National Audit Office

Report
by the Comptroller
and Auditor General

Department for Work & Pensions

Welfare reform – lessons learned

HC 77 SESSION 2015-16 29 MAY 2015

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.