Yes
	b) significant IT, process and policy changes	No	Yes	Yes	Yes	Yes
Big Bang	Introduces a complete system and process to all claimants at single point in time	Yes	No	No	No	No

Notes

1 The Department treated the introduction of Employment and Support Allowance and Incapacity Benefit reassessment as two distinct programmes. Figure summarises the Department's approach to implementing Incapacity Benefit reassessments from October 2010. It introduced Employment and Support Allowance for new claims through a big bang approach in 2008.

2 'Claim/application type' refers to applications being made by people with different characteristics such as, those who are single or in relationship; or with a certain number of children. 'New/reassessment' distinguishes between new claims and those from applicants no-longer eligible or requested by the Department to transfer from an existing benefit.

3 'Significant IT, process and policy changes' refer to introducing new elements to the whole population. This includes, for example, the child maintenance 2012 scheme introducinged charging, a significant element of the process, to all claimants once the new scheme had been fully introduced and the Personal Independence Payment programme deciding in 2012 to delay development of online functionality. It does not include IT refreshes and system updates.

4 Legislative requirements can influence the Department's implementation approach.

Source: National Audit Office review of Department for Work & Pensions business cases

Figure 11
Phased implementation approaches

The Department has controlled the introduction of claimant volumes differently

Child maintenance 2012 scheme

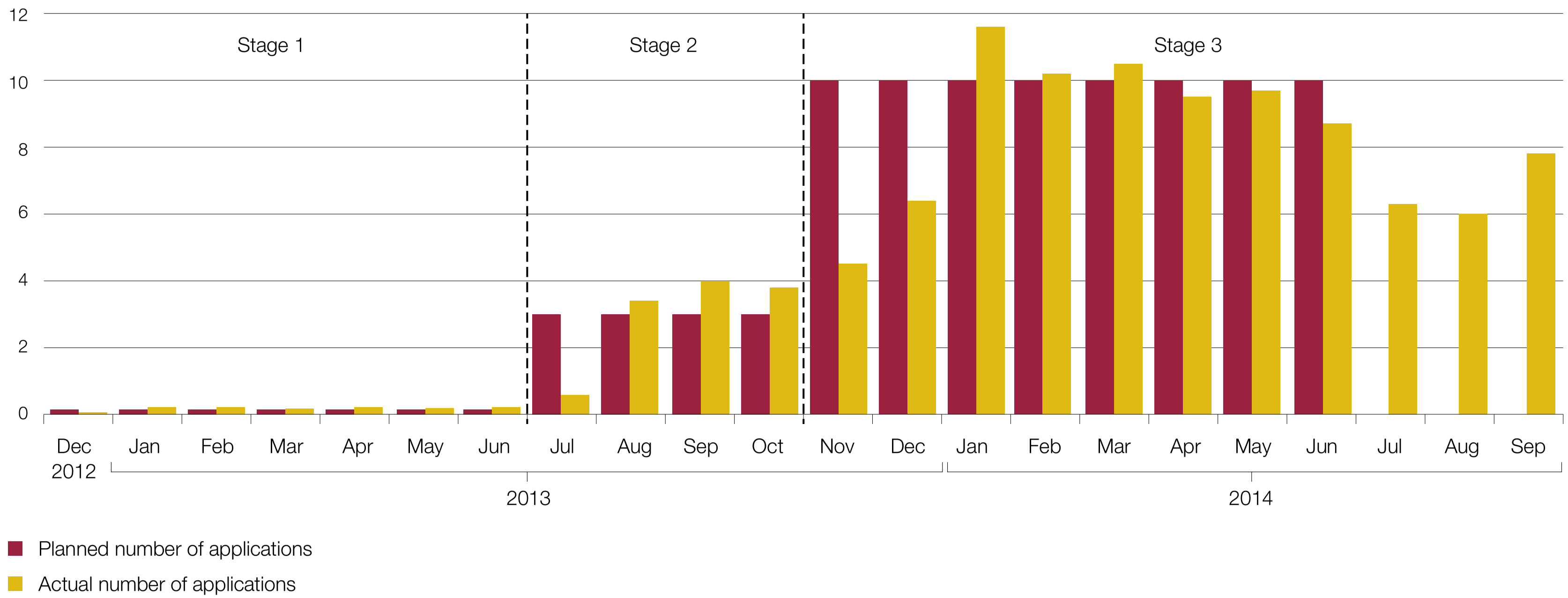
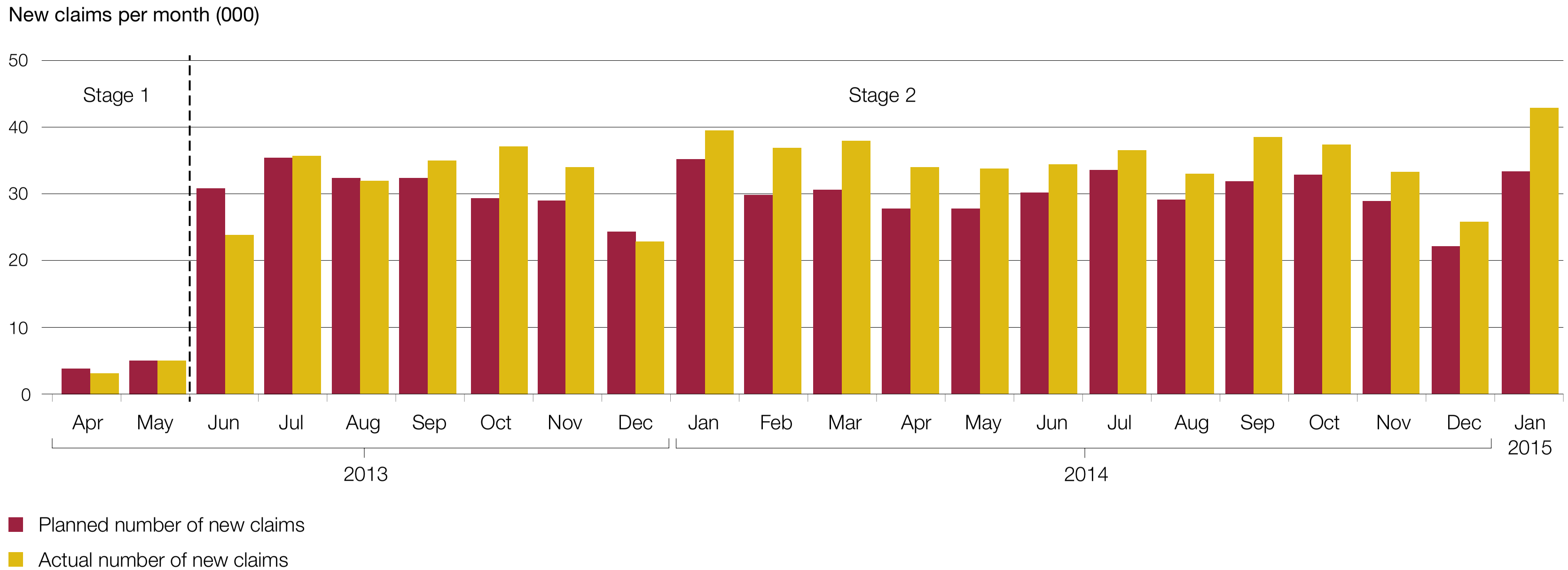


Figure 11 *continued*

Phased implementation approaches

The Department has controlled the introduction of claimant volumes differently

Personal Independance Payment



Notes

1 Child maintenance: Stage 1 involved considering a small volume of complex claims (only cases with 4 or more children). To reduce operational risks, the Department delayed implementation from December 2012 to July 2013. Stage 2 rolled out the scheme to claims covering 2 or more children. The Department delayed stage 2 from July 2013 to July 2014 to respond to policy changes, undertake further testing and continue contractual discussions.

2 Personal Independence Payment: On 8 April 2013 the Department introduced stage 1 as planned for new claims in parts of the North of England to assess early parts of the process, including the new IT system, staff guidance and the telephone application process. Stage 2, in June 2013 as planned, expanded Personal Independence Payment to all new claims.

Source: Comptroller and Auditor General, *Child maintenance 2012 scheme: early progress*, Session 2014-15, HC 173, June 2014; Comptroller and Auditor General, *Personal Independence Payment: early progress*, Session 2013-14, HC 1070, February 2014.

3.17 In setting out a phased start to a programme, the Department should consider what it is hoping to learn from the process rather than assuming phasing will allow a reactive response to any problems. Its particular approach should be tailored to the programme risks identified. The Department should build on the work it has done – to set out its strategic objectives, identify critical assumptions, and manage capacity risks – to identify critical decisions throughout implementation. Recent experience suggests that alongside legislative requirements, the Department should consider several specific factors including:

- **The length of the operating cycle.** The time between claimants or applicants making an application and receiving a decision varies across benefits. For example, child maintenance applicants do not require a face-to-face assessment and should receive a decision within a month, compared with an initial expectation of 74 days for Personal Independence Payment claims. The Department can learn more quickly through phasing when the end-to-end process is shorter.

- **The local variations in capacity.** The Department has experienced particular problems with Employment and Support Allowance and Personal Independence Payment assessments in specific geographic areas where there are shortages of trained assessors.

- **The speed of response to problems.** Disability benefit claims involve assessments conducted by contracted-out healthcare practitioners. A limited pool of practitioners and a 6-month training time mean capacity cannot increase as quickly as in, for example, the Work Programme. Here, caseworkers take less time to train and the frequency and nature of services is more adaptable. The Department will need greater assurance over less flexible processes before implementing for large claimant numbers.

- **Alternative ways to manage process uncertainties.** Phased implementation is only one way to reduce uncertainties. Claimant consultation and system testing could reduce uncertainties by improving the understanding of how processes work. Using more staff during implementation will mitigate the risks of uncertainties. During the early implementation of Universal Credit live service in September 2013, the Department had 1 staff member for every 7 claimants. As caseloads increased, and systems were developed and tested, this ratio rose to 16 in September 2014 and is expected to rise to 37 claimants per staff member by September 2015.

3.18 The Department has also used other implementation approaches such as ‘test and learn’ to introduce reforms gradually. In contrast to ‘controlled starts’ (which test and confirm that developed processes work as intended), ‘test and learn’ allows for the incremental design and development of polices and systems during live running. In our report *Universal Credit: progress update* we noted that the uncertainty and ambiguity of this approach created additional implementation risks.[13] The Department expected this approach to help it learn from live running and inform the development of a digital service alongside achieving some benefits as early as possible.

13 Comptroller and Auditor General, *Universal Credit: progress update*, Session 2014-15, HC 786, National Audit Office, November 2014.

Appendix One

Our audit approach

1 This report drew together lessons based on the Department for Work & Pensions' (the Department) recent experience implementing welfare reform. It considered the recent context for welfare reforms (Part One), how the Department anticipated challenges implementing welfare reform (Part Two), and how the Department responded to challenges (Part Three).

2 We highlighted what we have learnt about implementing welfare reform based on our recent assessments of welfare reforms and past value-for-money reports. We did not assess the value for money of the overall, or individual, welfare reform programmes; or the extent to which the Department has responded to issues identified in previous reports. Nor did we provide an update on progress or evaluate recent performance. We did not provide a value-for-money conclusion, but concluding remarks outlining areas for the Department to consider going forward.

3 The report considered the practical implications of implementing reforms rather than providing a prescriptive set of guidance or 'golden rules'. It sets out some of the reasons why widely accepted good practice standards have been difficult to implement and achieve across the welfare reform programme. The lessons identified do not provide an exhaustive list but explore specific aspects of implementation in more detail.

4 To organise our findings we used the National Audit Office's core management cycle. The cycle provides a high-level indication of the activities we would expect at each stage of a programme or management cycle. The cycle can apply across individual programmes or repeatedly across different stages of a programme. Our audit approach is summarised in **Figure 12** overleaf.

Figure 12
Our audit approach

The government's objectives

Through the welfare reform programme the Department aims to provide a fairer and more affordable welfare system where it pays to work, the most vulnerable are protected, parents are supported to work in the best interests of their children and public spending is put on a more sustainable footing.

How this will be achieved

The Department aims to achieve this through a series of welfare reforms. This incudes 'encouraging work' through Universal Credit and Work Programme; 'promoting saving for retirement' through pensions reforms; 'enabling disabled people to fulfil their potential' by introducing Employment and Support Allowance and Personal Independence Payments; and 'raising the importance of family in providing the foundations of every child's life' (child maintenance).

Our study

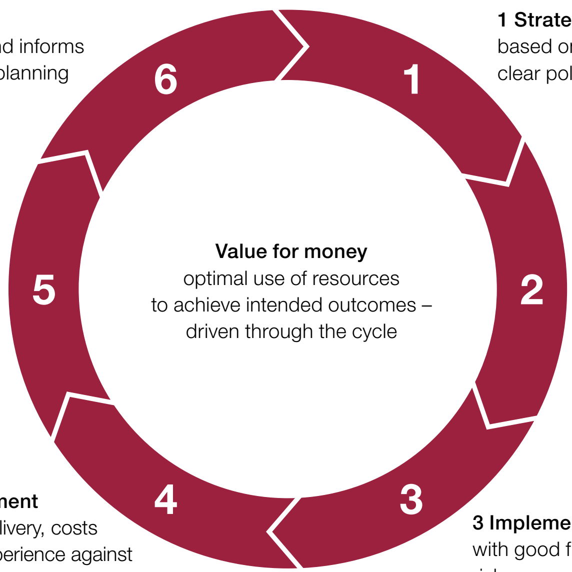
Based on our past work across significant welfare reforms, we identify what we have leant about what has gone well and less well implementing welfare reforms. We provide insights on the practical implications of implementing reforms and do not assess the value for money of the welfare reform programme or individual reforms. We do not evaluate recent performance but draw from our work on early programme implementation.

Our framework

The core management cycle

6 Feedback
amends priorities and informs future strategy and planning

1 Strategy
based on evidence with clear policy goals



5 Evaluation
of implementation against strategic goals

2 Planning
with agreed priorities, resources, management information and programme management in place

4 Measurement
of quality, delivery, costs and user experience against benchmarks and targets

3 Implementation
with good financial management, risk management, governance and controls in place

Source: National Audit Office, *A short guide to structured cost reduction,* June 2010

Our evidence
(see Appendix Two for details)

To identify lessons learned we:

- analysed audit evidence from our previous work on welfare reforms;
- reviewed external and internal guidance to understand best programme management practice;
- consulted with external stakeholders to gain their insight and discuss our findings; and
- discussed with senior officials at the Department.

Appendix Two

Our evidence base

1 From October 2014 to April 2015 we developed our lessons learned through:

- analysing audit evidence from our recent reports and work on welfare reform. We drew on our work on Housing Benefit, the child maintenance 2012 scheme, Work Programme, Universal Credit, Personal Independence Payment and Employment and Support Allowance;[14]
- consulting with stakeholders to develop broader insights into how welfare reform implemented and refine our insights. This included a range of claimant support groups, think tanks and interest groups; and
- considering programme management guidance to understand how our lessons fit with existing principles. This includes internal guidance, such as *Initiating Successful Projects* and *Common Causes of Project Failure*, and external guidance, for example *PRINCE2* and *Directing Change*.[15]
- discussions with senior officials at the Department, who shared their views of the main lessons learned from recent programmes. In particular we held several open discussions with the senior responsible owners for each of the programmes mentioned in this report and the Accounting Officer for the Department.

2 We have relied largely on our past audit reports to understand the implementation of welfare reform. Past work provides a sufficiently strong and comparable evidence base to identify different approaches and what works well and less well. We requested audit evidence from the Department for Work & Pensions (the Department) in August and November 2014. This would have allowed us to validate or comment on the Department's performance more broadly and how they have subsequently addressed issues identified in previous reports. However, the Department failed to send the evidence despite requests.

14 Comptroller and Auditor General reports: *Housing Benefit fraud and error*, Session 2014-15, HC 720, October 2014; *Child Maintenance 2012 scheme: early progress*, Session 2014-15, HC 173, June 2014; *The Work Programme*, Session 2014-15, HC 266, July 2014; *Universal Credit: early progress*, Session 2013-14, HC 621, September 2013; *Universal Credit: progress update*, Session 2014-15, HC 786, November 2014; *Personal Independence Payment: early progress*, Session 2013-14, HC 1070, February 2014.

15 National Audit Office, *Initiating successful projects*, December 2011; National Audit Office, *Common Causes of Project Failure;* Association for Project Management, *Directing Change: A Guide to Governance and Project Management*, October 2011; Axelos, *Managing Successful Projects with PRINCE2 Manual*, March 2002.

3 Following receipt of a draft report in April 2015, the Department provided some evidence on how it has tried to address issues identified in previous reports and how other welfare reforms have considered these themes. In the Department's view it has made progress across programmes since the time of our initial reports. This includes addressing concerns about programme management on Universal Credit and reducing the time taken to process Personal Independence Payment claims.

4 Given the selective nature of the evidence provided and the limited time to review a wide range of programmes, we were unable to audit the evidence or consider the additional information in detail. We have acknowledged some recent developments based on published information and statistics in Part One of the report. And we will review several elements of the Department's progress implementing welfare reforms through our audit programme over the next few years.

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