



National Audit Office



REPORT

The Restart scheme for long-term unemployed people

Department for Work & Pensions

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National Audit Office

The Restart scheme for long-term unemployed people

Department for Work & Pensions

Report by the Comptroller and Auditor General

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Gareth Davies
Comptroller and Auditor General
National Audit Office

29 November 2022

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The National Audit Office study team consisted of:


Christopher Barrett,
James Ball, Kyra Medcalf,
Manvinder Sagoo,
Marcus Popplewell and
Sarah Hugh, under the
direction of Joshua Reddaway.

For further information about the National Audit Office please contact:

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

 020 7798 7400

 www.nao.org.uk

 @NAOorguk

Key facts

£1.68bn

revised total cost estimate for Restart contracts, 65% of the the original estimate of £2.58 billion

692,000

the number of people now expected to participate in Restart, 48% of the original forecast of 1.43 million

£2,429

expected cost to DWP for each person taking part in the Restart scheme, a third higher than the amount stated in the Restart business case of £1,800

£2.44:£1

the benefits DWP expects Restart to achieve per £1 spent. This is down from £3.80:£1 set out in its business case

2021–2025 the length of the Restart programme, with the last referrals expected in June 2024 and the last participants finishing in June 2025

36% the proportion of participants DWP estimates that Restart is currently on course to support to achieve job outcomes, against DWP's expectation of 31% for these participants over the life of the contract

43% the proportion of potential participants that DWP work coaches have so far found eligible and suitable for the scheme. DWP expected this to be 82%

£2.3 billion the total net economic and social benefits DWP expects the Restart scheme to generate, down from £6.8 billion at the business case stage

8 prime employment support providers contracted by DWP to deliver Restart scheme employment support, across 12 contract package areas in England and Wales

77 the total number of providers, including subcontractors

Summary

1 The Department for Work & Pensions (DWP) is responsible for achieving the government's aim of maximising employment across the country. The COVID-19 pandemic brought large amounts of uncertainty to the labour market. Between March and August 2020, at the start of the COVID-19 pandemic, the number of people claiming unemployment benefits more than doubled, and the number of job vacancies in the economy declined. The Office for Budget Responsibility (OBR) produced a Coronavirus reference scenario in July 2020, which concluded that unemployment would increase from 4% before the pandemic to a peak of 11.9%. Subsequent forecasts by the OBR saw the expected peak in unemployment reduce and arrive later.

2 DWP set up the Restart scheme to help people made unemployed by the COVID-19 pandemic. The government announced that there would be a new large-scale provision for long-term unemployed people in the July 2020 *Plan for Jobs* and announced £2.9 billion of funding for the Restart scheme in the November 2020 Spending Review.

3 At that time, DWP intended that Restart would “provide intensive and tailored support to more than one million unemployed people and help them find work” by providing up to 12 months of tailored support for each participant. DWP initially targeted the scheme at people who were required to search for work as part of their Universal Credit claim, and who had been unemployed for between 12 and 18 months. DWP expected that Restart would support around 1.43 million people. The last Restart participants are expected to start the scheme in June 2024 and finish in June 2025.

4 Under Restart, DWP pays eight prime contractors across 12 contract areas (referred to as contract package areas) that cover England and Wales, to provide coaching and tailored support to participants. The contracts are hybrid ‘payment by results’ contracts, which means the amount that each contractor receives depends largely on the number of people moving into sustained work, although there is also a fixed delivery fee. Prime contractors choose how to support people and are also able to subcontract some or all of the support. Including the subcontractors, there are a total of 77 providers.

5 Shortly after Restart was launched, DWP realised that its work coaches were referring far fewer people to the scheme than it had expected. In response, DWP widened the eligibility criteria for the scheme to increase the number of people who would be referred, and renegotiated contracts. DWP now expects Restart contracts to cost £1.68 billion and that around 692,000 people in total will start on the scheme. This is 65% of the original expected value of the contracts, to help 48% of the original expected number of participants. This inevitably reduced the strength of the business case for Restart.

Scope of our report

6 This report builds upon our June 2021 report, *Employment support*,¹ which presented an overview of the impact of the COVID-19 pandemic on the labour market and DWP's response; and our November 2021 report, *Employment support: The Kickstart Scheme*,² which looked in more detail at DWP's employment response for young people. It looks at the Restart scheme, DWP's employment support response for people who are long-term unemployed, in the light of the reduced demand and decision to renegotiate the contracts. Our report covers whether:

- DWP set up Restart to meet the needs of long-term benefit claimants (Part One);
- DWP did enough to understand the demand for the scheme (Part Two);
- DWP's commercial approach for Restart was appropriate (Part Three); and
- DWP still has a strong economic case for Restart (Part Four).

7 Our methodology and evidence base are set out in Appendix One.

Key findings

Whether Restart meets the needs of long-term benefit claimants

8 DWP established Restart in a fast but practical timeframe. Between HM Treasury (HMT) announcing £2.9 billion of funding for Restart in November 2020 and the launch of the scheme eight months later in June 2021, DWP completed the design, procurement and set-up of Restart. This is a reasonable timeframe compared with other similar programmes we have seen and is in line with Cabinet Office best practice for a scheme of this complexity. It ensured that Restart was ready around three months after the earliest people who started claiming Universal Credit during the first COVID-19 lockdown became eligible (paragraph 1.5 and Figure 1).

¹ Comptroller and Auditor General, *Employment support*, Session 2021-22, HC 291, National Audit Office, June 2021.

² Comptroller and Auditor General, *Employment support: The Kickstart Scheme*, Session 2021-22, HC 801, National Audit Office, November 2021.

9 In designing Restart, DWP built upon previous schemes that had shown success in getting people into work. Restart built upon DWP's 2011–2017 Work Programme. DWP's evaluation of the Work Programme showed participants spent on average an additional 46 additional days in employment over people who did not participate in the scheme, in the two years after they started on the scheme. For Restart, DWP introduced improvements such as using data from HM Revenue & Customs to confirm that people have moved into work and customer service standards to help prevent participants that are harder to help being 'parked' by providers. It also drew on the Cabinet Office's 2020 *Outsourcing Playbook* and introduced 'should cost modelling' (to predict providers' costs) and 'open book accounting' (requiring providers to show their actual costs) to give insights on whether it is paying a good price and has set appropriate incentives (paragraphs 1.7 and 1.8, and Figure 3).

10 Providers give Restart participants more intensive and structured support than participants already get from DWP while they are on Universal Credit. Participants on Restart can expect to talk with their jobcentre work coach and their Restart provider at least fortnightly, although meetings with Restart providers are longer. Both DWP and providers try to understand what barriers a participant faces to work and will sometimes agree similar actions with the participant to overcome these. But while Restart and the DWP jobcentres offer similar help, Restart is designed to more systematically identify the particular barriers to work that a participant faces, and then offer the participant, or refer the participant to, appropriate support to address those barriers (paragraphs 1.9 to 1.11, and Figure 4).

11 Providers' systems to deliver Restart are not integrated into the Universal Credit system that DWP work coaches use. Participants often have to update the provider and DWP on the actions they are taking with the other to find work because there is no set mechanism to share this information. Participants are also required to give the provider lots of details about themselves that they have already told DWP, in an initial 'warm handover' conversation. This leads to inefficiency and means that participants may find the process duplicative and not as productive as it might be. However, it would not have been possible for DWP to integrate the provider systems and its own Universal Credit system in the timescale of the procurement (paragraphs 1.9 to 1.13 and Figure 4).

12 So far, providers have had more success in getting participants into work than DWP had expected. DWP's contracts with providers set out an expectation for the percentage of participants that will achieve a 'job outcome', where a participant has received earnings equivalent to 16 hours a week on the National Living Wage for six months. Using its expectations about how long it will take Restart participants to find sustained work, DWP estimates that providers are on course to deliver 'job outcomes' for 36% of participants who had started Restart by September 2022, against the expectation it set out in the original contracts of 31% for these participants over the life of the contract. This is in the context of historically low unemployment and high vacancies as the economy has opened after the COVID-19 lockdowns. While providers are being successful in supporting people into work, it will not be clear how many of these people would have found work anyway until DWP completes its evaluation of the programme (paragraphs 1.15 and 1.16).

Whether DWP did enough to understand the demand for the scheme

13 Restart is now expected to help around half the people it had initially expected to (692,000 participants rather than 1.43 million). This is because:

- there are fewer eligible claimants than DWP expected. DWP had based its expectations on the OBR Coronavirus reference scenarios, which indicated a steep expected rise in unemployment. The rise in unemployment was far less steep than expected (a post-COVID-19 peak so far of 5.2%, against an OBR scenario peak of 11.9%);
- not all eligible claimants are suitable. DWP had assumed that most (82%) of potentially eligible claimants would be deemed suitable by its work coaches. In practice, work coaches have referred far fewer (43%) claimants identified as eligible to Restart than was expected; and
- not all those referred attend. Around one-fifth of those claimants who have been referred to Restart have not yet started on the scheme. This means that around 35% of those flagged as eligible by the Universal Credit system have gone onto start with a Restart provider.

The number of people expected to start on Restart also reflects that, after realising that fewer people were starting the scheme, DWP expanded the eligibility rules. This increased the expected number of participants, but on average, the newly eligible participants were expected to be closer to employment and therefore benefit less from Restart (paragraphs 2.4 to 2.7 and Figure 5).

14 DWP did not plan how to manage Restart with so many fewer people than expected starting on the scheme. Based on the economic forecasts at the time, DWP expected there to be more people who would benefit from Restart than could go on the scheme and focused on how it would manage this presumed excess demand. While the payments by results element of the contract means that the amount DWP pays to providers varies with the number of people going onto the scheme, DWP did not set out its approach for a scenario of such significantly lower demand than expected. This meant it gave limited consideration to contractual mechanisms to reduce costs further if demand was significantly lower or to an option to expand eligibility, without renegotiating the contracts. DWP told us it did not know what these mechanisms would be and that they would have increased the cost of the contracts (paragraphs 2.2 to 2.5).

15 We saw work coaches using their knowledge of the claimant's circumstances to make decisions about whether they were suitable for Restart. This included information such as the claimant's living circumstances or mental health. The type of information work coaches use to make these decisions is not generally recorded in DWP's systems in a way that can be easily analysed, and DWP does not have access to this type of information centrally when it designs employment support schemes (paragraphs 2.7 to 2.10 and Figure 6).

16 Work coaches referred fewer claimants than DWP expected because they found the claimant's circumstances had changed or because they used their knowledge of the claimant to determine that Restart was not suitable. DWP introduced a process to help ensure that people who were both eligible and suitable get referred to the scheme. Of the potentially eligible claimants that work coaches were asked to consider but who were not referred to Restart, work coaches found 43% were no longer eligible by the time they considered them (for example, because they had found work or no longer needed to search for work as part of their benefit claim) and 57%, in the work coach's opinion, were not suitable for Restart (paragraphs 2.7 to 2.10 and Figure 6).

Whether DWP's commercial approach for Restart was appropriate

17 DWP managed the market well to achieve its aim of supporting providers to build their capacity and share best practice. Its spending on employment support had fallen significantly since 2010-11, leaving the employment support market with a lower capacity to deliver large-scale schemes. DWP decided to adopt a commercial approach that emphasised cooperation and building capacity and meant that it had to focus less on competitive pressures on price and performance. Restart providers praised the procurement and said the early payments in the Restart contracts ensured they had the required working capital to increase their capacity and be ready for the launch of the scheme (paragraphs 3.2 to 3.5 and Figures 7 and 8).

18 The focus on building capacity and cooperation meant DWP had to focus less on creating competition on price and performance. In response to previous criticism that contractors had bid at unrealistic prices, DWP set a minimum price and all the successful bidders offered this. Some providers work across contract package areas, which has helped facilitate the sharing of best practice, but reduces competition between package areas. For example, DWP only collects contract management information at a contract package area level and not by provider. Consequently, DWP has to rely more on its 'should cost' and 'open book' provisions to ascertain that it is paying the right price and its contract management to ensure performance is appropriate (paragraphs 3.2 to 3.5 and Figures 7 and 8).

19 The contracts should incentivise better performance, but there remains a risk that providers will focus more on people that are easier to help. It is not easy to design efficient payment by results incentives for employment support because it is difficult to identify the precise value added by each provider. DWP introduced a fixed fee so providers could build their capacity as well as an outcome fee dependent on how many participants go into work. However, the providers' revenue, net profit, and profit margin remain to a large extent determined by factors outside their control including the number of participants DWP refers to Restart and the strength of the local labour market. Our modelling also shows that providers are incentivised to increase job outcomes, if they can do so without significantly increasing their costs. However, if increasing job outcomes significantly increase providers' costs, then they will be incentivised to focus solely on those that are easier to get into work (paragraphs 3.6 to 3.9).

20 DWP introduced nine new customer service standards which providers have mostly failed to meet. These are designed to reduce the likelihood of providers solely focusing on people who are easier to get into work. They mostly focus on how often and how well providers interact with participants and include a measure of customer satisfaction. Providers average performance has been below the expectation for six of the eight standards DWP currently has data for, though there have been significant improvements in performance over the life of the scheme. By October 2022, DWP had deducted 0.8% (£2.3 million) from the delivery fees it had paid to providers due to poor performance against the standards, with a further 1.9% (£5.6 million) of fees deferred until the providers can demonstrate an improvement. Providers told us that meeting the standards was difficult because participants were not always engaging in the programme in the way expected and the administrative burden of demonstrating that they had met the standards hindered their ability to achieve a good customer experience. It is not clear what impact the failure to meet the standards is having on job outcomes or whether it shows that providers are focusing on people who are easier to get into work (Paragraphs 3.10 to 3.15 and Figure 9).

21 DWP did not require providers to set up consistent management information on the customer service standards. Instead, DWP assesses the standards by reviewing a sample of cases. DWP told us this was because it did not have time to ensure providers established consistent management information systems before the contracts went live. The sampling methodology means there is at least a five-month delay before it can assess whether all have been met. (Paragraph 3.13 and Figure 9).

22 Between January and July 2022 DWP renegotiated the contracts with providers but was unable to achieve a significant reduction in price. In response to the lower demand for Restart, DWP renegotiated the contracts to:

- ensure Restart service provision was maintained at the required level of quality;
- reduce the risk of disputes with providers, which could potentially escalate to legal challenge; and
- reduce the risk of individual providers seeking separate individual and unplanned renegotiations.

While DWP went into the negotiations well prepared, it could only make limited savings, partly because providers had entered into fixed-term contracts (such as rents on large properties) based on the expected high volumes of participants and partly because it could not easily set up alternative provision. The lower number of participants meant that DWP would expect to pay £1.71 billion if it did not renegotiate the contracts. It agreed a £27 million reduction to this through the renegotiations and now expects to pay £1.68 billion in total (paragraphs 3.17 to 3.22 and 4.2, and Figure 10).

Whether DWP still has a strong economic case for Restart

23 The average expected cost per participant has now increased from £1,800 to £2,429, making Restart more expensive than similar programmes. After taking account of inflation, the average expected cost per participant on Restart is greater than both the Work Programme (which ran from 2011–2017 and cost £1,760 per person in 2021-22 prices) and the Work and Health programme (2017–2022, at £1,560 per person in 2021-22 prices). These programmes offered similar support to Restart but the support lasted for a longer period. Recent increases in inflation will reduce the real terms cost of Restart to the Department because under the contracts the providers will bear the cost of inflation such as staff pay rises. Whether this improves value for money depends on whether the providers can bear these costs without performance falling (paragraphs 4.2 to 4.4 and Figure 11).

24 DWP now estimates that Restart will achieve £2.44 of social benefits per pound spent, down from £3.80 per pound expected in the business case. This represents a reduction in net benefits of Restart from £6.8 billion to £2.3 billion. The reduction is due to fewer people going onto the scheme, the higher cost per person, and because DWP expanded Restart to include participants more likely to find work without Restart support, on average. The lower number of scheme participants than DWP expected has also forced DWP to reconsider its impact evaluation plans to confirm these net benefits. While this new plan may not provide as much assurance on the net benefits achieved, it believes this will be sufficient to assess whether the programme has had the positive effect intended (paragraphs 4.5 to 4.8 and Figure 12).

Conclusion on value for money

25 Restart provides a useful service to help the long-term unemployed gain employment, which based on the impact of previous schemes will have significant net benefits to the wider economy. DWP has also improved its contracting since its previous similar scheme, the Work Programme, and helped its work coaches to target Restart at those claimants it is most suitable for, within the eligibility requirements it has set.

26 However, we believe Restart could have cost less. Given the economic forecast in 2020, DWP reasonably expected demand to be high. It had to support providers to build capacity to meet that demand after a period of limited spending on employment support, so DWP could not place as much emphasis on competition as it otherwise would. But DWP did not properly assess how many of its claimants would be suitable for the programme or plan for the possible scenario of significantly lower demand before it entered into contracts. This left it with fewer options to reduce the cost when demand was lower. As a result, Restart is more expensive per person than originally intended and more expensive per person than previous similar schemes.

Recommendations

27 DWP is likely to use an employment support scheme such as Restart again in the event of another economic shock. It should learn from the experience of Restart to ensure it is better prepared and able to scale up and down capacity as required. We recommend that DWP:

- a improve its scenario-planning for contracts.** It should consider now whether current economic forecasts suggest that demand for Restart will increase and whether it needs to adapt the programme and engage providers. It should improve its scenario-planning for future contracts to cover all reasonable scenarios that would affect the way the contracts work;

- b improve participants' customer journey between the job centre and provider for future contracted-out employment support programmes.** This will require a better flow of information between jobcentres and providers so that they can coordinate their efforts to support the participant and the participants do not need to repeat information. It would likely include information on barriers to work and actions being taken to address them;
- c gather and use provider information to evaluate Restart and inform future provision.** This should include information from the providers on participants' barriers to work and how these have changed while on the programme, so that DWP can identify specific areas of need and inform its understanding of how Restart has addressed specific barriers to work;
- d improve its understanding of which claimants are suitable for employment support.** It should use the data it has collected on people who were not referred to Restart to help inform expectations about the number of claimants who would benefit from future schemes. It should also consider how it will forecast and monitor suitability in future schemes, including whether more indicators of suitability can be recorded on the Universal Credit system;
- e consider reducing the level of contact participants have with jobcentres.** It should update its assessment of the cost-effectiveness of participants continuing to attend both the provider and the jobcentre fortnightly, taking into account the impact on the participant's incentives to search for work and the cost of work coaches' time, so that it can decide if there are efficiency savings to be had or whether this would be a false economy;
- f continuously improve its use of Payment by Results using its open book accounting provisions.** It should review the incentives in its payment by result contracts and seek to refine these for future programmes, to reduce the extent to which contractors' profit depends on things outside their control;
- g reduce the cost of scaling up and scaling down employment support.** It should consider whether to maintain contracted-out employment support between economic shocks to maintain a market and to enable providers to more easily scale up capacity when it is needed. It should also consider which parts of its own systems should be 'mothballed' so that it can easily deploy them when needed in the event of a future economic shock;
- h improve the information it uses to assess customer service standards for future contracts.** DWP needs to be able to assess performance in a timely way so that it can act quickly if necessary. This is likely to require some standardisation of providers' information systems so that they can automatically provide key performance indicator (KPI) data; and
- i improve transparency of its employment support programmes.** For example, DWP should publish quarterly statistics on Restart participation and job outcomes. It has previously done this for other employment support programmes and it aids public confidence and stakeholder understanding.

Part One

Whether DWP set up Restart to meet the needs of long-term benefit claimants following the COVID-19 pandemic

1.1 This part of the report provides an overview of the Restart scheme, including:

- the launch of Restart;
- how the Department for Work & Pensions (DWP) drew on similar previous schemes in designing Restart;
- how participants are selected for Restart, and how the scheme works; and
- how Restart participants finding work compares with DWP's expectation.

The launch of Restart

1.2 In the summer of 2020, the COVID-19 pandemic was expected to have a significant impact on long-term unemployment. Between March and August 2020, the number of people claiming unemployment benefits more than doubled from 1.3 million to 2.7 million, while the number of job vacancies in the economy more than halved from 796,000 between January and March 2020, to 329,000 between April and June 2020. The Office for Budget Responsibility (OBR) produced a Coronavirus reference scenario in April 2020, which concluded that unemployment would increase from 4% before the pandemic to a peak of 10%. The OBR updated this in July 2020 to a peak of 11.9%.

1.3 DWP set up Restart to help people made unemployed by the COVID-19 pandemic. The government announced that there would be “a new large-scale provision for long-term unemployed people” in the July 2020 *Plan for Jobs*. It announced £2.9 billion funding for the Restart scheme in the November 2020 Spending Review. DWP wanted Restart to “provide intensive and tailored support to more than one million unemployed people and help them find work”.³ DWP's objectives for the Restart scheme are to:

- help long-term unemployed claimants get back into sustained and secure work;
- provide support that reflects local labour market opportunities;

³ HM Treasury, *Spending Review 2020*, November 2020, CP 330.

- provide support that is value for money, whereby the additional employment gained and reduced time on benefits exceeds the cost of the scheme; and
- build the evidence base for support schemes for the long-term unemployed.

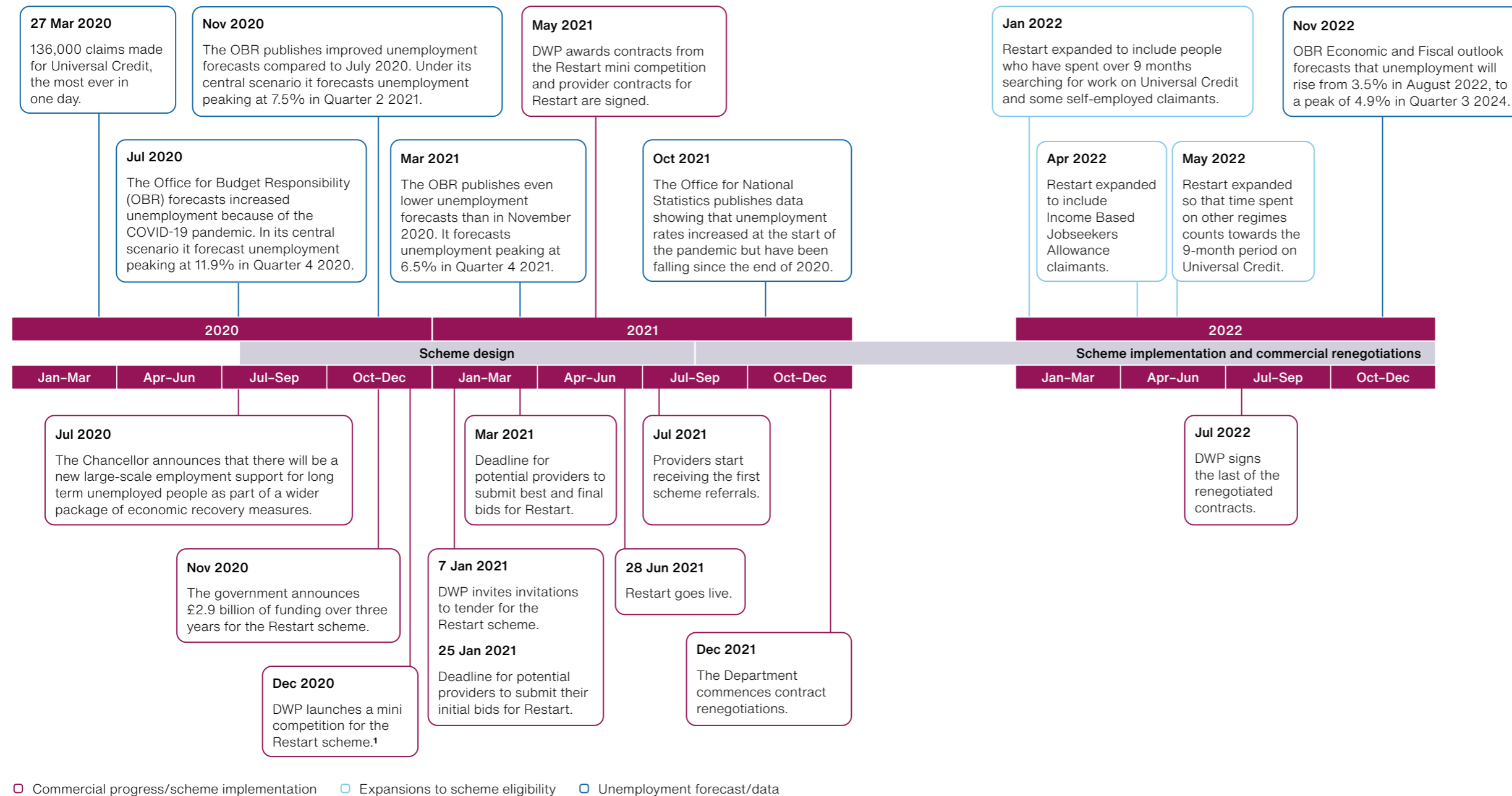
1.4 Under Restart, DWP has contracted with eight prime contractors to provide coaching and tailored support to participants. The contracts are hybrid ‘payment by results’ contracts, which means the amount that each contractor receives depends largely on the number of people moving into sustained work, although there is also a fixed delivery fee. Contractors choose how to support people and are also able to subcontract some or all of the support. There are 12 contract package areas across England and Wales, with each area covered by one of the eight prime contractors. Including the subcontractors, there are a total of 77 providers. The prime contractors offered prices which meant the original expected cost of the scheme contracts reduced from £2.9 billion to £2.58 billion.

1.5 Restart was launched in June 2021, with the first referrals to the scheme in July, around eight months after the funding was announced. This meant Restart was ready some three months after people who first became unemployed at the start of the COVID-19 pandemic lockdown reached their first anniversary on Universal Credit – thus meeting the eligibility criteria for the programme. During this time DWP completed the design, procurement and set-up of the programme (see **Figure 1** on pages 16 and 17). The Cabinet Office’s best practice lean timetable using a ‘commercial dialogue’ procurement process appropriate to a scheme of this complexity is at least five to six months. DWP could not reasonably consult the market during the Christmas season and it needed to finalise the set-up of the programme after the contracts were awarded, so we consider eight months to design, procure and launch the programme to be a quick but reasonable timetable for a programme of this magnitude.

1.6 Since Restart was launched, unemployment has not been as high as expected. In March 2021, the OBR revised down its expected unemployment for the second time since the start of the COVID-19 pandemic. At the time of this report’s preparation, the latest data show that there are more vacancies in the economy than people officially classed as unemployed. However, there remain significant numbers of claimants who have been on Universal Credit for more than nine months who are required to search for work as part of their claim, and who Restart could potentially help into work (**Figure 2** on pages 18 and 19). It is also possible that this number will increase with changes in the economy before Restart is due to end in 2025.

Figure 1
Key events relating to the Restart scheme

The Department for Work & Pensions (DWP) set up Restart to receive its first referrals in July 2021. The programme has continued to evolve since

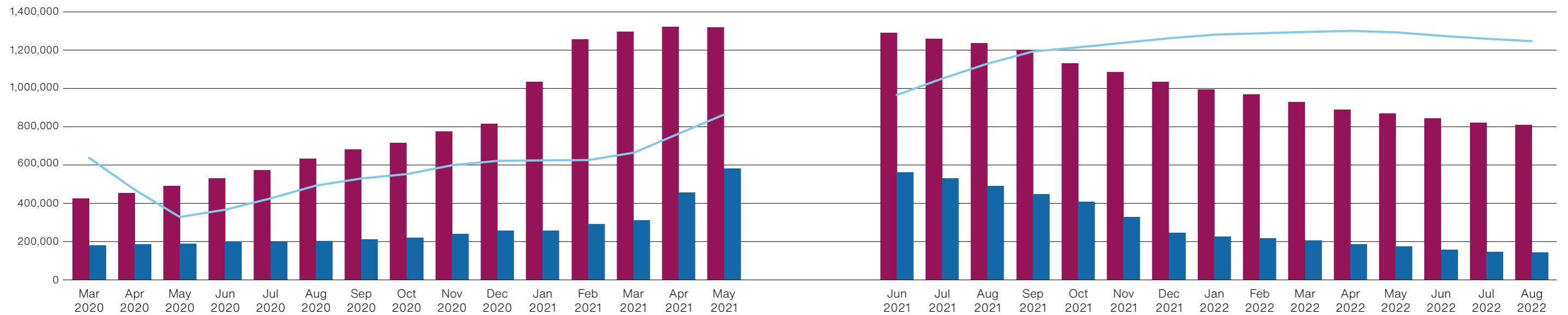


Source: National Audit Office analysis of Department for Work & Pensions documents on the Restart scheme and publicly available data on unemployment rates and forecasts

Figure 2
Number of Universal Credit (UC) claimants in the Intensive Work Search (IWS) regime March 2020 to August 2022

The total number of long-term UC claimants required to search for work peaked in May 2021, a year after the start of the COVID-19 pandemic. Since then, this population has fallen and the number of vacancies in the economy has grown, but there remain significant numbers of people who may be eligible for Restart

Number of UC claimants and number of vacancies



- Current eligibility criteria for Restart: UC claimants on the IWS regime who have spent at least the previous 9 months on UC
- Original eligibility criteria for Restart: UC claimants on the IWS regime, for 12–18 months continuously
- Vacancies

Notes

- 1 Data on the number of UC claimants comes from the Department for Work & Pension's administrative data, rather than published statistics. The data captures a claimant's status at a point in time, usually the second Thursday of each month. This data therefore represents the total 'stock' of claimants at a particular time, as opposed to a 'flow' of claimants newly hitting the eligibility criteria at that time.
- 2 The number of people shown in each eligibility criteria for Restart is not available in the data DWP routinely publishes about the number of people receiving Universal Credit, and DWP has applied less quality assurance to this data than it does for routinely published statistics.
- 3 The claimant count series are based on the eligibility criteria when Restart was launched (participants having spent 12–18 months in the intensive work search Universal Credit conditionality group) and the current eligibility criteria (being in the intensive work search conditionality group having been on Universal Credit, in certain conditionality groups, for over 9 months). The original eligibility was in place from the time of the first scheme referrals in July 2021. DWP expanded eligibility in January 2022, and again in May 2022, to the criteria shown in the series for current eligibility criteria. Note that the data shown here is an imperfect approximation of the number of people falling into each eligibility criteria, and does not, for example, include the number of people who might now be eligible for Restart but who are in receipt of Income Based Jobseekers Allowance, rather than Universal Credit.
- 4 Data includes claimants in the United Kingdom, including Northern Ireland and Scotland, where Restart is not available.
- 5 The data on vacancies is from the Office for National Statistics (ONS) seasonally adjusted UK vacancy survey series, October 2022 release, *VACS01 Vacancies and Unemployment*, available at: www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/datasets/vacanciesandunemploymentvacs01.

Source: National Audit Office analysis of the Department for Work & Pension's management information and ONS vacancies data

How DWP drew on previous schemes in designing Restart

1.7 Restart built upon DWP's previous employment programmes including:

- the Work Programme, which operated between 2011 and 2017, and was targeted at a range of long-term unemployed claimant groups and people in receipt of some disability benefits, and introduced greater use of 'payment by results' contracts to employment support. DWP's evaluation of the Work Programme showed that participants aged 25 or over spent on average an additional 46 days in employment over people who did not participate, and this brought about a positive return on investment;
- the Work and Health Programme (WHP), which started in 2017 and will receive final referrals in September 2024. This provides similar support as Restart to benefit claimants with long-term health conditions or who have been unemployed for more than two years. However, DWP has told us that long-term unemployed people should now be considered for Restart before WHP; and
- the Job Entry Targeted Support programme (JETS), which was announced at the same time as Restart and runs until April 2023. JETS was a £238 million extension to WHP contracts to include claimants who had been on Universal Credit or Jobseeker's Allowance for 13 weeks or more.

1.8 DWP made several design changes to the Work Programme intending to improve the contracts and DWP's ability to manage them (**Figure 3** on pages 22 to 24). Some of these were in response to findings from our 2014 report on the Work Programme, which found evidence that providers 'creamed' profit from people that found work without help and 'parked' (providing limited support to) those they found harder to help.⁴ Restart is also one of the first sets of major service contracts to be awarded since the publication of the Cabinet Office's 2020 *Outsourcing Playbook*. For example, DWP:

- adopted the same payment by results and general allocation of risk as it has for its other recent employment support programmes. But it introduced a similar accelerator payment as it had for WHP – where it pays more for job outcomes over a certain percentage;
- introduced a fixed service fee. These are designed so that payments more accurately reflect providers' costs, while giving providers some certainty on their income so that they could invest in setting up the contracts;
- uses HM Revenue & Customs Real-Time Information on employment income to automatically confirm job outcomes for both WHP and Restart. This has significantly reduced the administration involved in confirming job outcomes;

4 Comptroller and Auditor General, *The Work Programme*, Session 2014-15, HC 266, National Audit Office, July 2014.

- introduced customer service standards to set minimum expectations of the level of support providers give to each participant. These aim to resolve criticisms that the payment by results approach encourages providers to focus on participants who are easier to get into work. This is sometimes referred to as 'parking and creaming'; and
- utilised both 'should cost modelling' (to predict providers' costs) and 'open book accounting' (requiring providers to show their actual costs). These give DWP a better understanding of providers' costs and incentives.

We discuss the commercial aspects of Restart in Part Three.

What participants receive on Restart

1.9 Under Restart, participants are offered more intensive and structured support than they get while on Universal Credit (**Figure 4** on page 25). While participants can get similar support in the DWP jobcentre as they can on Restart, they generally receive a lot more support on Restart, which is designed to more systematically identify their particular barriers to work and provide or refer them to appropriate support to address these barriers. Participants are expected to meet their Restart employment adviser either in person or remotely every two weeks, and in person at the providers' offices at least monthly. Participants undertake a diagnostic assessment of their barriers to work; agree an action plan for how they will address those barriers; have access to training, coaching, CV development and confidence-building support; receive additional bespoke support as necessary, such as funding for work equipment; and are sometimes referred to third parties such as NHS mental health support.

1.10 Participants are still expected to also meet their DWP jobcentre work coach fortnightly, as a requirement of their Universal Credit benefit claim. DWP considered reducing the frequency of meetings with Restart participants to every four weeks but decided not to because it has a statutory requirement to check claimants' work search activity and its work coaches need to identify issues which might affect the participant's ability or requirement to search for work. DWP also drew on the results of internal analysis for previous employment support provision before Universal Credit was introduced, which suggested that savings in benefit payments, as a result of continued fortnightly work coach meetings for participants, outweighed the savings associated with moving to fewer regular meetings.

Figure 3

Summary of the differences between the Work Programme, the Work and Health Programme, the Job Entry Targeted Support programme (JETS) and the Restart scheme

The Department for Work & Pensions (DWP) based the Restart scheme on the Work Programme and the Work and Health Programme which followed it, with some important changes

Design feature	Work Programme (2011–2017)	Work and Health Programme (2017–ongoing)	JETS Programme (2020–2023)	Restart original contracts (2021–2022)	Restart following renegotiation (2022–2025)
Length of time on unemployment benefits before being eligible	9–12 months	24+ months	3+ months	12–18 months	9+ months
Other referral eligibility	Disabled claimants	Disabled claimants (main criteria)	None	Discretionary referrals by work coaches	Discretionary referrals by work coaches
Number of people expected to go onto scheme	1.6 million	275,000	220,000	1.43 million	692,000
People who have started on scheme to date	1,925,000	222,000 (as at May 2022)	310,000 (as at October 2022)	339,000 (as at October 2022)	339,000 (as at October 2022)
Maximum duration of support	24 months	21 months (including up to 6 months in-work support)	6 months	12 months	12 months
Average unit cost (2021–22 prices)	£1,760	£1,560 until October 2022 £2,120 (expected from November 2022)	£774	£1,800	£2,429
How 'job outcomes' are assessed: employed	Provider submitted outcome, DWP validated	Earnings data from HM Revenue & Customs (HMRC)	Earnings data from HMRC	Earnings data from HMRC	Earnings data from HMRC
How 'job outcomes' are assessed: self-employment	Provider submitted outcome, DWP validated	Provider submitted outcome, DWP validated	Provider submitted outcome, DWP validated	Provider submitted outcome, DWP validated	Provider submitted outcome, DWP validated
Minimum service standards	Differed by area, provider set	Consistent standards set by DWP and others taken from successful bids	Consistent standards set by DWP	Consistent standards set by DWP	Consistent standards set by DWP
Number of contract package areas	18	6	6	12	12
Number of prime providers	18	5	5	8	8
Number of prime providers per contract package area	2–3	1	1	1	1
Whether scheme is mandatory	Mandatory for most participants	Voluntary for most participants	Voluntary for most participants	Mandatory, although engagement preferred over sanctions	Mandatory, although engagement preferred over sanctions
Proportion of expected job outcomes	27%	49% until 2022 34% in renewed contracts from November 2022	22%	34%	36%
Proportion of actual job outcomes	32%	30%	40%	Estimate of 36% for people who had started Restart, as at September 2022	Estimate of 36% for people who had started Restart, as at September 2022
Customer satisfaction measure	None	None	None	Yes	Yes
Evaluation					
Participant survey	Yes (commissioned)	Yes (commissioned)	No	Yes (commissioned)	Yes (commissioned)
Provider survey	Yes (commissioned)	Yes (commissioned)	No	Yes (commissioned)	Yes (commissioned)
Qualitative research	Yes (commissioned)	Yes (commissioned)	Yes (in house)	Yes (commissioned)	Yes (commissioned)
Impact analysis	Yes (in house)	Yes (in house)	Yes (in house)	Yes (in house)	Yes (in house)
Outputs published	Detailed publications for evaluation outputs	Evaluation work ongoing	Evaluation work ongoing	Evaluation work ongoing	Evaluation work ongoing
Impact achieved	46 additional days in employment	Findings not yet available	Findings not yet available	Findings not yet available	Findings not yet available

Figure 3 *continued*

Summary of the differences between the Work Programme, the Work and Health Programme, the Job Entry Targeted Support scheme (JETS) and the Restart scheme

Notes

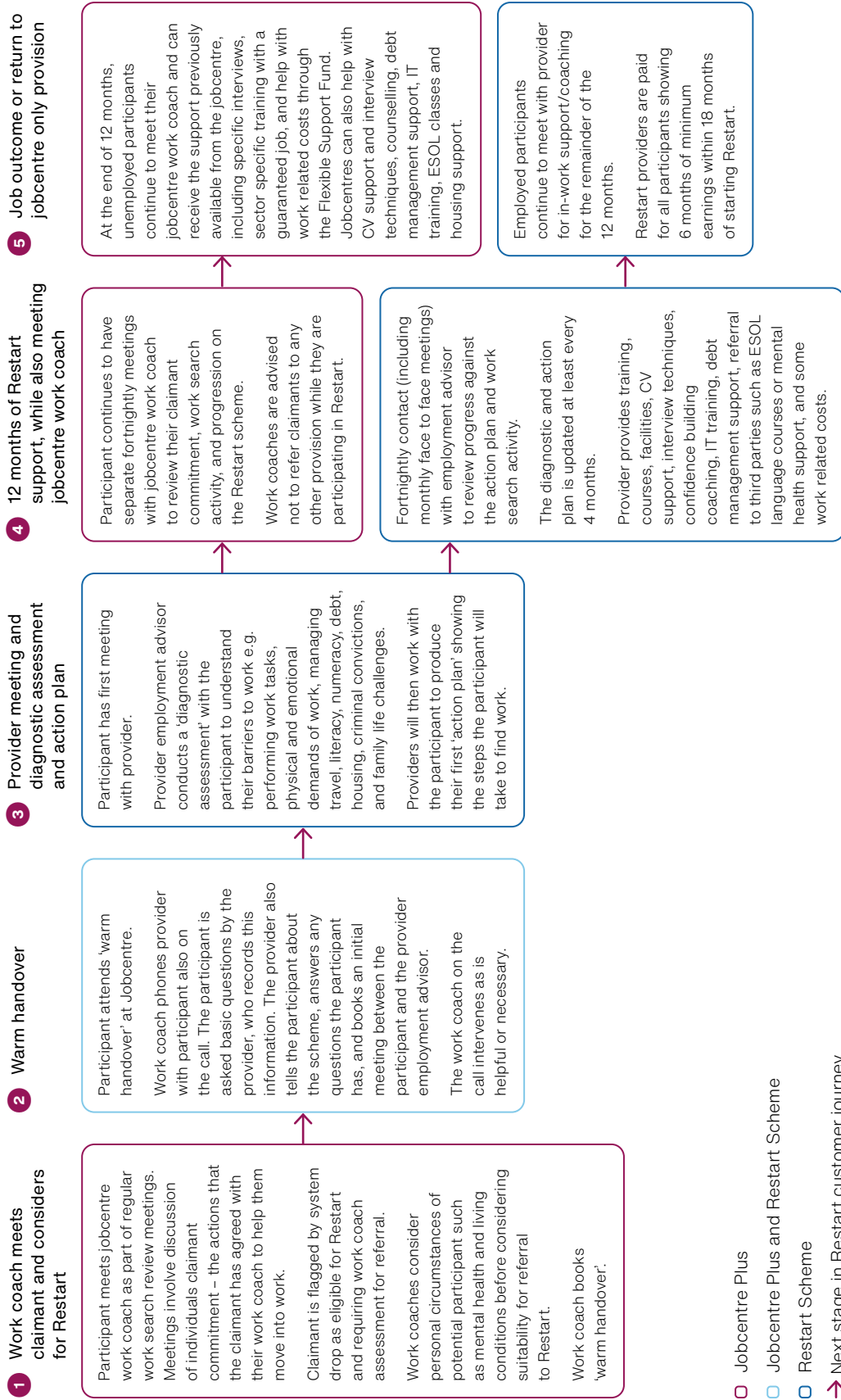
- 1 Prime providers are the contractors who have been contracted by DWP to deliver support programmes in contract package areas. Often, prime providers will choose to subcontract out some of the service delivery.
- 2 For the Work and Health Programme and JETS in addition to contract package areas, DWP made arrangements for Greater Manchester Combined Authority and London sub-regions to design, procure and contract manage their own programme with Grant Funding paid by DWP.
- 3 The requirements associated with achieving 'job outcomes' differs by employment support schemes. For the Work Programme, job outcomes were defined as being in employment for 3 or 6 months. For the Work and Health Programme, JETS and Restart, jobs outcomes are achieved when participants earn a defined amount of income after starting on the respective scheme.
- 4 The proportion of expected and actual job outcomes for the Work Programme is from its published evaluation. The expected job outcomes for WHP are taken from its initial and renewed business cases, while the proportion of actual job outcomes is calculated based on the expectation of job outcomes compared to actual job outcomes for participants who had started on the scheme by May 2022. The expected job outcomes for JETS is taken from its business case, while the actual job outcomes are an estimate from DWP, based on the number of participants who have recorded first earnings after starting on the programme, and reaching the specified amount of income after starting on JETS. The stated proportion of expected job outcomes for Restart original contracts is taken from its business case, and is the proportion expected over the life of the contracts. For participants who had started Restart by September 2022, DWP expected 31% job outcomes to eventually be achieved.
- 5 The impact achieved for the Work Programme is from the published impact analysis, and showed an average of 46 additional days in employment in the two years after participants started on the scheme. This analysis was for people aged 25 years and older who had been in receipt of either Jobseeker's Allowance or Universal Credit in the Searching for Work conditionality group for a period of 12 months.
- 6 The number of starts for Restart original and Restart renegotiated contracts is from scheme launch until September 2022. The last Restart participants are expected to start the scheme in June 2024 and finish in June 2025.
- 7 The number of starts stated for Restart original and Restart renegotiated contracts is that from scheme launch until October 2022. The last Restart participants are expected to start the scheme in June 2024 and finish in June 2025.
- 8 Information provided about the JETS programme is all relevant to England and Wales, and does not incorporate information relating to JETS in Scotland.

Source: National Audit Office analysis of the Department for Work & Pension's documents and data on employment support schemes for the long-term unemployed

1.11 Each provider has its own proprietary diagnostic assessments, training programmes, support and case management systems. These are not integrated into DWP's Universal Credit Full-Service System, which has been in development since the end of the Work Programme in 2017. We do not believe that it would have been possible to integrate the providers' proprietary systems with the Universal Credit systems in the timescale involved in setting up Restart. However, because of the lack of integration, there is very limited automatic flow of data and information between providers and jobcentres.

Figure 4
Claimant journey on the Restart scheme

Restart provides a more systematic process to support long-term unemployed people, but it overlaps and is poorly integrated with the jobcentre offer



- Jobcentre Plus
- Jobcentre Plus and Restart Scheme
- Restart Scheme
- ➔ Next stage in Restart customer journey

Note

1 Providers are either the prime contractors that DWP has selected to deliver Restart services to participants within a contract package area, or subcontractors of the prime contractor in the area.

Source: National Audit Office analysis of Department for Work & Pensions documents on the Restart Scheme, and observations of Restart being delivered

1.12 We observed both DWP work coaches and provider employment advisers giving good-quality advice and support to participants, focused on their specific circumstances and barriers to work. However, from our review of the processes, own observations and discussions with work coaches and providers, we found that the lack of integration and information sharing led to duplication and inefficiency, including:

- the action plan and claimant commitment have the same aim and set out broadly the same information and type of actions, but they are normally developed independently;
- participants often have to update the work coach and the employment advisers on what they have agreed with the other – leading to wasted time in the limited time available during the work search review meeting and provider sessions;
- the work coach and provider employment advisers are unable to easily build on and reinforce the messaging of the other. For example, provider employment advisors told us that while they could call the jobcentre work coach about a participant, it was often difficult to find a time when both were available; and
- the jobcentres refer Restart participants to support or to employer interviews in the same way as Restart providers. For instance, under the 2022 Way to Work initiative DWP encouraged its work coaches to focus on achieving 500,000 movements of claimants into work. This means DWP may pay providers a job outcome fee for successes its jobcentres have contributed to.

DWP told us that it believed that the early evidence from its evaluation showed that job centres and providers were improving how they worked together, but varied between areas and depended heavily on the individual appointed to be the point of contact between providers and jobcentres.

1.13 DWP also introduced a ‘warm-handover’ at the start of the process to encourage the claimants it refers to Restart to engage with the support and reduce the number that drop out before they start. This involves a pre-booked meeting at the jobcentre where the work coach and claimant call the provider to discuss the programme. However, we found this was normally focused on providing basic information rather than handing over the relationship or selling the programme to the participant, and many providers and work coaches told us they saw it as having limited value. This may be partly because jobcentres had not had an opportunity to develop strong relationships with participants who, during the COVID-19 pandemic, were not required to attend jobcentres. It is also partly because many providers have put in place call centres for the warm handovers, meaning participants do not meet actual employment advisers at this stage. DWP is currently evaluating whether the warm handover is achieving its aim and whether it could be improved.

How Restart participants finding work compares with DWP's expectations

1.14 Under the Restart contracts providers are paid for every 'job outcome', defined as the participant earning income equal to 16 hours at the National Living Wage for a six-month period, or six months of self-employment, within 18 months of starting on the scheme. As part of agreeing the price they would be paid for each job outcome, bidders were asked include in their bid the proportion of participants that would achieve a job outcome. The higher the proportion bid, the lower the fee per job outcome they would receive. DWP analysts initially expected to set a cap of 33% of participants achieving a job outcome, based on analysis of historical data about people moving off benefits between 2000 and 2019. This was eventually increased to 34% and all the winning bidders bid at this cap. This was reset as part of the July 2022 renegotiations to 36%, in part to reflect the expanded eligibility for Restart.

1.15 DWP agreed contracts with the providers that set an expected profile of job outcomes that increases over the life of the contract, to allow the provider to improve and to reflect DWP's original expectations about how the economy and labour market would develop. For participants starting by September 2022, it expected 31% to achieve a 'job outcome'. Assuming that the number of job outcomes that providers achieve continues to outperform this expected profile, DWP now estimates that providers are on course to deliver job outcomes for 36% of these participants.

1.16 The reason the rate of job outcomes is higher than expected is likely to be in large part due to the historically low level of unemployment and high vacancies as the economy has opened up after the COVID-19 lockdowns. While it is clear that providers are being successful in supporting people into work, it will not be clear how many of the participants would have found employment without Restart, until DWP completes its evaluation of the programme. Based on its evaluation of the Work Programme, DWP estimates that Restart should achieve job outcomes for an additional six percentage points of participants than would have happened without the scheme. This means that where, over the life of the original contracts, providers were expected to help 34% of participants into employment, DWP estimates around 28% would have found employment anyway (including with the help of jobcentre activities and other provision). For the renegotiated contracts, if providers hit their agreed rate of 36% of participants achieving a job outcome, DWP expects that around 30% would have found employment without Restart. DWP pays providers a larger fee per job outcome for achieving more than 21% of job outcomes. We set out DWP's plans for evaluating providers' actual impact in Part Four.

Part Two

Whether DWP did enough to understand the demand for the scheme

2.1 This section sets out the Department's assumptions about the volume of claimants who would be eligible and suitable for Restart, including:

- how DWP planned for different volumes;
- the impact of the changes DWP made to eligibility for Restart;
- how the forecast number of participants has changed; and
- whether DWP is referring suitable people to Restart.

How DWP planned for different volumes

2.2 It was very difficult to know how many people would become and remain unemployed as a result of the pandemic. Based on the Office for Budget Responsibility expectations early in the COVID-19 pandemic (paragraph 1.2), DWP believed there would be many more people eligible and suitable for Restart than it had budget for or could create capacity to support, given the pressures jobcentres were facing around caseload, recruitment and estate. It therefore focused its ministerial briefings, policy design and commercial approach on how to build that capacity and to manage the excess of demand it expected in its jobcentres.

2.3 DWP also assumed that its work coaches would want to refer most of those eligible for Restart to the scheme. DWP could have run small trials during the spring of 2021 to ask work coaches to assess the number of claimants in their caseload suitable for Restart. We believe this might have given it more insight that work coaches would refer fewer people to the programme than it had expected. However, DWP told us that it thought it would not have been able to do this in the time available and that the circumstances of people as the country came out of lockdown would not necessarily have reflected their circumstances a few months later.

2.4 We did not see evidence that DWP had scoped a scenario of demand significantly lower than the forecast it used to set its contracts or planned how it would react to such circumstances. By its nature, the hybrid payment by results mechanism ensures that the price of the contracts reduces significantly with lower volumes. However, there may have been other options available to DWP to protect value for money if it had considered the scenario of significantly lower demand. For instance, it could have agreed contractual mechanisms to expand eligibility, to share cost savings and to encourage providers to build more flexibility into their fixed cost base (for example on its use of leases).

2.5 DWP told us that it was not sure what mechanisms to respond to significantly lower volumes it would have considered if it had done more planning for such a scenario and that providers may have charged more to put such flexibility into the contracts. It believes such flexibility would have meant providers planning to build capacity for a lower volume with the option to expand, which if the volumes had ended up as high as expected would have been more expensive and taken longer to deliver. However, we believe that volume risk would more naturally sit with the Department and that DWP cannot know what value it would have protected had it done better planning.

The impact of changes DWP made to eligibility for Restart

2.6 Shortly after launching Restart in June 2021, DWP realised that it had significantly overestimated the number of people who would start on the scheme. There had been signs that the labour market was improving since February 2021; the number of claimants had been declining and the OBR was about to revise down its peak unemployment forecast for the second time since the start of the Covid-19 pandemic. By 8 August 2021, 1,395 participants had started Restart, against an original expectation of 6,375.

2.7 In response to the shortfall in demand, DWP expanded the number of people who were eligible for Restart, so that it could use the capacity it had built. This opened up Restart to groups who, on average, have fewer barriers to work. They are still likely to benefit from Restart, but more of them are likely to have found work without additional support. When DWP launched Restart, it planned for it to be targeted at people who had been unemployed (in the Universal Credit Intensive Work Search Regime) for between 12 and 18 months. Between January and May 2022, DWP expanded the number of people who could take part in Restart by:

- reducing the length of time claimants needed to have spent on the Universal Credit Intensive Work Search Regime from 12 to 9 months and removing the 18 month upper time limit;
- including claimants with some self-employed earnings where the claimant has been found not to be “Gainfully Self-Employed”;
- including some Income Based Jobseekers Allowance claimants; and
- including time spent on other Universal Credit work regimes, as long as claimants were currently in the Intensive Work Search Regime.

How the forecast number of participants has changed

2.8 DWP overestimated both the number of claimants who would be eligible for Restart and the proportion of eligible people who would be found suitable for the scheme. DWP's forecast of the number of people who will participate in Restart has fallen from 1.43 million to 692,000 (**Figure 5**), because:

- there are fewer eligible claimants than DWP expected. DWP had based its expectations on the OBR Coronavirus reference scenarios which indicated a steep expected rise in unemployment so that demand for Restart would be far higher than providers would have capacity for. The rise in unemployment was far less steep than expected (post COVID-19 peak so far at 5.2%, against an OBR scenario peak of 11.9%). DWP purchased capacity for 1.43 million Restart places but estimates that the fall in eligible claimants alone would have meant just 1 million people could have started on Restart, without the expansion in eligibility;
- not all eligible claimants are suitable. DWP had assumed that most (82%) of potentially eligible claimants would be deemed suitable by its work coaches. In the first few months of Restart, DWP's work coaches found 30% of those the system flagged as eligible for the scheme to be suitable. This has since risen, and 43% of people flagged from the time Restart launched until October 2022 have now been found to be suitable, following a management focus to train work coaches on the benefits of Restart and who is suitable; and
- not all those referred attend. Around a fifth of those claimants who have been referred to Restart have not yet started on the scheme. This means that around 35% of those flagged as eligible by the Universal Credit system have gone on to start with a Restart provider.

2.9 As of October 2022, some 410,000 people have been referred to Restart and some 340,000 have started.

Whether DWP is referring suitable people to Restart

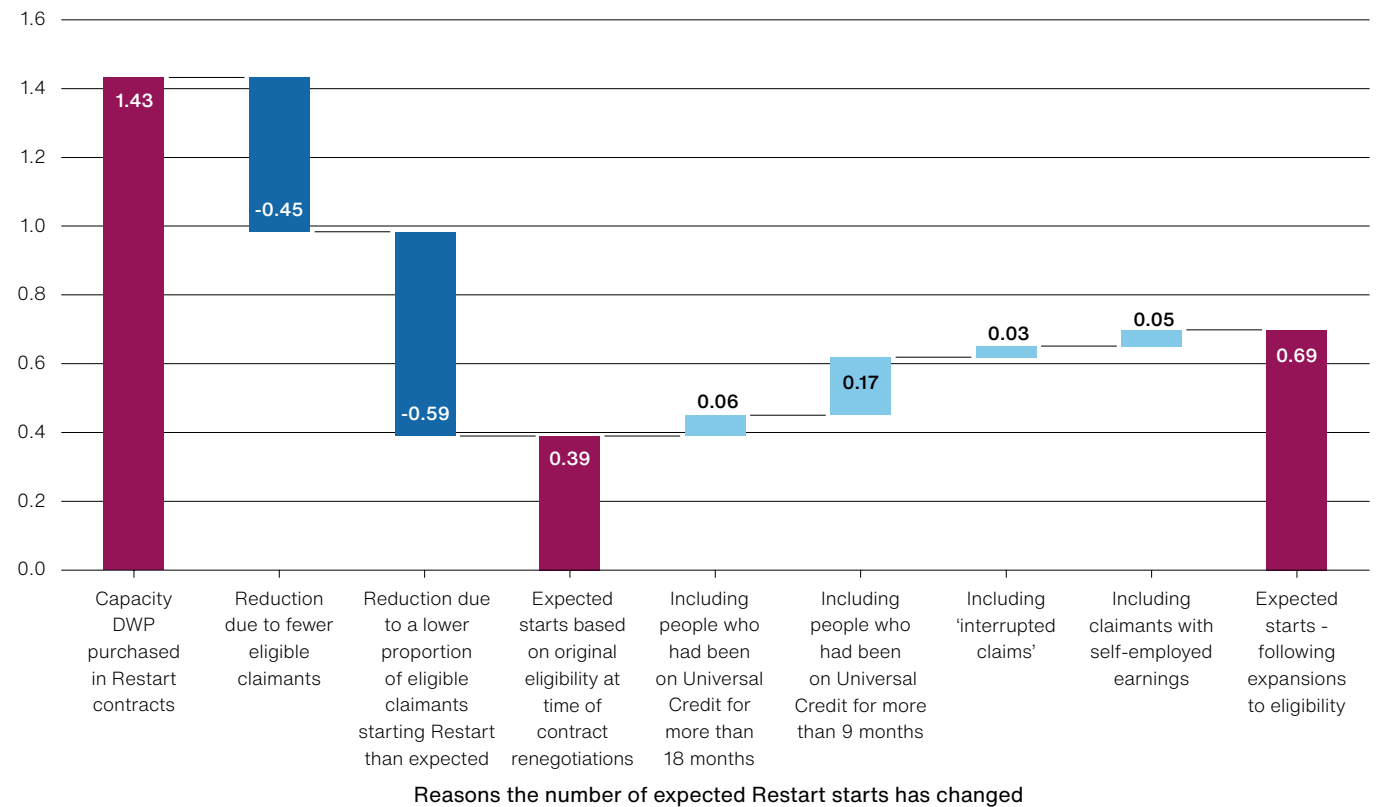
2.10 DWP introduced a process to help ensure that people who were both eligible and suitable get referred to Restart. DWP wanted to manage the rate of referrals given it expected demand to be higher than capacity, so rather than attempt to refer all eligible people to Restart at once, it provided its work coaches with regular small batches of people that the system had identified as eligible. The work coach would then decide whether to refer each of these people at their next face-to-face work search review. When work coaches decide not to refer a potentially eligible claimant onto Restart, they are asked to select from a list of options why the claimant was not deemed suitable for referral. In 57% of these cases, the reason for non-referral was work coaches using their discretion about suitability; for the remaining 43% of cases, the issue was that they were no longer eligible due to changes in their circumstances, such as the claimant having already found work or no longer being required to search for work as part of their benefit claim (**Figure 6** on page 32).

Figure 5

The Department for Work & Pensions (DWP's) expectations about the number of Restart participants

The number of participants DWP expects to start Restart has fallen from 1.43 million to 692,000, partly because the number of eligible claimants fell and partly because work coaches decided many were not suitable for Restart

Number of people (mn)



- Total
- Increase
- Decrease

Notes

- 1 This figure shows DWP estimates about the number of customers who would start Restart during the life of the scheme. Increases and decreases represent changes in expectations from DWP's final business case to its expectations at the time of contract renegotiations.
- 2 Shortly after agreeing its final business case but before Restart went live, DWP estimated that 65% of people who were eligible for Restart would go onto the scheme and that 35% would be found unsuitable for the scheme by work coaches, or would become ineligible or drop out before they started. The reduction shown as "due to fewer eligible claimants" is calculated as the difference between the number of claimants DWP expected to be eligible for Restart when it produced its final business case and that it expected when it renegotiated the contracts, multiplied by the 65% expectation of how many of those eligible would start Restart. It includes both a change in the eligibility criteria of the scheme from 12-23 months to 12-18 months which occurred immediately after the final business case, and changes in the labour market.
- 3 The reduction shown as "due to a lower proportion of eligible claimants starting Restart" is calculated as the difference between DWP's original expectation that 65% of eligible claimants would go onto start Restart compared with DWP's expectation at the point of renegotiation that about 25% of claimants identified by the Universal Credit system as eligible would start Restart. In practice, up to October 2022, around 35% of those flagged as eligible have started Restart.
- 4 DWP estimated that without expanding the eligibility for the scheme, around 390,000 people would have started on Restart. The major eligibility expansions are shown in the figure, which DWP estimates will increase Restart starts (over the lifetime of the scheme) to around 692,000.
- 5 'Interrupted claims' are where a claimant has not always been required to search for work as part of their Universal Credit claim.
- 6 Numbers do not sum due to rounding.

Source: National Audit Office analysis of the Department for Work & Pensions (DWP) business cases, modelling of participant volumes, and DWP internal analysis about the Restart scheme

Figure 6

Work coach decisions on the suitability of claimants for Restart from scheme launch in June 2022 until October 2022

53% of people flagged as eligible for Restart by the system were found not to be eligible or suitable when assessed by a work coach

Decision to refer	Number of people	Percentage of people flagged by system as potential participants (%)
Claimants work coaches decided not to refer to Restart (see breakdown below)	517,000	53
Claimants work coaches referred to Restart	404,000	41
Cancellation of possible claimant referral	50,000	5
Claimant not referred, with reason for non referral pending	7,000	1
Total	978,000	100

Breakdown of reasons work coaches gave when deciding not to refer a potential participant to Restart	Number of people	Percentage of those who work coaches decided not to refer to Restart (%)
Relating to work coach discretion (broken down below):	294,000	57
Complex barriers	90,000	17
More appropriate interventions	83,000	16
Awaiting work capability assessment (WCA)	49,000	9
Other reason (detail not provided)	72,000	14
Relating to no-longer being eligible (broken down below):	223,000	43
Earnings in last assessment period	120,000	23
No longer in the Intensive Work Search (IWS) conditionality group (i.e. they are no longer expected to look for work)	71,000	14
Upcoming employment	14,000	3
Gainfully self-employed	10,000	2
Easements in place	7,000	1
Total	517,000	100

Notes

- 1 The Department for Work & Pensions (DWP) has two assessments for identifying suitable claimants from what it considers its stock of eligible claimants. The information listed in this table draws from both of these assessments, as they are captured on DWP's systems.
- 2 'Earnings in last assessment' represents a combination of claimants who have newly received income since their name was listed as a potential referral, and claimants who have employment income, which is not automatically received by DWP from HM Revenue & Customs.
- 3 'Easements in place' are when a claimant is not required to search for work as part of their claim for a period. There are compulsory easements, where there is a legal requirement to switch off a person's work-related requirement (for example, in cases of domestic abuse and some bereavement cases), and discretionary easements, where a work coach determines it would be unreasonable for an individual to have to complete their work-related requirements to continue receiving benefits.
- 4 'Claimant not referred, with reason for non-referral pending' shows people who have not been referred where the reason is not yet present the system in which DWP analyses this information.
- 5 'Cancellation of possible claimant referral' shows instances where a work coach assessment around eligibility and suitability was not made, or the referral was otherwise cancelled.
- 6 The percentage of decisions shown as referred by work coaches to Restart, at 41%, differs to the 43% stated elsewhere in the report. This is because the 41% here is as a percentage of all decisions made, whereas the 43% stated elsewhere is as a percentage of decisions which were not subsequently cancelled. Similarly, the number of referrals shown here differs slightly to elsewhere in the report.

Source: National Audit Office analysis of the Department for Work & Pension's management information on the Restart scheme

2.11 We observed this process in jobcentres and saw work coaches making sensible decisions about whether a claimant was suitable for Restart using knowledge of their circumstances. This included consideration of complex barriers to work such as homelessness, childcare arrangements, and physical and mental health issues. Whilst Restart providers can help with these issues (often by third party referral), the work coaches decided that they wanted the claimant to take other actions at that time.

2.12 The Universal Credit employment support process encourages work coaches to tailor the claimant commitment, work search requirements and support based on the circumstances of the claimant. However, we have previously reported that DWP does not record complex barriers, distance to work measures, or indicators of vulnerability in a systematic way.⁵ Some barriers are recorded at the work coach's discretion on the electronic file as unstructured text. DWP views the purpose of this information to flag the claimant's needs to staff viewing the file, normally before they engage directly with the claimant. It means, however, that DWP cannot analyse this data centrally or use it when designing its employment support programmes, without engaging work coaches directly. Instead, it uses 'claimant insight' techniques – such as interviews and observations – to understand how best to design its policies and approaches. DWP also told us that the economic situation was changing so fast in 2021 that it was not clear that data on claimants' needs at the start of the year would have informed it of their needs by the end.

2.13 Claimants who have a long-term health condition that affects their ability to work are assessed through a work capability assessment (WCA) to determine whether they need to search for work as part of their benefit claim. As at August 2022, around 230,000 people on Universal Credit were waiting for their WCA and, on average, people were waiting 86 days for one.⁶ Whilst claimants wait for their assessment or the outcome of their assessment, some are expected to search for work and may be eligible for Restart. Work coaches reported not referring 9% of eligible claimants to Restart because they were waiting for either their WCA assessment or outcome. Additionally, between launch and June 2022, 8.5% of people (21,500) who had started on Restart were waiting for their WCA assessment or outcome. By mid-August, 55% of those people had received an outcome, with 45% of those outcomes finding that the individual had limited capability for work and was therefore, no longer required to engage with Restart on a mandatory basis.

5 See for example Comptroller and Auditor General, *Employment support: The Kickstart Scheme*, Session 2021-22, HC 801, National Audit Office, November 2021. National Audit Office, *Improving government data: A guide for senior leaders*, July 2022.

6 DWP refers claimants who need a WCA to an external provider. The claimant fills in a form and the provider checks their eligibility and performs an assessment (this could be paper based, face-to-face, telephony or a video assessment). The provider then sends a report to DWP and DWP decides the claimant's entitlement and work search requirements. Some claimants do not complete the process, because they do not return the questionnaire, leave the benefit, or fail to attend. The waiting times and number of people waiting shown here is based upon the date the provider starts processing the referral until the assessment. It includes the period that claimants receive and respond to their questionnaire and the wait for an assessment. It excludes the time DWP takes to make a decision after receiving the report. DWP could not provide information on the time it takes to make a decision. It told us that it is currently working to develop better management information on the time taken to receive a WCA decision by each of its channel types.

2.14 Following a period during the pandemic when DWP did not require claimants to show they were searching for work, DWP is increasing its use of sanctions (a temporary suspension or reduction of a claimant's benefit payments) where claimants have not met their requirements to attend jobcentres and show they are taking steps to find work, and DWP does not believe claimants have a good reason for this. Work coaches can require claimants to participate in Restart as a requirement of their Universal Credit claim and can apply a sanction if the claimant does not comply. However, on Restart, work coaches have been told to apply sanctions with care and to encourage voluntary participation and engagement in the first instance. We found that:

- claimants failing to attend their appointments at a jobcentre makes it difficult for work coaches to support them. We observed work coaches finding it difficult to engage with some claimants they believed would be suitable for Restart because the claimants failed to attend meetings on multiple occasions;
- DWP has increased its use of sanctions for failures to attend a jobcentre meeting. It had 31,000 claimants with open sanctions (meaning their benefit payments had been suspended or reduced) in February 2020 (2.36% of relevant Universal Credit claimants) before it temporarily removed the requirements on claimants to attend jobcentres and seek work during the COVID-19 pandemic. It started to reapply these requirements in April 2021 and by August 2022 there were 115,000 open sanctions (6.37% of relevant Universal Credit claimants), mostly for failure to attend an appointment at the jobcentre; and
- DWP has rarely applied sanctions for Restart. The number of new sanctions applied which originally related to employment support programmes was higher between November 2019 and January 2020 (1,100) than it was between May and July 2022 (850).

Part Three

Whether DWP's commercial approach for Restart was appropriate

3.1 This part of the report provides an assessment of DWP's commercial approach for Restart. It covers:

- how DWP managed the market and supported providers to build capacity;
- commercial incentives in the Restart contracts;
- providers' performance against customer service standards; and
- how DWP prepared for the contract renegotiations.

How DWP managed the market and supported providers to build capacity

3.2 DWP had significantly reduced its expenditure on contracted out employment support in the run up to the COVID-19 pandemic, from £2.9 billion in 2010-11 to £300 million in 2020-21 (in 2020-21 prices). As a result, the employment support market had shrunk and, to deliver Restart, providers would need to significantly increase their staff numbers and estate. Because of this, DWP decided to adopt a commercial approach that emphasised cooperation and building capacity. It also sought to implement the 2020 Cabinet Office *Outsourcing Playbook* which emphasises transparency and the appropriate management of risk. DWP:

- held a bespoke competitive dialogue under the light touch regime with potential providers on its October 2020 Commercial Agreement for Employment and Health Related Services (CAEHRS) framework. This meant it held a competition with providers it had recently decided were qualified to be in the market;⁷
- adopted its broad payment by results risk allocation that it has used for employment support programmes since the 2011 Work Programme. DWP told us it reconsidered the specific allocation of risk in its consideration of the details of its payment model. However, it did not bring this together in a way (such as the risk allocation matrix recommended by the Sourcing Playbook) that we could use to assess whether the intended risk allocation was achieved;

⁷ Competitive dialogue is one of the procurement options allowed under the Public Contract Regulations 2015, which allows dialogue with bidders on the specifics of how the contract would be delivered as part of the negotiations. A competitive dialogue under the light touch regime is conducted with bidders on a framework that mirrors the regulated version but does not have a legal requirement to follow the same timetable.

- agreed an implementation period to follow the launch of Restart during which it would gradually increase the number of participants it referred to providers, so that providers could build the required capacity;
- introduced a guaranteed fixed delivery fee of 30% of the (original) expected contract value, mostly paid early in the contract, so that providers could build that capacity. The rest of providers' revenue was paid for "job outcomes" (paragraph 3.6), so varying with both the volume of participants and providers' success in supporting them into work. The delivery fee was designed to be paid early in the contract; and
- contracted only one prime contractor for each of the twelve contract package areas, removing the competition between providers in each area. Under the Work Programme, two or three prime contractors in each area competed for referrals, with the provider showing the better performance getting a higher number of referrals. DWP decided that this hindered cooperation and sharing of best practice, and has told us it had no evidence this practice improved provider performance. Under Restart, six of the prime contractors set up a partnership, known as Research Action Improvement ("REACT") at scheme launch, to share best practice. All of the prime contractors are now involved in this partnership, with the two remaining prime contractors joining REACT in September 2022.

3.3 The providers told us they were positive about DWP's engagement with the market during procurement, which included early discussion about the design principles of Restart with many of the eventual prime and subcontractor providers, and sessions to discuss the invitation to tender and to answer providers' questions.

3.4 DWP's approach de-emphasised competitive pressure on price. For the Work Programme and Work and Health Programme, providers had bid overly ambitious targets and thus reduced fees per participant moving into work, which may have contributed to them 'parking' participants who are harder to help into work when those levels of performance could not be met.⁸ For Restart, DWP used should cost modelling to establish what it believed to be a reasonable price range for Restart. It gave bidders a range of performance expectations within which they could bid, and a maximum permitted level of discount on DWP's should cost model. All successful bidders offered the maximum performance level (34% job outcomes) and discount on the should cost model overall contract price (10%). Providers told us they welcomed this approach.

⁸ Comptroller and Auditor General, *The Work Programme*, Session 2014-15, HC 266, National Audit Office, July 2014.

3.5 Restart is delivered through a complex supply chain which has also led to an emphasis on cooperation and less emphasis on competition. DWP awarded contracts to eight prime contractors across 12 contract package areas (**Figure 7** on pages 38 and 39). The prime contractors can sub-contract out the support offered through Restart, and four of the eight prime contractors also act as subcontractors in other contract package areas. Under the renegotiated contracts, around 57% of the contract fees are expected to go to the four largest providers, who are all prime contractors operating across multiple contract package areas (Figure 7). There are also eight providers who are not prime providers, but who operate across multiple contract package areas. Four of these receive more than 1% of the total contract value (**Figure 8** on page 40). This has helped facilitate the sharing of best practice, but reduces competition between the package areas DWP uses to manage the programme. DWP only collects contract management information at a contract package area level and not by provider. For instance, it uses this to provide a leader board of performance against key performance indicators by contract package area, but does not provide rankings by provider.

Commercial incentives in the Restart contracts

3.6 Under Restart, DWP pays providers:

- a payment by results (PbR) element, which represented 70% of the original expected contract value. This element is based on the number of Restart participants (referred to as the 'outcome fee'); and
- a delivery fee, which represented 30% of the original expected contract value. This element is fixed, subject to delivery of staffing milestones and effective delivery of customer service standards. The delivery fee is not dependent on the number of people starting the scheme or the number of participants achieving job outcomes.

3.7 The amount that DWP pays to providers is largely driven by factors outside either party's control. The outcome fee is determined by the number of participants who achieve a job outcome (paragraph 1.14). This is affected by the providers' performance in supporting participants, including providers' ability to recruit, train and manage skilled staff, the tools, systems and processes they have developed and their links to local employers. However, it is also to a large extent determined by external factors which the provider cannot control, including the number of people referred to the scheme and the strength of the local labour market, which will influence how easy or difficult it is for the provider to assist the participant in moving into work. These factors thus contribute to the amount of revenue the providers receive and the amount of net profit the providers make. Because some of the providers' costs are fixed, it also affects their profit margin.

Figure 7
Restart scheme contract package areas and prime providers

The Restart scheme is delivered in England and Wales across 12 contract package areas by eight prime contractors



	West Central	North West	Central and West London
Prime provider	Serco	G4S	Ingeus
Renegotiated contract value	£173 million	£107 million	£245 million
Renegotiated forecast scheme starts	77,000	39,000	110,000
Key subcontractors	Reed in Partnership, Ingeus, Seetec Pluss	Growth Company, Seetec Pluss, Fedcap	Get Set UK, Seetec Pluss, Groundwork, Twin Training
	East Central	Greater Manchester	South and East London
Prime provider	Jobs 22	Ingeus	Maximus
Renegotiated contract value	£142 million	£106 million	£144 million
Renegotiated forecast scheme starts	61,000	43,000	60,000
Key Subcontractors	Acorn Training, WorkPays, Business 2 Business UK Ltd	Growth Company, B2W, Rochdale Council	Reed in Partnership, Get Set UK, Bexley Council
	North East and Humberside	South West	Home Counties
Prime provider	Reed in Partnership	Seetec Pluss	Reed in Partnership
Renegotiated contract value	£113 million	£100 million	£185 million
Renegotiated forecast scheme starts	44,000	37,000	82,000
Key Subcontractors	People Plus, Triage, Standguide	Go Train Ltd, Prospect Training Services, Wiseability	PeoplePlus, Seetec Pluss, Forward Trust
	2b. South and West Yorkshire, Derbyshire and Nottinghamshire	South Central	Wales
Prime provider	Maximus	Fedcap	Serco
Renegotiated contract value	£173 million	£113 million	£82 million
Renegotiated forecast scheme starts	69,000	42,000	27,000
Key Subcontractors	Growth Company, Reed in Partnership, Future Advice, Skills and Employment	Palladium International Ltd, Portsmouth City Council, Get Set UK	Maximus, PeoplePlus, Itec Skills and Employment

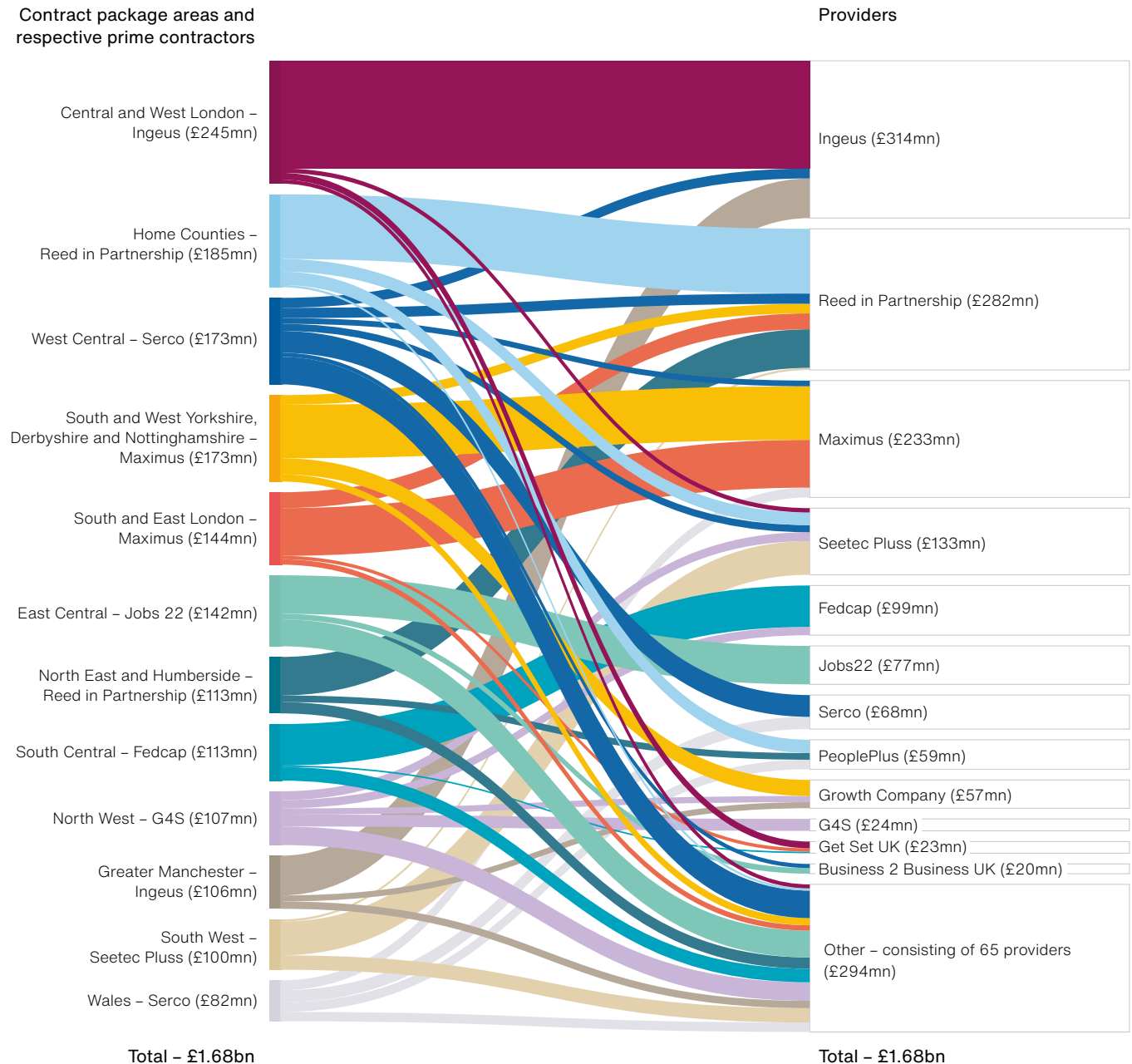
Notes

- 1 The information about providers in each contract package area is drawn from documents provided by the prime contractors to the Department for Work & Pensions (DWP) and has not been confirmed with providers shown as subcontractors in each contract package area.
- 2 The 'key subcontractors' shown are the three subcontractors in each contract package area expected to receive the most revenue for delivering Restart, according to documentation provided by the prime contractors to DWP. Within one contract package area Central and West London, four subcontractors are shown, as two of these subcontractors are expecting to receive the same amount of revenue.

Source: National Audit Office analysis of renegotiated business case for Restart and of provider bids for contract package areas

Figure 8
Flow of expected revenue to different providers

Many of the larger providers operate across multiple contract package areas. Fifty seven per cent of renegotiated contract fees are expected to go to the four largest providers



Notes

- 1 The figure shows the expected contract value of Restart in each contract package area, who the prime contractor for that area is, and how much revenue different providers can expect to receive from delivering Restart.
- 2 The information about providers in each contract package area is drawn from documents provided by the prime contractors to the Department for Work & Pensions (DWP) and has not been confirmed with providers shown as subcontractors in each contract package area.
- 3 Providers listed separately are those who are expecting to receive 1% or more of the renegotiated expected total contract value. The 'Other' category consists of 65 providers each with less than 1% of the Restart renegotiated contract values.

3.8 As a result, the contracts should incentivise providers to support people into work up to a point. Our modelling of the contract shows that if providers can improve the number of participants who get and retain a job without significantly increasing their costs, then they will be incentivised to do so. But if this significantly increases their costs, then providers may be incentivised to “cream and park” – where providers focus only on those that are easier to get into work, and decide it is too expensive to help some people who are further from the labour market.

3.9 DWP’s introduction of open-book accounting into Restart provides it with the opportunity to review the incentives in its Restart contracts and refine them for future employment programmes. However, DWP will need to improve its use of open book to do so. It has collected costs for Restart by asking providers to complete ‘cost registers’ that assume that providers’ costs change with the volume of participants but not the level of effort necessary to support different proportions of participants into work. DWP will need to know how costs behave depending on performance if it is to accurately model incentives.

Provider performance against standards

3.10 DWP introduced nine customer service standards into the Restart contracts, which it intended to help reduce the likelihood of providers focusing on people who are easier to get into work and to ensure that participants received tailored support. The standards focus on how often and how well providers interact with participants, and also include results from a customer satisfaction survey. DWP believes that the standards set a high expectation for provider performance.

3.11 Providers have mostly failed to meet the customer service standards (**Figure 9** overleaf). Although performance has improved in recent months, with providers moving closer to the expected standard for every measure, the providers for only one of the 12 contract package areas met all the standards in the last month for which data is available (September 2022).

3.12 Where providers are failing to meet the customer service standards, DWP agrees provider action plans with the prime provider to try and improve performance. Provider action plans are based on a joint assessment of the root cause of the failure to meet the standard, and often include recruitment and resourcing plans, and system changes to make clearer the requirements on provider employment advisors. DWP is also able to withhold up to 40% of the average monthly delivery fee (dependent on the contract package area), where providers are failing to meet the standards.⁹ By the end of October 2022, DWP had deducted 0.8% (£2.3 million) from the delivery fees it had paid to providers due to poor performance against the standards, with a further 1.9% (£5.6 million) of fees deferred until the providers can demonstrate an improvement. DWP told us it decided not to withhold more of the delivery fees because such action is intended to drive improvements in provider behaviour, without risking service reduction by reducing funding unnecessarily. It believes its approach of working with providers has led to the recent improvements against the standards.

⁹ In three of the contract package areas, the amount that DWP is able to withhold because of poor performance against the customer service standards is slightly less than 40% of the average monthly delivery fee.

Figure 9

Provider performance against customer service standards, September 2022

Providers have mostly failed to meet the customer service standards (CSS), although there has been significant improvement in performance

Customer service standards	Target	To date		Current performance		Number of contract package areas where standard was met in September 2022
		Average performance of all contract package areas up to end September 2022		Average performance of all contract package areas in September 2022		
	(%)	(%)		(%)		
1. (a) Providers must hold a face to face initial meeting with a participant within 30 working days of referral	85	84.1	●	86.6	●	9 of 12
1. (b) Providers must hold a face to face initial meeting with a participant within 15 working days of referral	70	72.5	●	79.0	●	11 of 12
2. For all participants who start on the programme providers must complete and record an initial diagnostic assessment within 8 calendar weeks of the referral	95	99.0	●	99.6	●	12 of 12
3. For all participants who start on the programme an initial SMART Action Plan must be completed for the participant within 8 calendar weeks of the referral	95	77.5	●	87.1	●	4 of 12
4. The provider must deliver 1-2-1 support for all participants at least every 14 calendar days	95	90.5	●	95.4	●	7 of 12
5. The provider must conduct a 1-2-1 face to face review meeting for all participants at least every 4 calendar weeks	95	90.6	●	94.6	●	8 of 12
6. The provider must formally reassess the diagnostic assessment for all participants at least every 4 calendar months	95	88.3	●	87.8	●	4 of 12
7. The provider must review and update the SMART Action Plan for all participants at least every 4 calendar weeks	95	84.5	●	92.6	●	6 of 12

- Performance below customer service standard target
- Performance at or above customer service standard target

Notes

- 1 The wording of the customer service standards has been simplified from the contract specification.
- 2 The results shown represent employment support provider performance to September 2022. There is a time lag between participants starting on Restart and the Department being able to fully check all CSSs (e.g. all standards for participants starting in July 2021 cannot be fully assessed until February 2022).
- 3 While data for standards 1a and 1b is from the September performance data pack, these standards are subject to change in subsequent months. We have therefore taken the most recent stable data for these standards, from July 2022.
- 4 The contract to date figures calculate an average of performance standards sample data from the earliest month that it is available for that standard. Average performance is calculated as the mean of performance in each contract package area, for each standard.
- 5 In March 2022 DWP introduced a “technical pass” for the standards. This would be used where a standard had not been met but it was clear that this was the fault of the participant rather than the provider (e.g. there was documented evidence of the provider making several attempts to schedule a meeting with a claimant, but the claimant was not responding). We expect that this has contributed to some of the improvement in performance against the standards.

Source: National Audit Office analysis of Department for Work & Pensions' Restart provider guidance and internal management information

3.13 DWP's management of the customer service standards does not always allow providers to respond and improve in a timely way. It assesses six of the nine standards (CSS2 – CSS7) by inspecting a sample of 100 participant records in each contract package area each month. Because one of the standards is for an updated diagnostic assessment at least every four months, DWP samples records of participants who have been on the scheme for seven months so that this standard can be included in the sample. While the samples DWP selects will always be for the most recent example of activities relating to the standards, this method means that it is checking performance against the one of the first stages of the process, the initial diagnostic assessment to see what barriers participants face, at least five months after this activity has occurred.

3.14 Most service contracts require the contractor to provide timely key performance indicator management information on their performance across the whole population, which is then verified through inspection of a sample. DWP has told us that it decided to use samples to assess providers performance against standards, rather than use provider management information, because it and providers would not have had the time and resources to establish and integrate a consistent management information arrangement in the short timescales Restart was set up in.

3.15 Providers gave us a range of reasons for why they have not met the standards:

- Some told us that participants' level of engagement with the programme is not what they had expected.
- Some told us that participants who had previously been referred to the scheme but did not engage or were rejected by the provider were being re-referred to the scheme, and that this made it harder to achieve the standards. As at August 2022, around 4% of referrals to Restart were for people who had already been referred to the scheme previously. Of the people referred more than once, 80% have started on the scheme.
- Some told us that DWP's decision to rarely use sanctions made achieving the standards harder.
- Some told us that the sampling approach to measuring performance against the standards did not provide a consistent measure of performance across providers; and
- Several providers told us that the administrative burden associated with meeting the standards reduces their ability to deliver good service to participants.

3.16 DWP also commissioned an external research company to complete a series of customer satisfaction surveys of around 6,000 participants, to help assess the customer service that providers are offering. The research company will complete this survey 15 times over the length of the Restart contract, and DWP has two sets of results so far. In both sets of results, participants have given a mean score of 6.5 out of 10 for their overall satisfaction with the scheme. DWP told us this was the first time it had formally used this kind of measure for a contracted employment programme, and did not initially have a benchmark to assess this performance. DWP told us that it decided, in October 2022, to work with providers to aim for a mean score of 7 out of 10.

How DWP prepared for the contract renegotiations

3.17 The lower-than-expected demand meant providers faced a sharp reduction in how much they would be paid. Some of the prime contractors reported that their original contracts would become onerous, leading to the risk that they would not be incentivised to support participants. Between January and July 2022 DWP re-negotiated the Restart contracts with prime contractors to:

- ensure Restart service provision was maintained at the required level of quality;
- reduce the risk of disputes with providers which could potentially escalate to legal challenge; and
- reduce the risk of individual providers seeking separate individual and unplanned renegotiations.

3.18 DWP asked prime contractors to prepare for renegotiations in December 2021. It told prime contractors that they would be asked to fill in a new ‘cost register’, to set out their expected costs if they received around half the number of participants that had originally been projected. Prime contractors were also asked to detail items they would not require in the future because of the lower volumes, but would not be able to recover costs for or stop paying for, such as rent on larger premises than required.

3.19 DWP reviewed and verified these costs. DWP’s analysis suggested that the reduced demand for Restart meant that the amount it expected to pay prime contractors had reduced from £2.58 billion when the contracts were signed to £1.71 billion. The prime contractor’s returns suggested they would need £1.78 billion if they were to cover their costs and generate a suitable rate of profit. DWP asked the consultancy firm KOSI to review the provider returns and DWP’s assessment of the savings that could be made. KOSI identified areas of focus for DWP for negotiation with contractors, to potentially reduce costs by £180 million from the iterations of the cost register they were provided.¹⁰ DWP used this and its own analysis to establish its ‘least acceptable agreement’ and ‘most desirable outcome’ negotiating lines for the renegotiations accordingly.

¹⁰ The KOSI analysis was based on an iteration of provider returns which had indicated a total cost of £1.73 billion, as opposed to the £1.78 billion that DWP and providers subsequently discussed in renegotiations following the identification of errors in the initial returns. The optimal contract value suggested by KOSI, of £1.55 billion, therefore represented £180 million of identified savings, whilst being £231 million lower than the amount contractors later suggested they would need.

3.20 While this use of open book and analysis left DWP well prepared for the renegotiations, it did not have strong commercial leverage over the prime contractors because it would have been very difficult for it to set up new prime contractors in any given area, and it wanted to ensure that the service was not interrupted and that all providers continued to be incentivised to support participants to the appropriate quality. This limited the amount of savings DWP was able to achieve for the taxpayer. It agreed to pay two of the prime contractors more to stop their contracts from being onerous and the others less to reflect savings they could make.

3.21 Prime contractors agreed overall costs that were £87 million below DWP's least acceptable agreement (5% of the least acceptable agreement amount) and all prime contractors had signed revised contracts by the end of July 2022. The agreed contracts represented a saving of around £100 million from the prime contractors' cost registers suggesting what the revised contract values should be, and a £27 million saving from the expected contract cost without renegotiating, given the lower numbers of people starting the scheme.

3.22 The renegotiated contracts were 65% (£1.68 billion) of the originally expected £2.58 billion value of the contracts, to help 48% as many participants, based on current forecasts of demand (**Figure 10** overleaf). DWP and providers also agreed to an increase in the expected rate of job outcomes from 34% to 36% to reflect the expansions to eligibility to groups that are, on average, closer to finding work. This affected how the outcome fee per job outcome is calculated. As a result of the renegotiations, the payment by results element of the total contract value is now lower than the 70% it was originally and varies by contract package area (with an average of 56% and varying between 48 and 62%). The new contracts reduced providers' profits but did not significantly change their forecast profit margins from those they originally expected.

Figure 10

The outcome of the renegotiations on the cost and expected performance of the contracts, against the best alternatives

The unit cost of the renegotiated Restart contracts is about one-third higher than the Restart business case, but better than the best alternative option available of doing nothing

Business Case component	Restart business case, May 2021	“Do nothing” scenario as at January 2022	Theoretical optimal outcome suggested by consultancy firm KOSI in March 2022	Post-renegotiation business case, June 2022
Total contract cost	£2.58 billion	£1.71 billion	£1.55 billion	£1.68 billion
Estimated starts	1,430,000	692,000	692,000	692,000
Average expected unit cost	£1,800	£2,468	£2,241	£2,429
Contracted job outcome performance	34%	34%	36%	36%
Estimated job outcomes	486,000	249,000 ¹	249,000	249,000
Proportion of fee derived from payment by results	70%	70%	As close to 70% as possible ³	48%–62% (average 56%)

Notes

- 1 The estimated job outcomes stated for the “do nothing” scenario of 249,000 is calculated using a 36% job outcome rate rather than the contracted 34% job outcome rate. The change in expected outcome rate is driven by the eligibility expansion for Restart, and so would have been expected regardless of the outcome of contract renegotiations. Without the expansion in eligibility, and using the 34% expected job outcome rate, the number of estimated job outcomes would have been far lower.
- 2 The total contract cost given for the theoretical optimal outcome suggested by KOSI is based on potential cost reductions they identified of £180 million, from an iteration of prime provider returns they were provided which indicated a total cost of £1.73 billion.
- 3 KOSI recommended that payment by results be maximised in a revised payment model, to achieve a model that is as close as possible to the desired ‘payment by results’ ratio of 70%.

Source: National Audit Office analysis of Restart business case, and the Restart business case addendum following contract renegotiations

Part Four

How the economic case for Restart has changed as a result of the renegotiations

4.1 This part of the report provides an assessment of the economic case for the Restart scheme following the renegotiation of the contracts. It covers:

- the cost of Restart compared to other schemes;
- the expected benefits of Restart compared to the original expectations; and
- plans for evaluating the impact of Restart.

The cost of Restart compared to other schemes

4.2 DWP now expects to pay £1.68 billion for the Restart contracts, to help a projected 692,000 participants. This means it expects the cost per participant to be around £2,429 compared to £1,800 when it signed the original contracts (**Figure 11** overleaf). This is greater than both the 2011–2017 Work Programme which cost £1,760 per person in 2021-22 prices and the Work and Health programme which cost £1,560 per person in 2021-22 prices. The Work Programme and the Work and Health Programme offered similar support to participants over a longer period.

4.3 Recent increases in inflation reduce the relative cost of Restart to DWP because under the contracts the providers will bear the cost of inflation such as staff pay rises or increased energy costs. Whether this increases the value for money of the contracts depends on whether the providers can bear these costs without a deterioration in performance. DWP told us that in its view the providers are able to control most of their costs, including staff costs and accommodation.

4.4 DWP could not provide analysis around the cost of delivering Restart in-house. However, it is doubtful that DWP could have put in place the management capacity to build the infrastructure for Restart at the same time without using outsourced provision, because it was already temporarily increasing its estate and doubling the number of work coaches in response to the increase in new benefit claimants at the start of the COVID-19 pandemic.

Figure 11

Comparison of costs per participant for different employment support schemes

Restart is expected to be more expensive per participant than similar previous programmes

Scheme	Total estimated cost per participant	Length of time participants receive support
Restart original contracts	£1,800	Up to 12 months
Restart renegotiated contracts	£2,429	Up to 12 months
The Work Programme (2011–2017)	£1,760	Up to 24 months
The Work and Health Programme (2017–2022)	£1,560	Up to 15 months, plus possible further 6 months of in-work support
The Work and Health Programme (2022 contract extension)	£2,120	Up to 15 months, plus possible further 6 months of in-work support

Notes

- 1 The unit costs stated for Restart and the Work Programme are based on the amounts stated in the Restart contracts. The Work & Health programme (2017-2022) unit cost is a weighted average of DWP's estimates of unit cost for the scheme between November 2017 and March 2020, and April 2020 and October 2022. The Work & Health Programme 2022 contract extension is the unit cost expected in new Work & Health Programme contracts, from November 2022.
- 2 The Work Programme and the Work and Health Programme (2017-2022) costs have been stated in 2021-22 prices, to align with when the original Restart contracts were agreed. The Restart renegotiated contracts and the Work & Health Programme contract extension are stated at the unit costs expected when these contracts were signed in 2022.
- 3 The Department for Work and Pensions had originally expected the Work and Health Programme (2017-2022) to cost £2,100 per participant who went onto the scheme. This unit cost was based on an expectation that providers would achieve a greater rate of job outcomes for participants than they were able to. Because the proportion of participants moving into work was lower than expected, the unit cost was actually around £1,560, as fewer outcome-based payments were made to providers.

Source: Department for Work & Pensions' business cases and other documentation

The expected benefits of Restart compared to the original expectations

4.5 DWP expects that Restart will achieve £2.3 billion of net benefit, compared to £6.8 billion in its original business case (**Figure 12**). This is a cost benefit ratio of £2.44 per pound spent on Restart compared to £3.80 per pound in the business case. It bases its economic case for employment support such as Restart on the average number of additional days in work that each person who goes onto the scheme is expected to have compared to similar people who don't go onto the scheme. It also considers how much money will therefore be saved in benefit payments and brought in as tax revenues. DWP compares these expected benefits of the scheme to how much it costs, to calculate the net benefit and the benefit-cost ratio.

Figure 12

Economic case for Restart

The economic benefit of Restart (the net present social value) for the Department for Work & Pensions (DWP) has fallen by £4.52 billion

	Full business case	Business case after contract renegotiation
	(£bn)	(£bn)
Restart lifetime costs		
Cost of Restart contracts	2.58	1.68
Other costs	0.02	0.02
Total costs	2.60	1.70
Restart lifetime savings		
Savings from reduced benefit expenditure	3.44	1.45
Recurring economic and social savings	6.88	2.91
DWP payroll savings	0.05	0.02
Total savings	10.37	4.38
Net benefit	7.77	2.68
Net present social value (after allowing for the time value of money)	6.84	2.32
Cost benefit ratio	£3.80:£1	£2.44:£1

Notes

- 1 The economic and social savings and reduction in benefit expenditure are both linked to the additional employment that DWP expects participants on Restart to gain compared to similar Universal Credit claimants who do not participate in Restart. DWP estimates that Restart should achieve job outcomes for an additional 6 percentage points of participants than would have happened without the scheme. This is based on its evaluation of the Work Programme which found that on average participants spent 46 additional days in work and off benefits over the two years after the programme than the comparison group. To estimate the return on investment on Restart, DWP used the lower end of the range of its estimate of the benefit cost ratios (rounded down) that it had calculated as part of the Work Programme evaluation and extrapolated these across the amount it expected to spend on Restart before it had agreed the contracts. It believes that this produces a conservative estimate of the value of Restart.
- 2 DWP expects the make-up of the recurrent economic and social benefits for Restart to be similar to that of the Work Programme. DWP estimates that 89% of the recurrent economic and social benefits arising from the Work Programme were because of increased economic output produced by participants, due to additional time spent in employment. This represents the increase in wages for participants and the increase in national insurance contributions for employers associated with that additional employment. The remaining 11% of recurrent economic and social benefit represents a presumed re-allocation of resource that would have been required to support claimants who instead found work (8%) and a presumed reduction in healthcare costs associated with the increased employment (3%).
- 3 The benefit cost ratio is the ratio of the present value of benefits to the present value of costs, using HM Treasury's Green Book Social Time Preference Rate, and therefore cannot be recalculated from the numbers in the rest of the table.
- 4 There is likely to be some overlap between the DWP payroll savings shown and the operational element of the recurring economic and social savings. The payroll savings relate to reduced fortnightly work search review meetings for participants who find work during their time on the programme, and the operational savings are based on the presumed impact on staffing requirements over the following four years. If this were a complete overlap, it would reduce the cost benefit ratios by around £0.01-£0.02.

Source: Department for Work & Pensions' Restart business cases

Plans for evaluating the impact of Restart

4.6 DWP will not know the full benefit of Restart until each strand of its planned evaluation is complete in 2025. Its evaluation plans consist of:

- implementation research to assess the implementation and early delivery of Restart by undertaking qualitative research with jobcentre and provider staff;
- impact assessment and cost benefit analysis to assess job outcomes compared to people who were not Restart participants;
- cohort survey and qualitative research to provide a deeper understanding of participant outcomes and detail on the participant experience including 'soft outcomes' (proximity to the labour market and participants' wellbeing and life satisfaction); and
- provider research and case studies to provide a richer understanding of provider delivery.

4.7 As part of its impact assessment, DWP had expected to be able to compare the job outcomes of participants to those of claimants who were eligible for the scheme but who were unable to participate due to the expected excess of demand over capacity. However, the lower-than-expected number of participants mean that DWP may now need to supplement its original plans to establish the level of "additionality" – the number of participants supported into work who would not have moved into work without the support. It is considering a range of options, such as comparing outcomes for participants to people who were referred to Restart but did not start on the scheme, and to similar claimants in Scotland where Restart is not available.

4.8 DWP still expects its evaluation plans to be able to conclude whether Restart has had the positive effect intended, though it may have less assurance over this than initially intended.

Appendix One

Our evidence base

1 We reached our independent conclusions on whether the Department for Work & Pensions (the Department) is managing the Restart Scheme to meet its aims and support the delivery of value for money, after analysing evidence collected between January and November 2022.

Interviews

Selection and recruitment

2 We worked closely with officials from the Department and discussed Restart with people in appropriate job roles relevant to the study. This included staff responsible for (or involved in):

- Policy development
- Commercial
- Analysis and evaluation.

3 In addition, we held 9 interviews with expert stakeholders, including the Employment Related Services Association, the Learning and Work Institute, the Institute for Employment Studies and the Institute of Employability Professionals. We selected stakeholders who had a strong knowledge of the market and previous employment support provision, such as the Work Programme. We identified stakeholders via desk research and discussions with the Department and invited them to participate in an interview by email. Discussions were based on the provision of support for unemployed people, and the Restart scheme.

4 We also conducted individual interviews with senior staff at each of the eight Restart prime contractors in August 2022. In addition, the Employment Related Services Association helped to arrange two additional sessions with providers. One of the sessions included representatives from each of the eight prime contractors, and the other included 16 providers who act as subcontractors in at least one contract package area. Conversations with providers were centred around their experience of delivering Restart.

Document review

Focus and purpose

5 We reviewed a range of departmental documents on the Restart scheme to further our understanding of the scheme, including the Department's commercial approach. This included a review of:

- Business cases
- Ministerial submissions
- Evaluation reports
- Work coach guidance and process maps
- Risk registers/assessments
- Bidding documents
- Commercial strategy and outcome documents
- Management information about Restart performance.

Analytical approach

6 We reviewed each document against our overarching study questions. The review was used to:

- inform further discussion and follow-up with the Department;
- triangulate findings from other sources, including interview and site visit data; and
- inform our approach to the analysis of scheme data.

7 We used our understanding of the commercial factors in the Restart contract to model the impact of changes in the number of people starting on Restart, or on contract package area performance, on the profits that prime providers would expect to achieve. This allowed us to better understand the contractual incentives in the contracts DWP and prime providers had signed.

8 While we reviewed the way that management information we cite was produced, and assessed it for reasonableness, we did not seek to verify its accuracy in detail. This includes information about the performance of providers, the number of people participating in Restart, and the information about how revenues from Restart flow to different providers. We did confirm with prime providers that they were content the information we had received from DWP was accurate.

Data Analysis

9 We also analysed information produced by the Office for National Statistics around the labour market (including regular publications around unemployment and the number of vacancies in the economy), the Office for Budget Responsibility around forecast labour market changes (including Coronavirus reference scenarios and Economic and Fiscal outlooks), and published data from DWP about people in receipt of unemployment related benefits.

Site Visits

10 We carried out four visits to DWP jobcentres and the relevant contracted employment support provider for that location between April 2022 and May 2022. The locations visited were Cardiff, Coalville, Sittingbourne and Stockport. Jobcentres are responsible for referring claimants to the local Restart scheme employment support provider. The aim of the visits was to:

- observe work coaches discussing Restart with claimants;
- discuss with work coaches their experience of engaging with claimants about Restart;
- discuss Restart with jobcentre managers and work coach team leaders;
- observe employment support provider advisors' discussions with Restart participants;
- discuss with employment support providers their experiences of delivering Restart; and
- to understand and observe each part of the Restart process, at jobcentres and at provider sites.

11 Each visit was comprised of:

- interviews with work coaches and provider employment advisors;
- observation of work coach and employment advisor meetings with claimants; and
- interview with site managers.

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