



National Audit Office



REPORT

Transforming health assessments for disability benefits

Department for Work & Pensions

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Transforming health assessments for disability benefits

Department for Work & Pensions

Report by the Comptroller and Auditor General

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Gareth Davies
Comptroller and Auditor General
National Audit Office

20 June 2023

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Contents

Key facts 4

Summary 5

Part One

The baseline performance of functional health assessments 17

Part Two

Department for Work & Pensions' approach to transforming functional health assessments 31

Part Three

Challenges to implementing the Health Transformation Programme 45

Appendix One

Our evidence base 55

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Key facts

3.9mn

working-age people in the UK receiving at least one of the principal disability benefits

£1.0bn

estimated cost of the transformation element of the Health Transformation Programme (including an interim IT system) until 2035-36

£2.6bn

Department for Work & Pensions' (DWP's) estimate in its 2021 business case of the savings through the Health Transformation Programme by 2035-36, a net present value of some £1 billion

April 2029 planned date for completion of the Health Transformation Programme, which DWP launched in 2018

5.8 million DWP's estimate in its 2021 business case of the number of claims for disability benefits that will be in payment in 2025-26, up from about 4.8 million in 2020-21

2 million maximum number of health assessments DWP estimates that contractors can currently carry out annually

Over 70% DWP's estimate of the proportion of the Health Transformation Programme workforce moved to work on other priorities during the COVID-19 pandemic

£168 million amount DWP has spent on the Health Transformation Programme since 2018

Examples of service performance DWP wants the Health Transformation Programme to improve:

14 weeks median time taken between a claimant making a claim for PIP and receiving an initial decision from DWP in January 2023

12% proportion of decisions about claims for PIP between 2018 and 2022 that were then overturned by a mandatory reconsideration or on appeal. This compares to 15% where the claimant was not initially awarded the maximum daily living and mobility components of the benefit in the same period

Summary

1 There are around 3.9 million working-age people currently receiving at least one of the principal disability benefits, including Employment and Support Allowance (ESA), Universal Credit (UC) and Personal Independence Payments (PIP). The Department for Work & Pensions (DWP) uses functional health assessments to help it assess whether people are eligible for these and a number of other benefits, and for a number of other purposes.^{1,2} DWP estimated in its 2021 Health Transformation Programme (the Programme) business case that the number of claims for these benefits in payment would increase from about 4.8 million in 2020-21 to about 5.8 million in 2025-26.

2 DWP currently contracts with three providers to undertake functional health assessments to make sure funding goes to those that need it. In its May 2021 programme business case, DWP estimated that in 2019-20 (before the COVID-19 pandemic) the cost of supporting 1.9 million disability benefit claims requiring assessments and entitlement decisions was £1.1 billion (in 2022-23 prices). Of this, £410 million was the cost of the assessments the providers carried out. The providers employ healthcare professionals who examine claimants' functional impairment. A PIP assessment considers how difficult the claimant finds daily living and mobility tasks. For ESA and UC, a Work Capability Assessment considers how much an illness or disability affects the claimant's ability to work. Claimants who apply for both PIP and ESA/UC currently require two separate functional health assessments.

3 In 2016, we reported on DWP's *Contracted-out health and disability assessments*.³ We found DWP expected to pay more for ESA assessments as it moved to new contracts and its commercial providers were not meeting DWP's targets for the number of assessments or the quality of their reports on those assessments. In 2018, the House of Commons Work and Pensions Committee concluded assessment processes functioned satisfactorily for most claimants, but were failing a substantial minority. It highlighted that claimants lacked confidence in the process, in part because of problems with the process and concerns about the ability of DWP's contractors to conduct accurate assessments.⁴ In March 2023, the Committee found many of the problems remain, despite some improvements.⁵

1 Functional health assessments examine an individual's functional impairment, as a consequence of a disability or health condition, rather than being a medical diagnosis. For example, how difficult a claimant finds daily living tasks and mobility.

2 Other benefits for which DWP uses functional health assessments include: disability living allowance (child); disability living allowance (65+); severe disablement allowance; reduced earnings allowance; and industrial injuries disablement benefit. DWP also uses functional health assessments for vaccine damage payments, occupational health assessments, armed forces pensions and the recovery of social security benefits in certain compensation cases and NHS costs in certain injury cases. DWP's assessment service may also be used by HM Courts & Tribunals Service and HM Revenue & Customs.

3 Comptroller and Auditor General, *Contracted-out health and disability assessments*, Session 2015-16, HC 609, National Audit Office, January 2016.

4 Work and Pensions Committee, *PIP and ESA assessments*, Seventh Report of Session 2017-2019, HC 829, February 2018.

5 Work and Pensions Committee, *Health assessments for benefits*, Fifth Report of Session 2022-23, HC 128, April 2023.

4 DWP set up the Programme (**Figure 1**) to improve the application and assessment process, which it views as vital to improve efficiency of the process and services for people claiming health and disability benefits. It started work in July 2018 and announced the Programme in March 2019. The Programme is one of the largest transformation and service delivery programmes by value in government's current portfolio. It is expected to run until 2029 and cost more than £1 billion. Through the Programme, DWP aims to make the assessment process “simpler, more user-friendly, easier to navigate, and more joined-up for claimants, whilst delivering better value for money for taxpayers” by:

- creating an integrated service through a single contract for four geographic areas across England, Scotland and Wales, providing health assessments services for all disability-related benefits including PIP and Work Capability Assessments;
- creating a single digital system for it and its providers to use, reducing the need for claimants to provide information multiple times;
- allowing online applications for PIP; and
- using a triage system to reach a decision more quickly where the case is straightforward, including conducting more cases without a healthcare professional where an expert view is unnecessary.

5 In March 2023, DWP published its health and disability white paper setting out a new policy approach to help more disabled people and people with health conditions “to start, stay and succeed in work”.⁶ The Programme will provide the mechanism through which DWP will implement many of the objectives it has set out in the white paper, including plans to remove the Work Capability Assessment.

Scope of our report

6 This report provides an early assessment of the progress DWP is making with the Programme. Our report covers:

- the baseline performance of functional health assessments (Part One);
- DWP's approach to transforming functional health assessments (Part Two); and
- challenges implementing the Health Transformation Programme (Part Three).

6 Department for Work & Pensions, *Transforming Support: The Health and Disability White Paper*, CP 807, March 2023.

Figure 1
Key information about the Health Transformation Programme (the Programme)

Key dates, costs and savings	
Start date	July 2018.
Original planned completion date	April 2028.
Current planned completion date	April 2029.
Estimated cost	£1.0 billion on transformation activities including £882 million on developing the Health Assessment Service and £144 million on two interim case management IT systems. This is in addition to the £2.1 billion expected cost of the Functional Assessment Service contracts.
Estimated savings	£2.6 billion over the life of the Programme from 2021-22 to 2035-36.
Spend to date (March 2023)	£168 million.
Key components	
Health Transformation Areas	Sites dedicated to test-and-learn activity, initially in London and Birmingham.
Functional Assessment Service (FAS)	An interim assessment service provided under four geographic contracts from 2024 to 2029 covering Great Britain (in addition the Department for Work & Pensions (DWP) will award a separate contract on behalf of the Department for Communities for Northern Ireland). This will be succeeded by the Health Assessment Service (HAS).
Functional Assessment Service IT (FAS IT)	An interim case management IT system for Personal Independence Payment (PIP). There is a separate system for Work Capability Assessments. Both systems provided under contracts from 2024 to 2029.
Health Assessment Service (HAS)	The new service for managing health assessments and claims for PIP from application to decision. Being designed for full roll-out in 2029 with an in-house case management IT system.
Programme phases	
Phase One (2019–2024)	Setting up the health transformation areas and creating the start of the HAS to use for testing and learning, while procuring FAS for the bulk of claims.
Phase Two (2024–2029)	Transformation of PIP customer journey and scaling of assessment services and may scale improvements into current FAS service.
Phase Three (2029 onwards)	New HAS in place processing all new and ongoing claims.

Note

- 1 Estimated costs and savings are from DWP's business cases for the Health Transformation Programme (2021), FAS (2023) and FAS IT (2022). DWP needs to update this information in its next business case which it aims to complete by spring 2024.

Source: National Audit Office analysis of Department for Work & Pensions information

Key findings

The baseline performance of functional health assessments

7 Functional health assessments are inherently judgement-based, resource-intensive and difficult to administer consistently. Assessing the impact of health conditions on the claimant's ability to work or to carry out routine tasks requires extensive use of judgement against the criteria set out in the regulations for the relevant benefit. Claimants can find it difficult to explain what they cannot do when they are used to focusing on what they can do. Claimants can also provide a lot of documents, including handwritten evidence, which an assessor must read and sift for pertinent information (paragraphs 1.2 to 1.6 and Figure 2).

8 Providers have increased their capacity and improved the quality of their reports but recruiting and retaining healthcare professionals remains a key constraint on the service. Our 2016 report identified issues about the quality of assessments and recruitment and retention of staff. Providers are now close to or exceeding quality targets in their contracts. Providers also increased the number of healthcare professionals they employ from 2,200 in May 2015 to 4,130 in February 2023 but recruiting and retaining healthcare professionals remains a challenge. DWP forecasts that demand for assessments will exceed the contractors' current capacity of two million health assessments a year by 2025-26, although it acknowledged that its forecasts are highly uncertain (paragraphs 1.7, 1.11 and 1.12 and Figure 4).

9 DWP wants to improve the current service. It believes it can improve the:

- **cost of assessments.** The cost per assessment paid to contractors fell in real terms before the COVID-19 pandemic. For example, the cost per PIP assessment fell from £360 in 2015-16 to £269 in 2019-20 at 2022-23 prices. A reduction in the number of assessments and DWP's change to a 'cost-plus' contract contributed to an increase in unit costs peaking at £306 per PIP assessment in 2021-22, reducing to £282 per assessment in 2022-23. As DWP has not yet let the contracts, we have not been able to compare unit costs with the new Functional Assessment Service, but DWP hopes that the cost per assessment will be lower (paragraphs 1.8 to 1.10 and Figure 3);
- **speed of initial decisions.** DWP believes it can shorten the time it takes to reach an initial decision. Before the COVID-19 pandemic, the median time taken on a PIP claim rose from 11 weeks in January 2018 to more than 19 weeks in February 2020. The demand for PIP increased further during the COVID-19 pandemic and the median time to carry out an assessment peaked at nearly 26 weeks in August 2021. DWP has since reduced the median time to process new claims to just over 14 weeks in January 2023. However, different claimants are now more likely to experience different waiting times for their assessment. In January 2023, the time taken to decide 90% of claims varied from eight weeks to 31 weeks (paragraphs 1.6, 1.13 to 1.16 and Figure 5);

- **accuracy of initial decisions.** DWP wants to reduce the number of its initial decisions that are later overturned in favour of the claimant. Between April 2018 and March 2022, 12% of initial claim decisions (15% of DWP's initial PIP claim decisions, where the claimant was not initially awarded the maximum daily living and mobility components of the benefit), were subsequently changed through either a mandatory reconsideration (where DWP reviews the claim) or an appeal to the Tribunal (paragraphs 1.19 and 1.20, and Figure 8); and
- **customer service and trust in how DWP makes decisions.** DWP found claimants often do not understand or trust how it makes decisions. For example, while many claimants are happy with the service, of those claimants who had contacted DWP and subsequently responded to DWP's Customer Experience Survey in 2021-22, only 55% of ESA claimants and 53% of PIP claimants agreed with the statement "DWP cares about the people who use its services" (paragraph 1.18 and Figure 7).

DWP's approach to transforming functional health assessments

10 DWP initially decided to continue to contract out existing health assessment services while simultaneously transforming those services. DWP considered which elements of the service to outsource. It decided to continue to use contractors to undertake most health assessments. A key factor in this decision was DWP does not believe that it can directly employ sufficient healthcare professionals to deliver the service in-house. It later found it difficult to attract even a limited number of healthcare professionals to work in its transformation areas. DWP's plan was to maintain the current service through outsourced providers while also asking them to help develop a transformed service. This would be difficult; we have reported on other examples where public bodies tried to contract for services that they simultaneously tried to transform, leading to contractual disputes, programme delays and cost overruns (paragraphs 2.7 to 2.9).

11 DWP changed its approach in 2019 to reduce the risks from tying its transformation too closely to its existing contracts. DWP planned the Programme around the need to renew the existing contracts which had already been extended to 2021. An Infrastructure and Projects Authority review of the Programme in July 2019 found DWP's delivery plan was unachievable because DWP had insufficient time to transform the service and to replace the existing contracts before they expired in 2021. As a result, DWP reset the Programme and changed its strategy and contracting approach to reduce the risks to the Programme. It introduced a more phased approach, set up in-house transformation areas where it could develop the new service outside of the main outsourced service and deferred more of the transformation to a later stage. This reduced some of the challenges of trying to transform the service while outsourced but created new challenges of coordinating its in-house and outsourced services and the roll out of the transformed services to contractors (see challenges in paragraphs 17 to 24 below) (paragraph 2.4 to 2.7 and 2.10).

12 DWP has further delayed the start of transformation since the reset in 2019.

It reallocated staff across the department at the start of the COVID-19 pandemic to process new claims, which meant there were few staff available to lead the Programme. This meant it did not build momentum with the Programme until 2021 and it decided to further extend its existing contracts from 2021 to 2024, citing the pandemic as a justification (paragraphs 2.4 to 2.7 and Figure 11).

13 DWP is now coming to the end of the first of three distinct phases of the Programme. DWP now plans three phases as follows:

- **Phase One – Conclusion of existing contracts up to 2024 and set up of transformation areas.** DWP has set up and is running two in-house transformation areas in London and Birmingham to develop its Health Assessment Service using a test-and-learn approach. These use healthcare professionals, employed both directly by DWP and by its contractual provider, to assess claims and test the Health Assessment Service while it is in development. Meanwhile, DWP has also developed a new digital channel so that people can apply for PIP online, which it plans to roll out by 2024. DWP had planned to sign new contracts for an interim Functional Assessment Service in May 2023 but received a challenge to one of its contract ‘lots’. However, it hopes to now have the contracts in place later in 2023 to start in 2024.
- **Phase Two – Interim contracts and test-and-learn in the transformation areas (2024 to 2029).** During this phase most functional health assessments will be provided through the interim outsourced Functional Assessment Service, based on the existing service. It has contracted with Atos to develop the interim IT system for the outsourced providers to use, and aims to contract for an IT system to manage Work Capability Assessments in 2025. In parallel, DWP will continue to develop the new Health Assessment Service and PIP service improvements in its in-house transformation areas. DWP aims to increase the volume of claims processed in the transformation areas, using the new service approaches, to up to 20% of new claims by 2026. It also plans to import good practice developed in the transformation areas into the interim outsourced services where possible.
- **Phase Three – Develop the new Health Assessment Service ready for ‘next generation’ contracts starting in 2029.** DWP aims to have its new transformed service ready to process all new and ongoing claims from 2029. This will include its own in-house case management system and, subject to future decisions, new contracts for functional health assessments (paragraph 2.10).

14 DWP had expected the Programme to achieve a net present value of £1 billion up to 2035-36. Based on its 2021 business case for the Programme, made before it published its 2023 white paper, and adjusting its forecast spending for the amount it has spent up to March 2023, DWP currently expects:

- that DWP would spend some £882 million on developing the Health Assessment Service and £97 million on the Functional Assessment Service IT. This is in addition to the £2,095 million expected cost of the 2024-29 Functional Assessment Service. It has already spent £168 million, mainly in setting up the Programme, the interim contracts, and the new test areas; and
- the Programme to achieve savings of some £2.6 billion over the life of the Programme from 2021-22 to 2035-36, a net present value of £1 billion (net present value takes account of costs and adjusts for the fact that having money today is worth more than the promise of money in future). DWP intends to achieve these savings through efficiencies in how the functional assessment process works, improved labour market outcomes for people with disabilities and wider societal benefits (paragraphs 2.11 to 2.16 and Figure 12).

15 DWP does not yet fully know how the reforms in the white paper it recently published will affect the Programme's detailed costs, benefits and timetable.

DWP published *Transforming Support: The Health and Disability White Paper* in March 2023. This outlines a range of reforms to the support provided to disabled people and other health conditions. This includes phasing out Work Capability Assessments for new UC claims from 2026-27. The white paper reforms have been developed over several years and DWP designed the Programme to anticipate and deliver the reforms. However, DWP is working on the detailed implementation plans and aims to complete a new business case for approval by spring 2024 with a revised programme timetable, costs and benefits (paragraphs 2.19 to 2.21).

Challenges to implementing the Health Transformation Programme

16 DWP faces challenges to successfully delivering its approach to transforming the assessment services without further delay, cost overruns or scaling back its ambition. DWP has previous experience of delivering agile programmes and has much of the governance in place for the Programme we would expect for such a major programme. However, its approach of transforming services over multiple contracts with in-house transformation areas is innovative and DWP does not have any examples where this approach has previously been successful to use as a guide. In paragraphs 18 to 25 below we set out the challenges that DWP must carefully manage if it is to achieve value for money from the Programme. These are based on both our review of the Programme and insights from auditing other programmes across government (paragraphs 3.1, 3.2 and Figure 14).

17 DWP does not yet fully know how it will assess whether the Programme is delivering its intended benefits and is ready to proceed at key decision points.

DWP has delayed the Programme and revised its plans following a programme reset and the impact of the COVID-19 pandemic, although the planned implementation date has only moved by one year to 2029. The results of the test-and-learn activity necessary to develop the service are inherently uncertain at this stage. There is therefore a risk that there is insufficient time in the timetable allocated to this testing and then adapting the Programme with the results. So far, DWP's programme governance and risk management has focused on establishing the new contracts and transformation areas as part of the first phase of the Programme. It has not yet completed work to define how it will track progress with its test-and-learn activity in the second phase or assess when the new service is ready to proceed to each next step. DWP plans to address this by setting out a more detailed delivery plan, criteria to assess when the service is ready to proceed and metrics to track progress, which will inform a revised business case (Challenge 1 – Knowing if the Programme is on track: paragraphs 3.3 to 3.6).

18 DWP wants to scale the Health Assessment Service, which will require negotiation and the contractors' cooperation.

The Programme requires three phases of integration: rolling out the interim IT solution for providers to use between 2024 and 2029; testing the new Health Assessment Service with providers in specific geographic areas; and rolling out the full Health Assessment Service to the 2029 contracts (subject to future decisions). It also intends, if possible, to apply any improved practices from the transformation areas to the interim Functional Assessment Service during the lifetime of the 2024 contracts. However, DWP is currently using standard government outsourcing 'model service' contracts, which require the service to be specified up-front and provide for only limited changes to that service. As part of the procurement, DWP told the providers it intends for the service to change over time, but each of these changes will need to be negotiated. These contracts do not provide incentives for transformation beyond the initial implementation period or clarity about what happens and who is responsible when something goes wrong with systems that are not in the providers' control. DWP told us it will manage this challenge by acting as the 'integration office' to manage these roll-outs, through its phased approach to change, and good engagement with contractors. In response to our work, DWP is also exploring options for incentives for providers. Ultimately it could also terminate or reduce the current contracts, to either bring it in-house or recontract, but this would take a significant amount of time, planning and cost (Challenge 2 – Achieving integration of services: paragraphs 3.7 to 3.9 and Figure 15).

19 The Programme is dependent on several other departmental programmes and initiatives for its success and managing the interrelated risks will be complex, although DWP has made a good start. The Programme has a lot of interdependent projects, needs to fit with other departmental digital initiatives, and is dependent on other changes being made to UC. Individually, the Programme comprises projects with risks that DWP is used to managing, such as implementing new contracts and designing discrete digital systems. However, the risks of each of these projects and their interdependencies aggregate to a greater overall risk to the Programme. DWP has identified its key programme dependencies and monitors these regularly at the Programme board. It has used reference class forecasting to benchmark its plans for its projects. It also told us it will develop better scenario-planning, which will inform a revised business case (Challenge 3 – Managing dependencies and aggregate risk: paragraphs 3.10 to 3.13).

20 DWP has set out in broad terms what the Programme will look like in 2029, but will need to define the interim stages it needs to get there. Under the Programme, DWP intends to test both the Health Assessment Service and transformed PIP service (with both a new digital system and an operational service to process claims) in the transformation areas. DWP has a target operating model setting out how the service should broadly operate in 2029, and an interim operating model to reflect how the service should have changed between 2022 and 2023 but it still needs to develop interim operating models for later phases. It will need to refine these interim models in order to progress. DWP is updating its target operating model, along with interim operating models, and continues to develop its test-and-learn strategy (Challenge 4 – Developing a test-and-learn approach: paragraphs 3.14 to 3.16).

21 DWP has not yet defined all the data and performance metrics it needs to manage the Health Assessment Service or to judge if the Programme is successful. DWP identified a number of non-financial benefits in its 2021 business case. It published its evaluation strategy in May 2023, which sets out a high-level approach for evaluating and tracking the performance of the Programme, including nine top-level key performance indicators. Of these nine key performance indicators, DWP told us that it has data and has developed metrics with baselines for six. DWP's key performance indicators do not give a complete picture of its ambition for the Programme: it has also identified at least 45 other metrics which better capture the fuller ambitions of the Programme. Of the 54 key performance indicators and other metrics, DWP told us that it intends to baseline 47 and has already developed and baselined metrics for 27 (57%). DWP now needs to build its new services to produce the data it needs to both monitor these metrics and to conduct test-and-learn experiments. It needs to establish a proper baseline for performance against these metrics so it can determine whether the new service is achieving the improvements hoped for without any unintended consequences for people using the service (Challenge 5 – Having the evidence needed to enable transformation: paragraphs 2.17 to 2.18, 3.17 to 3.19 and Figure 13).

22 DWP now has two assessment services, which must produce consistent outcomes. It plans to check this by testing a sample of decisions. Under the Programme, cases will be processed through either the Functional Assessment Service or the Health Assessment Service transformation services, using different processes but the same legal criteria. DWP told us it has a very low tolerance for allowing different outcomes and tests a sample of decisions from its transformation areas in the same way as it does for its main service (Challenge 6 – Making consistent decisions across cases: paragraphs 3.20 to 3.22).

23 DWP has held events to inform stakeholders, but recognises that it could improve their engagement with the Programme. Stakeholders' support can provide greater insight, while their opposition could delay or derail the Programme, for example through lack of trust. One of DWP's strategic objectives is to build greater trust in and improve transparency of its disability benefit decisions. DWP has not widely promoted the Programme, but it has held a series of events with national and local stakeholder groups to inform them about the Programme's scope and aims. It has so far held 17 workshops with national representative bodies, some of which involved stakeholders in the design of aspects of the Programme, and it has received positive feedback about these events. DWP expects awareness of the Programme and its objectives to increase following the publication of its white paper in March 2023 and evaluation strategy in May 2023 (Challenge 7 – Achieving stakeholder buy-in: paragraphs 3.23 to 3.26).

24 There are likely to be a number of changes to requirements over the life of the Programme which may affect the current timetable. As with any long-term transformation programme, it is inevitable there will be policy changes between now and its finish in 2029. The Programme has some flexibility for change. However, there remain significant decisions to be made by DWP and Parliament on how to implement the white paper, including legislation to remove the Work Capability Assessment. Changes are also likely to be needed to both legacy and new IT systems (Challenge 8 – Policy uncertainty: paragraphs 3.27 to 3.30).

Conclusion on value for money

25 The Programme is ambitious, and represents an opportunity to substantially improve the cost, timeliness and accuracy of functional health assessments while improving the experience for claimants and increasing the trust they have in the system. It is also the primary means by which DWP hopes to implement further reform of disability benefits, including removing the Work Capability Assessment, as set out in its recent white paper. While DWP draws on its experience in successfully delivering agile programmes and has put most of the required governance in place, transformation of this scale and complexity is inherently at high risk of time and cost overruns and not achieving all the intended benefits.

26 To date the Programme timetable has been driven by the length of contracts and the need to procure new contracts. There have already been delays both from the COVID-19 pandemic and its evolving commercial approach. There are gaps in DWP's approach that it still needs to fill, particularly in terms of how it will integrate the service between providers, build an interim model that enables sufficient testing, and evaluate whether the Programme is on track to deliver the planned benefits. DWP does not yet know how the reforms in the white paper it recently published will affect the Programme's detailed costs, benefits and timetable, and it is likely the Programme will have to respond to further changes. Overall, there remain risks to value for money and these will need to be carefully managed for the Programme to realise the full benefits intended.

Recommendations

27 We recommend that DWP should:

a review the Programme plan and produce an updated business case, incorporating the white paper reforms, including:

- allowing for optimism bias and contingencies for test-and-learn activity, new legislation and development of the Health Assessment Service;
- plans for different scenarios including risks from both interdependencies and external changes such policy and legislative change. This should inform the longer-term risks to Programme objectives individually and in aggregate;
- completing work to establish the criteria by which DWP will track the agile test-and-learn aspects of the Programme and assess whether the Health Assessment Service is ready to proceed to each new stage; and
- demonstrating it has effective assurance and control over development of the Programme's digital architecture, including how the Programme will fit with DWP's other departmental digital initiatives, using oversight independent of the Programme;

b produce interim target operating models for the Programme at appropriate stages and continue to develop its test-and-learn approach including:

- testing and learning what works best for the new services between now and 2029 so DWP and contractors are clear about what they need to implement;
- setting out the data and evidence that the new services will need to produce to enable the test-and-learn activity, the tracking of benefits and the Programme's evaluation;
- setting out how the Health Assessment Service will be benchmarked and use comparative data from the interim Functional Assessment Service; and
- putting in place the mechanisms to provide feedback to healthcare professionals and decision-makers and helping assure the consistency of decisions, for example by using data from mandatory reconsiderations and tribunals;

c be transparent about the Programme so that stakeholders including Parliament understand what it is trying to achieve, how it is performing and its flexibility to adapt to new initiatives by publishing:

- its new business case;
- the metrics it will use to monitor the delivery of the Programme and the realisation of its benefits;
- regular data on the performance of the services, including data on claimant outcomes for the interim Functional Assessment Service and the new Health Assessment Service by claimant characteristics; and
- data about and evaluations of the realisation of programme benefits.

Part One

The baseline performance of functional health assessments

1.1 This part of the report sets out:

- the role of functional health assessments; and
- the issues with functional health assessment services that the Department for Work & Pensions (DWP) wants to address.

The role of functional health assessments

1.2 Functional health assessments examine an individual's functional impairment, that is, the extent to which their ability to carry out certain activities is impaired. It is not a medical diagnosis. There are two main types of benefit for disabled people or people with other long-term health conditions:

- **Employment and Support Allowance (ESA) and payments through Universal Credit (UC):** benefits for people who have a health condition or disability affecting their ability to work, assessed through a Work Capability Assessment; and
- **Personal Independence Payment (PIP):** a benefit to support independent living, regardless of income, by helping with the extra costs for disabled people and people with long-term health conditions. The PIP assessment examines how difficult a claimant finds daily living tasks and mobility.

DWP manages the process through which individuals can claim, it processes the application and makes the decision on any award (**Figure 2** on pages 18 and 19). For both types of benefit, DWP uses a functional health assessment to inform its decision, applying a points-based system against a range of criteria.

Figure 2 Claimant journey for Personal Independence Payment (PIP), Employment and Support Allowance (ESA) and health-related elements of Universal Credit (UC)^{1,2}

The current journey differs depending on whether the claimant requires a functional assessment for PIP or a Work Capability Assessment for ESA or UC

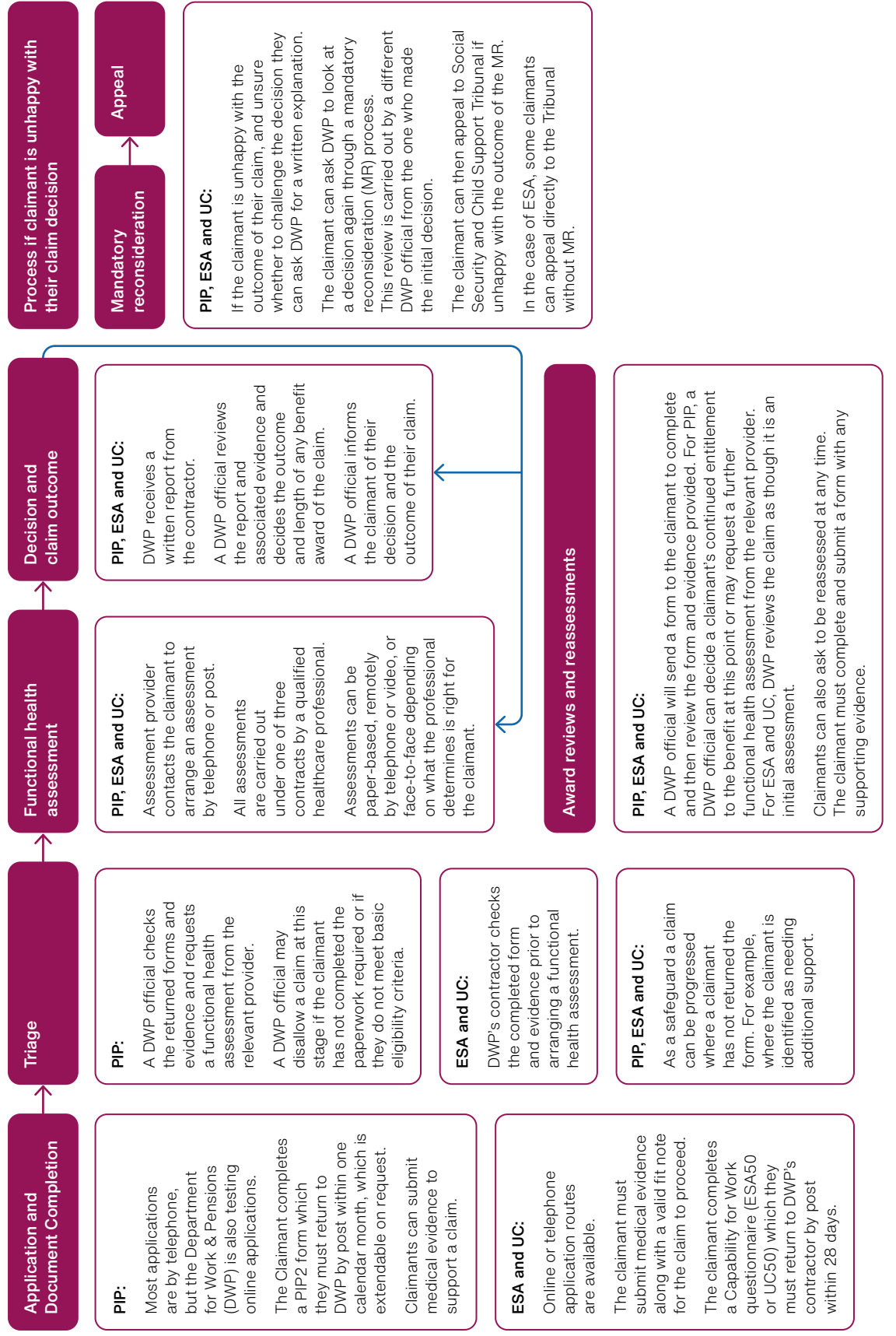


Figure 2 *continued*

Claimant journey for Personal Independence Payment (PIP), Employment and Support Allowance (ESA) and health-related elements of Universal Credit (UC)^{1,2}

Notes

- 1 This figure represents the journey that most claimants should currently experience. The journey is different for claimants if special rules apply to their claim, for example if they are nearing the end of their life.
- 2 UC entitlement is based on a claimant's circumstances including earnings, housing costs and health conditions. Claimants who are unable to work due to a health condition for four weeks will be referred for a Work Capability Assessment following the process outlined in this figure.

Source: National Audit Office analysis of Department for Work & Pensions data

1.3 In May 2022, there were some 3.9 million working-age people in the UK receiving a least one of these benefits.⁷ DWP estimates working-age disability benefits cost £37.7 billion in 2022-23 including £15.6 billion for PIP and Disability Living Allowance and £22.1 billion for ESA and UC health components.⁸ In May 2022, around 1.8 million people received both PIP or Disability Living Allowance and ESA or UC. These claimants will have had to undergo two assessments and separately provide much of the same evidence about how their condition affects their lives. DWP estimated in its 2021 Health Transformation Programme (the Programme) business case that the number of claims for these benefits in payment would increase from about 4.8 million in 2020-21 to about 5.8 million in 2025-26.

1.4 DWP currently contracts out functional health assessments to three commercial providers which recruit and employ healthcare professionals – including qualified doctors, nurses and physiotherapists – to conduct the assessment on behalf of DWP. Functional health assessments are carried out when a person initially applies for a benefit and when DWP deems a reassessment is required based on the person's health conditions, or earlier if the claimant requests it. In its May 2021 programme business case, DWP estimated that in 2019-20 (before the COVID-19 pandemic) the cost of supporting 1.9 million disability benefit claims requiring assessments and entitlement decisions was £1.1 billion (in 2022-23 prices). Of this £410 million was the cost of the assessments the providers carried out.

1.5 Assessments can be carried out face-to-face, remotely by telephone, video call, or a paper-based assessment without meeting the claimant and using the evidence already available. The healthcare professional decides which type of assessment to use and can take into account the claimant's preference. From 2016 to 2019 more than 80% of assessments for PIP were face-to-face. Since the start of 2021, as a result of the COVID-19 pandemic, fewer than 10% of assessment interviews have been face-to-face.

7 There were 2.7 million PIP/Disability Living Allowance claimants; 816,358 claimants of income-related ESA; 694,901 claimants of contribution-based ESA; 1.4 million claimants of UC with a health component; and 88,710 claimants of ESA credits (no payment), in May 2022.

8 2022-23 benefit expenditure has not yet been fully audited at the time of this report.

1.6 Assessments are not straightforward. Healthcare professionals must use judgement and, in turn, the DWP decision-maker must then use their judgement in deciding on a benefit award against the criteria. Challenges include:

- what can be a large volume of evidence, not all of which may be pertinent, which is scanned and cannot be searched so must all be read. This includes evidence from an individual's GP and healthcare specialist. The claimant may also submit other documents, along with handwritten evidence in their application. DWP's systems are not integrated and a DWP assessor must obtain information manually about a claimant from different systems;
- claimants may find it difficult to explain what they cannot do when they and their medical specialists focus on what they can do and on treating their condition;
- claimants may have multiple conditions, some conditions are episodic and can improve or degenerate over time;
- the length of time an assessment takes varies depending on the complexity of a claimant's impairment and the evidence available; and
- claimants missed between 4.8% and 11.5% of assessment appointments a month from January 2018 to February 2023.

Issues with functional health assessment services which DWP wants to address

1.7 Our 2016 report *Contracted-out health and disability assessments* found DWP and providers had made progress on reducing the number of outstanding claims and waiting times for claimants.⁹ At the time of our report, DWP expected to pay more for ESA assessments as it moved to new contracts; was not achieving volume and assessment report quality targets; and some providers had struggled to recruit and retain enough healthcare professionals. Since 2016, DWP has overseen improved performance by its providers, but there remain many aspects of the service that it still wants to improve.

Cost of assessments

1.8 The cost per assessment, for both PIP and Work Capability Assessment, fell in real terms before the COVID-19 pandemic (Figure 3). The cost of each PIP assessment at 2022-23 prices averaged £360 in 2015-16 and fell to £269 in 2019-20. The cost of each Work Capability Assessment averaged £184 in 2015-16 and fell to £167 in 2019-20.

⁹ Comptroller and Auditor General, *Contracted-out health and disability assessments*, Session 2015-16, HC 609, National Audit Office, January 2016.

1.9 The cost per assessment then increased during the COVID-19 pandemic. This was because the number of assessments that could be carried out reduced and because DWP moved to paying the contractor on a 'cost-plus' contract basis to secure the supply chain during the crisis. DWP previously paid contractors a unit price per assessment, with most assessments being face-to-face. Moving to 'cost-plus' meant paying contractors for all their allowable costs and a margin for profit so they could maintain salary and staff levels while the number of assessments was lower. This allowed DWP to maintain the supply chain during the pandemic but meant that the cost per assessment rose to £306 for PIP in 2021-22 and to £248 for Work Capability Assessments in 2020-21 (**Figure 3** overleaf).

1.10 The new Functional Assessment Service contracts will combine both PIP and Work Capability Assessments. The current cost per assessment is £282 for PIP and £210 for Work Capability Assessment. As DWP has not yet let the contracts, we have not been able to compare unit costs with the new Functional Assessment Service, but DWP hopes that the cost per assessment will be lower.

Number of healthcare professionals

1.11 The number of healthcare professionals has always been a constraint on the assessment service and DWP forecasts that demand for assessments will rise. Providers told us recruitment and retention of healthcare professionals remain challenging. DWP commissioned research which found that, although there had been a short-term improvement in recruitment of healthcare professionals during the COVID-19 pandemic, there were high rates of attrition and identified how DWP could improve retention. Providers have increased the number of healthcare professionals they employ from 2,200 in May 2015 to 4,130 in February 2023. DWP forecasts that demand for assessments will exceed the contractors' current capacity of two million health assessments a year by 2025-26, although it acknowledged that its forecasts are highly uncertain.

Quality of assessment reports

1.12 In 2016 we found contractors had not met targets for the quality of their assessment reports since October 2013. Quality of contractors' reports has since improved and contractors are now close to or exceeding DWP's quality target (**Figure 4** on page 23).

Figure 3
Number and contract cost of functional health assessments 2015-16 to 2022-23

The Department for Work and Pensions' (DWP's) contractors conducted around 2 million assessments each year prior to the COVID-19 pandemic at an average cost per assessment in 2019-20 of £269 for Personal Independence Payment (PIP) and £167 for a Work Capability Assessment at 2022-23 prices

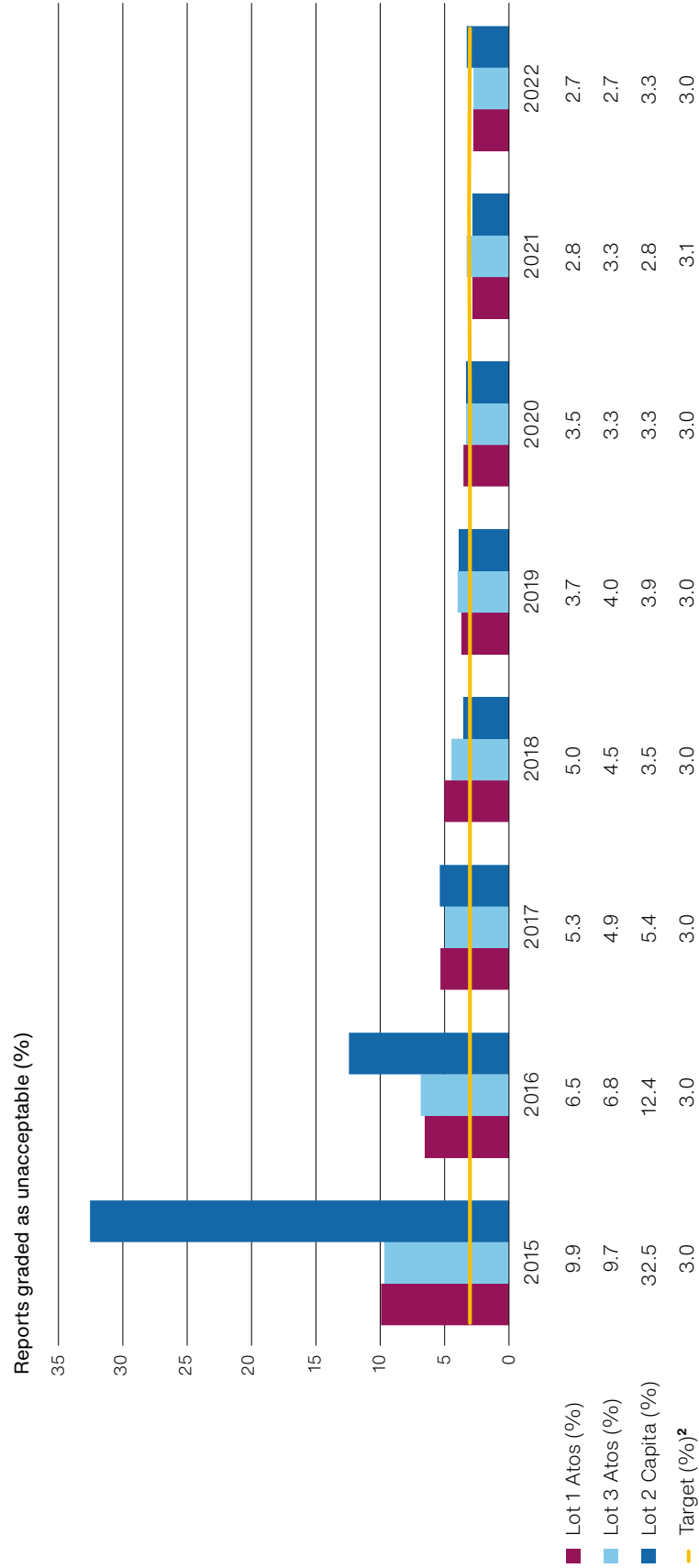
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
PIP Assessments								
Number of assessments (000) ¹	710	1,003	1,020	954	889	734	793	972
Contract costs (£mn)	£255	£315	£303	£273	£239	£127	£242	£274
Average cost per assessment	£360	£314	£297	£286	£269	£296	£306	£282
Work Capability Assessments								
Number of assessments (000) ¹	895	1,026	1,041	1,053	1,023	496	599	643
Contract costs (£mn)	£165	£186	£192	£175	£171	£123	£131	£135
Average cost per assessment	£184	£182	£184	£166	£167	£248	£218	£210
Total number of assessments (000)	1,604	2,028	2,062	2,006	1,912	1,230	1,392	1,615
Total contract costs (£mn)	£420	£501	£495	£448	£410	£340	£373	£409

Notes

- 1 DWP has estimated the number of Work Capability Assessments and PIP assessments carried out by the contractors.
- 2 The costs shown are the cost of the contracted-out elements at 2022-23 prices.
- 3 The contracted-out cost of the PIP assessment and Work Capability Assessment include different elements. For example, the contract for Work Capability Assessments does not include IT and estate costs – these assessments are carried out at DWP offices. Whereas the PIP contractor carries out PIP functional health assessments at their own offices, which is reflected in the contract cost.
- 4 There are various factors which lead to the average cost per assessment varying over time including changes in the number of assessments and changes to the contracts. For example, because of COVID-19, DWP moved to paying on a 'cost-plus' basis – where it paid allowable contractors' costs and a margin for profit. This meant it could maintain the service at a time when the number of assessments that could be carried out fell.
- 5 These numbers are based on DWP's management information. The NAO has not audited these figures back to DWP's accounting records or verified the contractors' costs.

Source: National Audit Office analysis of Department for Work & Pensions data

Figure 4
Percentage of health assessment reports for Personal Independence Payment (PIP) graded unacceptable 2015 to 2022
 The percentage of PIP health assessment reports graded as unacceptable has fallen since 2015 and is now close to or below the 3% target set by Department for Work & Pensions (DWP)



Notes

- 1 Providers audited report quality until April 2016. From April 2016, DWP carried out the audit. Typically, DWP audits some 480 cases from each lot a month, as a statistically valid sample of the total assessments performed. This process does not assess the quality of assessment or decision.
- 2 DWP adjusted its target to 3.3% from August 2021 to November 2021 meaning that the target for 2021 as a whole averages 3.1%.
- 3 There are three separate contracts or 'lots', covering different parts of the country. Lot 2, held by Capita, covers Wales and the Midlands. Lots 1 and 3, held by Atos, cover the rest of England and Scotland.

Time taken to reach a decision about a claim for PIP

1.13 It necessarily takes DWP some time to process a claim. Once claimants have applied for PIP, they should receive a form from DWP within two weeks. To allow the claimant to then seek support and gather the required evidence, they are allowed up to a month to return that form (and this is extendable on request). On return of the form, one of DWP's assessment providers either arranges a time for an assessment with a healthcare professional, or if there is already sufficient evidence provided, the healthcare professional may make a paper-based assessment. Where PIP is awarded, the payment is backdated to the date of the initial claim.

1.14 The time from initial claim to first decision for PIP had increased before the COVID-19 pandemic. The median time taken rose from 11 weeks in January 2018 to more than 19 weeks in February 2020 (**Figure 5**). The wait for a decision rose during the pandemic and peaked at nearly 26 weeks in August 2021.

1.15 DWP has reduced the time it takes to reach a first decision to an average of just over 14 weeks in January 2023, roughly to what it was in May 2019. However, the experience PIP claimants receive varies widely. For decisions made in January 2023, while 75% of claimants had waited for a decision for 18 weeks or fewer, 5% waited more than 31 weeks and 5% waited fewer than eight weeks (including the time the claimants took to return the forms and agree an appointment).¹⁰ There are several reasons why the time taken to decide a claim may vary including the challenges we set out at paragraph 1.6.

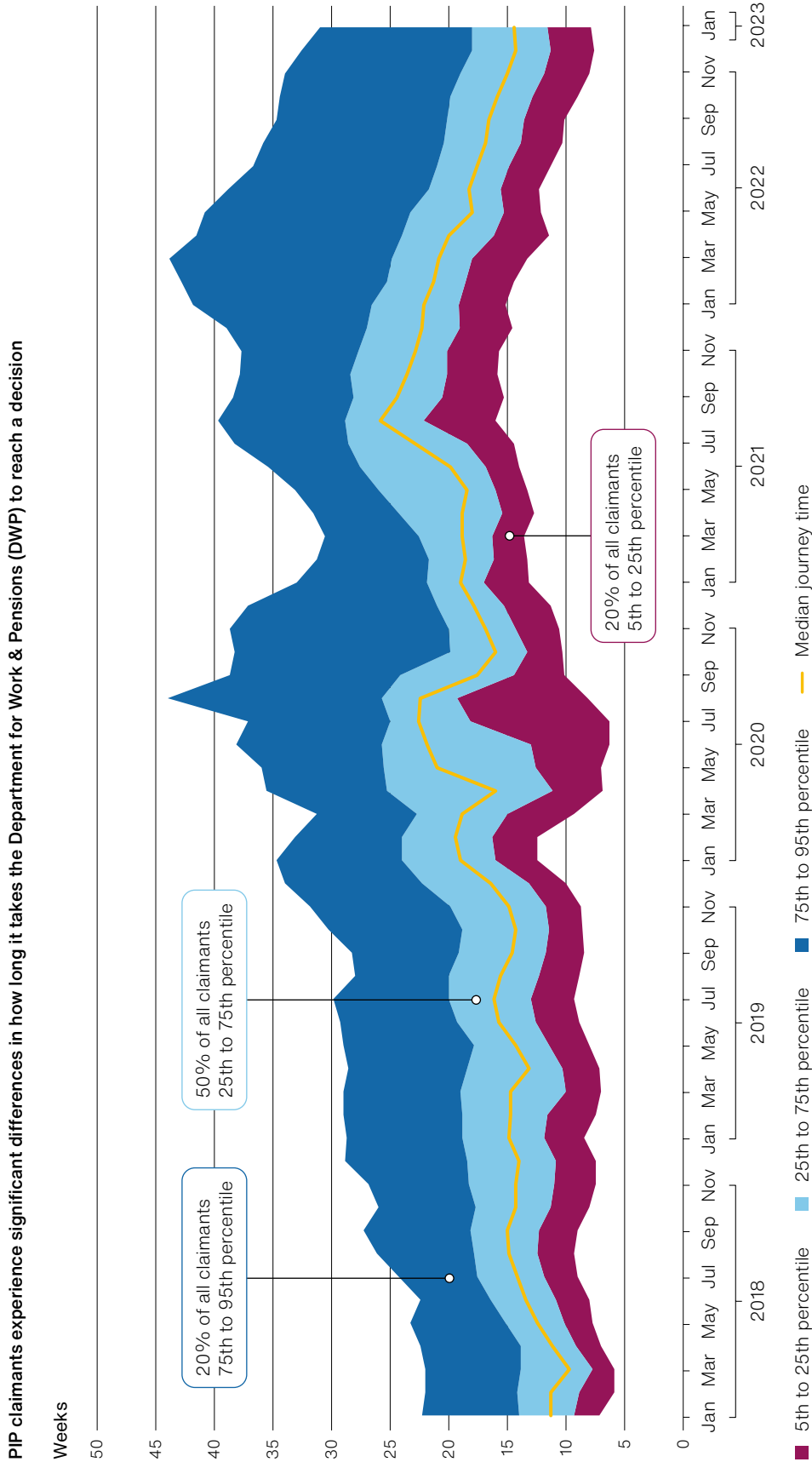
1.16 DWP told us that the increased waiting times were caused by a combination of an increase in demand for new assessments, disruption caused by the pandemic and an error in a contractor's case management system which left some cases unallocated.

Time taken to complete Work Capability Assessments

1.17 The time taken by DWP's contractor to complete Work Capability Assessments was relatively stable in the year before the COVID-19 pandemic but rose from mid-2020 peaking at a median of nearly 33 weeks in July 2021 (**Figure 6** on page 26). The median average time has since fallen but stabilised at 13 weeks in January 2023, which is nearly double the pre-pandemic level of seven weeks in March 2020. Claimants experience a wide variation in the time it takes for DWP's contractor to complete Work Capability Assessments. For decisions made in January 2023, while 75% of claimants had waited for a decision for 19 weeks or fewer, 5% waited more than 28 weeks and 5% waited fewer than five weeks.

¹⁰ Our analysis comprises 90% of all PIP claimant journeys from application to initial decision. The journey time for the shortest and longest 5% of claims have not been included as DWP told us it believes these represent outliers and exceptional cases.

Figure 5
 Variation in Personal Independence Payment (PIP) claimant journey times from application to initial decision, January 2018 to January 2023



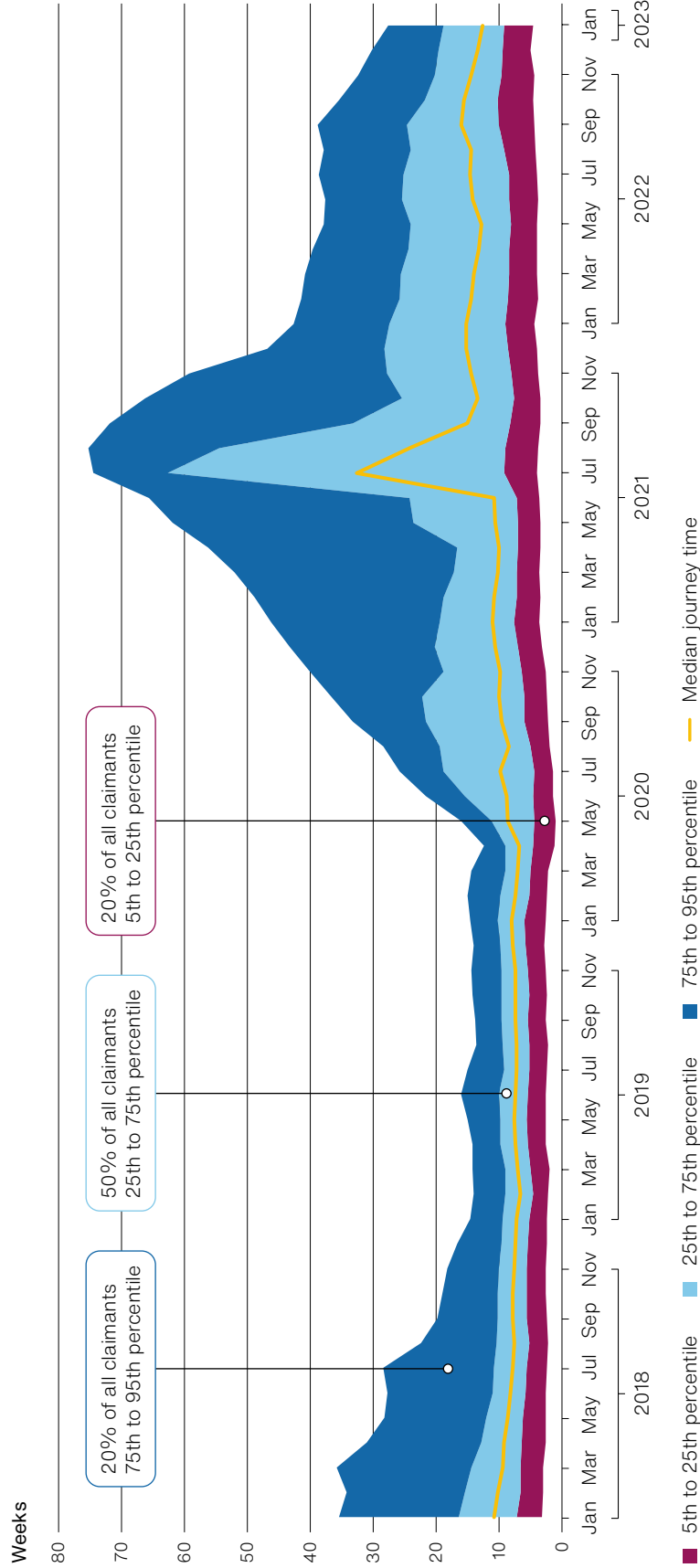
Notes

- 1 The data comprise 90% of all PIP claims from application to initial decision (excluding any subsequent time for mandatory reconsideration and appeal). The journey time for the shortest and longest 5% of claims have not been included as DWP told us it believes these represent outliers.
- 2 Data provided are for England and Wales only.

Source: National Audit Office analysis of Department for Work & Pensions data

Figure 6 Time taken to complete Work Capability Assessments from referral to the contractor to the Department for Work & Pensions (DWP) receiving a report, January 2018 to January 2023

The median time taken to complete assessments peaked at 33 weeks in July 2021 and remains above pre-COVID-19 pandemic levels



Notes

- 1 The data comprise 90% of all Work Capability Assessment claims from referral to the contractor to DWP receiving a report. The journey time for the shortest and longest 5% of claims have not been included as DWP told us it believes these represent outliers.
- 2 We have excluded referrals to the contractor (Centre for Health and Disability Assessments operated by Maximus) that do not result in an assessment being completed.
- 3 Data are for assessments that have been completed without the claimant first having failed to attend an assessment booking. DWP told us that data for assessments where the claimant has missed appointments, which would lengthen overall timescales, are currently unavailable.
- 4 DWP told us that in July 2021 it told the contractor to prioritise older cases. This caused an increase in clearance times. As older cases have been removed from the system, average clearance times have reduced.

Trust in DWP's services

1.18 DWP is concerned that claimants do not understand or trust how it makes decisions and some of the feedback it receives is poor. For instance, in its 2020-21 quarterly survey of claimants who have contacted DWP, of ESA and PIP claimants responding to the survey, the lowest proportion agreed with the statements “DWP cares about the people who use its services” (53%–55%) and “DWP runs its services well” (56%–58%) (**Figure 7** overleaf). The highest proportion agreed with the statements “DWP does what it says it will do” (69%–71%) and “DWP is open and clear about what it does” (67% for both ESA and PIP claimants). These scores have fallen since 2020-21. DWP told us the reduction in the scores is likely to reflect the removal of easements it put in place during the COVID-19 pandemic to streamline processes.

Decisions changed through mandatory reconsideration and appeal

1.19 Claimants who disagree with DWP's decision about their benefit claim can appeal and submit new evidence through:

- **mandatory reconsideration (MR):** A claimant can ask DWP for a different decision-maker to reconsider the initial decision using the evidence already provided and anything the claimant now provides. PIP claimants lodged 522,440 MRs against initial decisions made between April 2018 and March 2022, of which 27% resulted in DWP revising its benefits decision;
- **tribunal:** If unhappy with the result of the MR, a claimant can appeal to the Social Security and Child Support Tribunal. PIP claimants lodged 180,340 appeals against initial decisions made between April 2018 and March 2022. Of these, by December 2022, DWP settled 47,470 (26%) cases prior to a hearing and in 84,470 (47%) cases the tribunal found in favour of the claimant. At tribunal hearings in 2022, of the cases found in favour of the claimant: in 60% of cases the tribunal reached a different conclusion on substantially the same facts; 32% were overturned based on cogent oral evidence; 1% were overturned based on new written evidence such as new medical evidence; and 7% were overturned for other reasons; and
- **onward rights of appeal:** If unhappy with the tribunal's decision a claimant can ask for the decision to be set aside (cancelled) if there has been a mistake in the process. A claimant can also appeal to the Administrative Appeals Chamber on points of law.

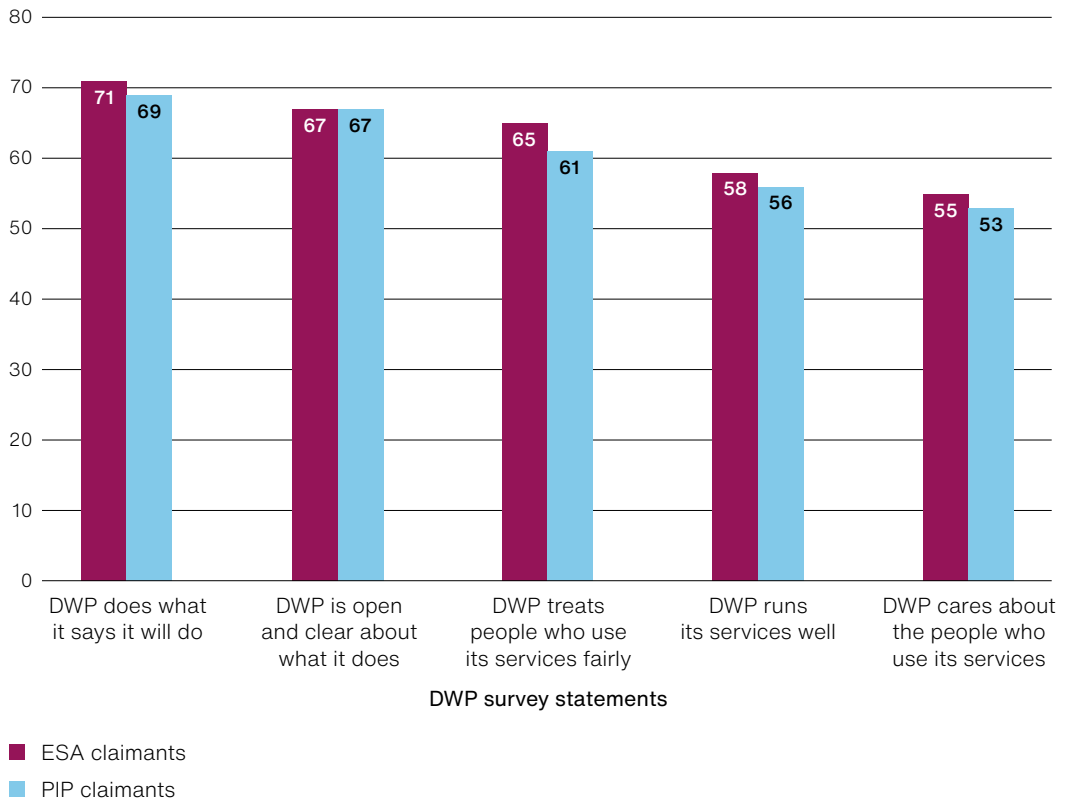
1.20 Overall, 12% of initial decisions made by DWP about PIP claims from April 2018 and March 2022 were overturned at MR stage or on appeal (**Figure 8** on pages 29 and 30). This is 15% of claimants who were not initially awarded the enhanced daily living and mobility allowances for PIP.

Figure 7

Department for Work & Pensions (DWP) Customer Experience Survey scores for Personal Independence Payment (PIP) and Employment and Support Allowance (ESA), 2021-22

PIP and ESA respondents agreed least with the statements “DWP cares about the people who uses its services” and “DWP runs its services well”

Respondents who agreed with the statement (%)



Notes

- 1 DWP’s Customer Experience Survey is of a sample of people who have been in contact with DWP at key touchpoints, namely: when making a new claim; when reporting a change of circumstances; and when attending an appointment. The results show claimants’ overall view of DWP and are not specific to their experiences of the health assessment process.
- 2 DWP first ran its Customer Experience Survey in 2019-20. However, COVID-19 disrupted data collection and resulted in an incomplete dataset. Therefore, data only became available from 2020-21. Respondents are asked to indicate their opinion of the five statements on a 4-point Likert scale (‘strongly agree’; ‘agree’; ‘disagree’; ‘strongly disagree’; and a ‘don’t know’ option). The figure presents the percentage of respondents who responded ‘strongly agree’ or ‘agree’.
- 3 DWP’s Customer Experience Survey succeeded the claimant service and experience survey, last undertaken in 2018-19. Methodological differences mean that results are not directly comparable across the two surveys.
- 4 DWP contacted 1,035 ESA claimants and 1,025 PIP Claimants for its Customer Experience Survey 2021-22.
- 5 Survey data for Universal Credit (UC) claimants are not shown as claimants applying for or receiving the health-related elements of UC cannot be specifically identified.

Source: National Audit Office analysis of Department for Work & Pensions Customer Experience Survey data

Figure 8 Personal Independence Payment (PIP) initial decision to appeal outcomes, April 2018 to March 2022

More than 260,000 (12%) of initial PIP decisions were changed in favour of the claimant through either mandatory reconsideration (MR) or appeal. This represents 15% of initial decisions where claimants were not initially awarded the enhanced daily living and mobility allowances for PIP and are thus more likely to ask for the decision to be overturned¹.

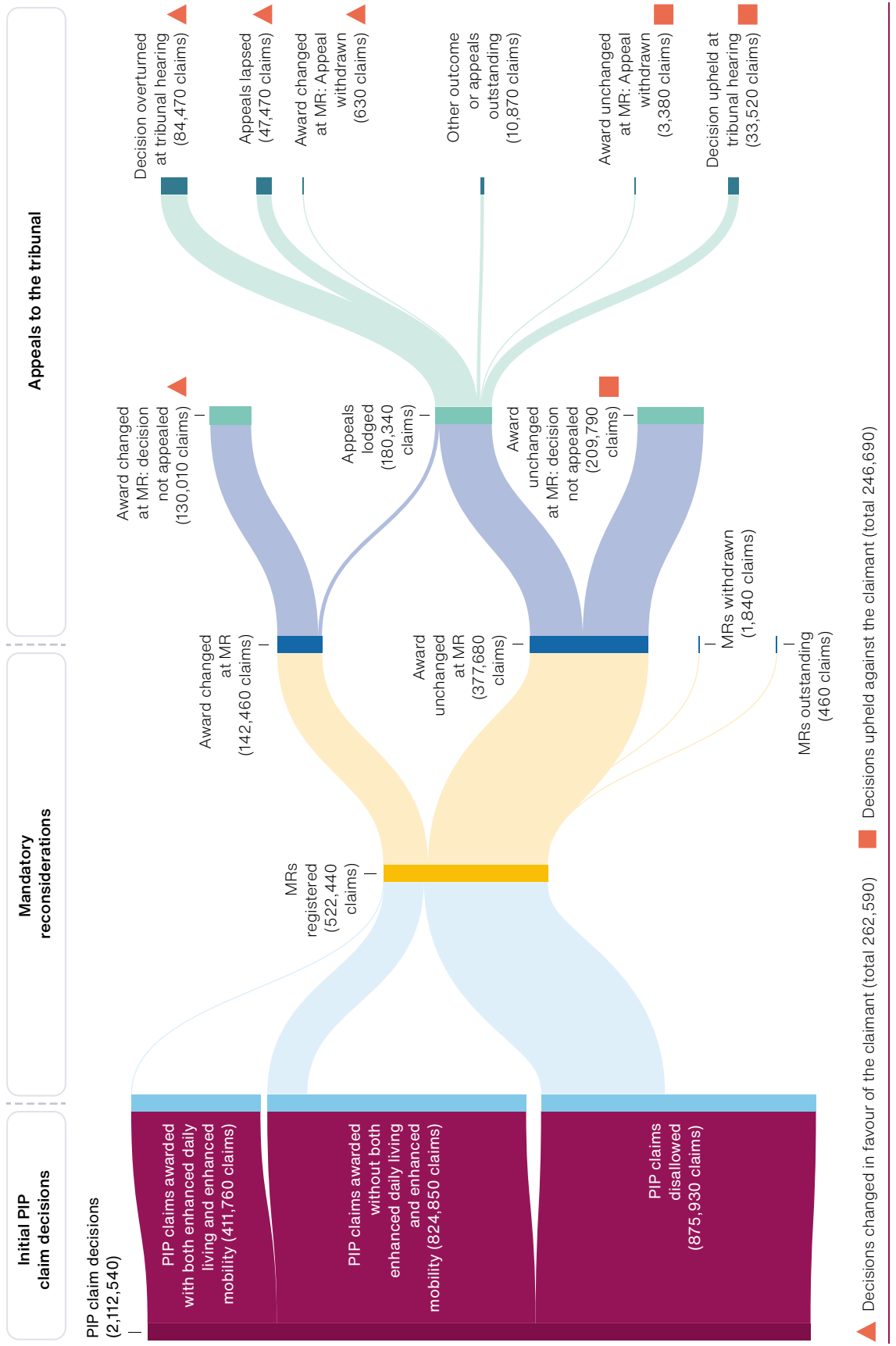


Figure 8 *continued*

Personal Independence Payment (PIP) initial decision to appeal outcomes,
April 2018 to March 2022

Notes

- 1 There were 411,760 PIP initial decisions where the claimant was awarded enhanced daily living and enhanced PIP mobility, the maximum possible, and as a result are unlikely to appeal their award.
- 2 Appeals lapse where Department for Work & Pensions (DWP) changes its decision (in the claimant's favour) after an appeal is lodged but before it is heard at a tribunal hearing.
- 3 Decision overturned arise where DWP's decision is revised in favour of the claimant at a tribunal hearing.
- 4 The PIP claim decisions data used in this figure include PIP decisions under normal rules and decisions DWP handles under special rules for end of life.
- 5 The PIP claim decisions data used in this figure include cases for England, Wales and cases where the address is unknown or abroad.
- 6 Appeal and MR outcomes cover cases decided up to 31 December 2022.
- 7 Claimants can request an MR even if PIP was awarded if they consider they should have been awarded a higher payment or that award for PIP should have been for a longer period.

Source: National Audit office analysis of Department for Work & Pensions (DWP) data DWP Personal Independence Payment Official statistical release, October 2022

Part Two

Department for Work & Pensions' approach to transforming functional health assessments

2.1 The Department for Work & Pensions (DWP) aims to transform functional health assessments through its Health Transformation Programme (the Programme). This part of the report sets out:

- DWP's aims and objectives for the Programme;
- changes to DWP's implementation plans;
- the business case for the Programme; and
- the impact of the Health and Disability White Paper 2023 on the Programme.

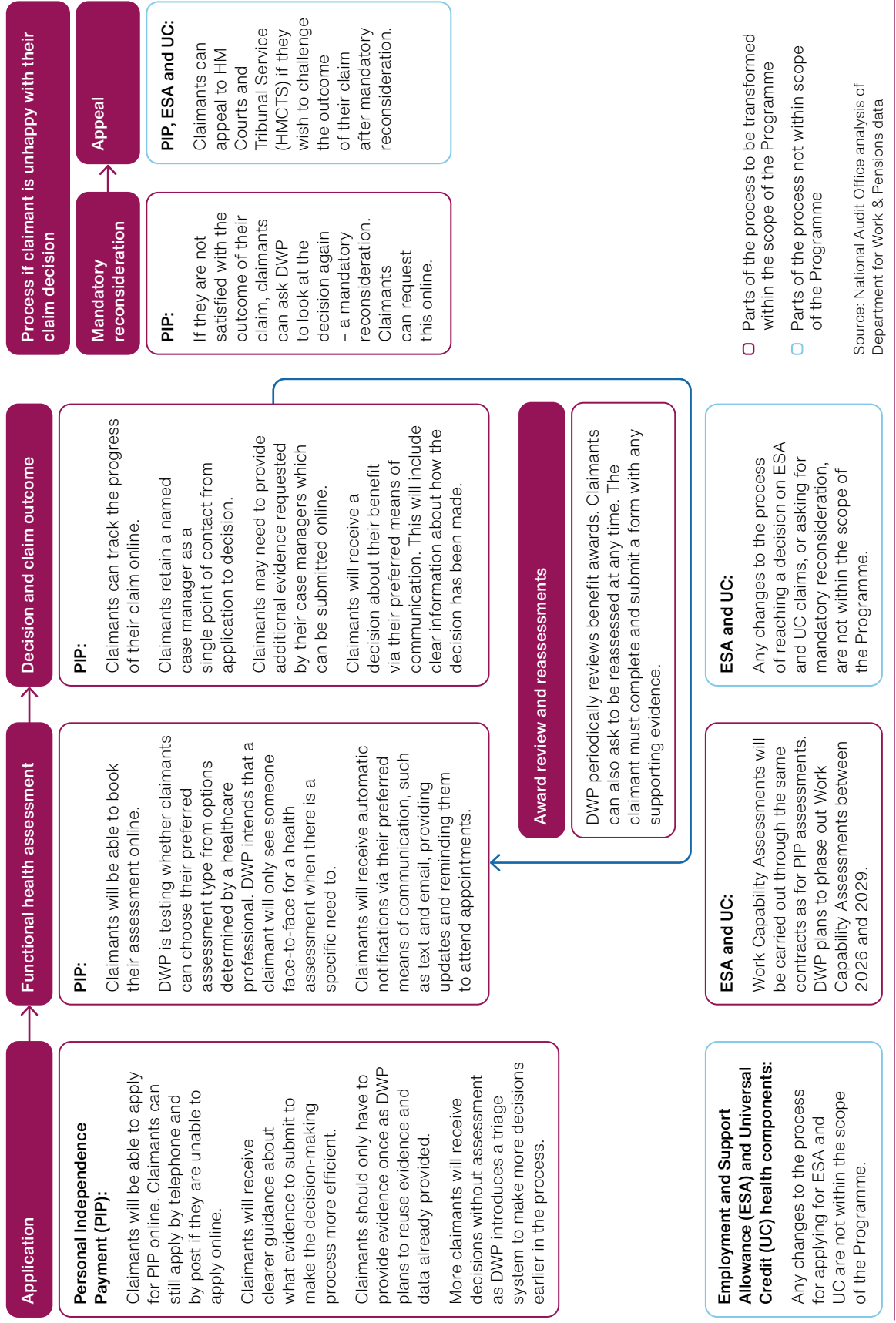
Aims and objectives of the Health Transformation Programme

2.2 DWP intends the Programme to transform the assessment service and to address the issues highlighted in Part One. These include reducing the cost and time taken to reach decisions, and improving the quality and the claimant's experience (**Figure 9** overleaf). DWP aims to achieve this by:

- creating an integrated functional health assessment service undertaken through a single contract for each geographic area;
- developing its own digital case management system so information can be shared, reducing the need for claimants to provide information many times;
- using a test-and-learn approach, in locations known as health transformation areas, to assess the impact of changes prior to implementing them more widely; and
- implementing a new Health Assessment Service for 2029, and transforming a claimant's experience of applying for Personal Independence Payment (PIP) from application to decision, including online applications and a triage system to reach a decision more quickly. This includes removing the requirement for a functional health assessment with a health care professional where the case is straightforward.

Figure 9 Transformation planned within the scope of the Health Transformation Programme (the Programme)

Through the Programme, the Department for Work & Pensions (DWP) plans to transform a claimant's experience of applying for Personal Independence Payment (PIP) from application to decision and to improve the Work Capability Assessment



2.3 DWP started the Programme in July 2018 and, in March 2019, announced plans to introduce a new service from 2021. Since the original announcement, the Programme has been delayed and rescope. DWP now aims to introduce new interim contracts by 2024 and complete its transformation of functional health assessments, and the process of applying for PIP from application through to decision, by 2029 (**Figure 10** on pages 34 and 35).

Changes to DWP's implementation plans

The need to change the approach

2.4 DWP has made significant changes to the Programme since it started in 2018 (**Figure 11** on pages 36 and 37). DWP has shaped the Programme's timetable around the need to renew the existing contracts. An Infrastructure and Projects Authority (IPA) review in July 2019 found the Programme's delivery plan was unachievable. It found there was insufficient time to procure new contracts and a lack of metrics and other evidence to provide assurance about the plan. IPA also had concerns about the experience and culture of the Programme team. DWP had already extended existing provider contracts to the maximum length allowable, with them set to expire in 2021. In response to the IPA's findings, and given that at that point it could not reasonably extend the contracts further, DWP reset the Programme. It introduced a new leadership team and expertise in service transformation and changed its delivery strategy and contracting approach.

2.5 DWP later also revised its plans following delays caused by the COVID-19 pandemic. DWP paused the Programme for 12 months as it moved over 70% of the Programme's workforce to other roles, mostly to process Universal Credit (UC) claims, which meant there were few staff available to lead the Programme. DWP told us that approximately 60% of the original Programme staff did not later return to the Programme, due to other additional commitments DWP had taken on. This meant DWP had to rebuild the skills and capability within the Programme.

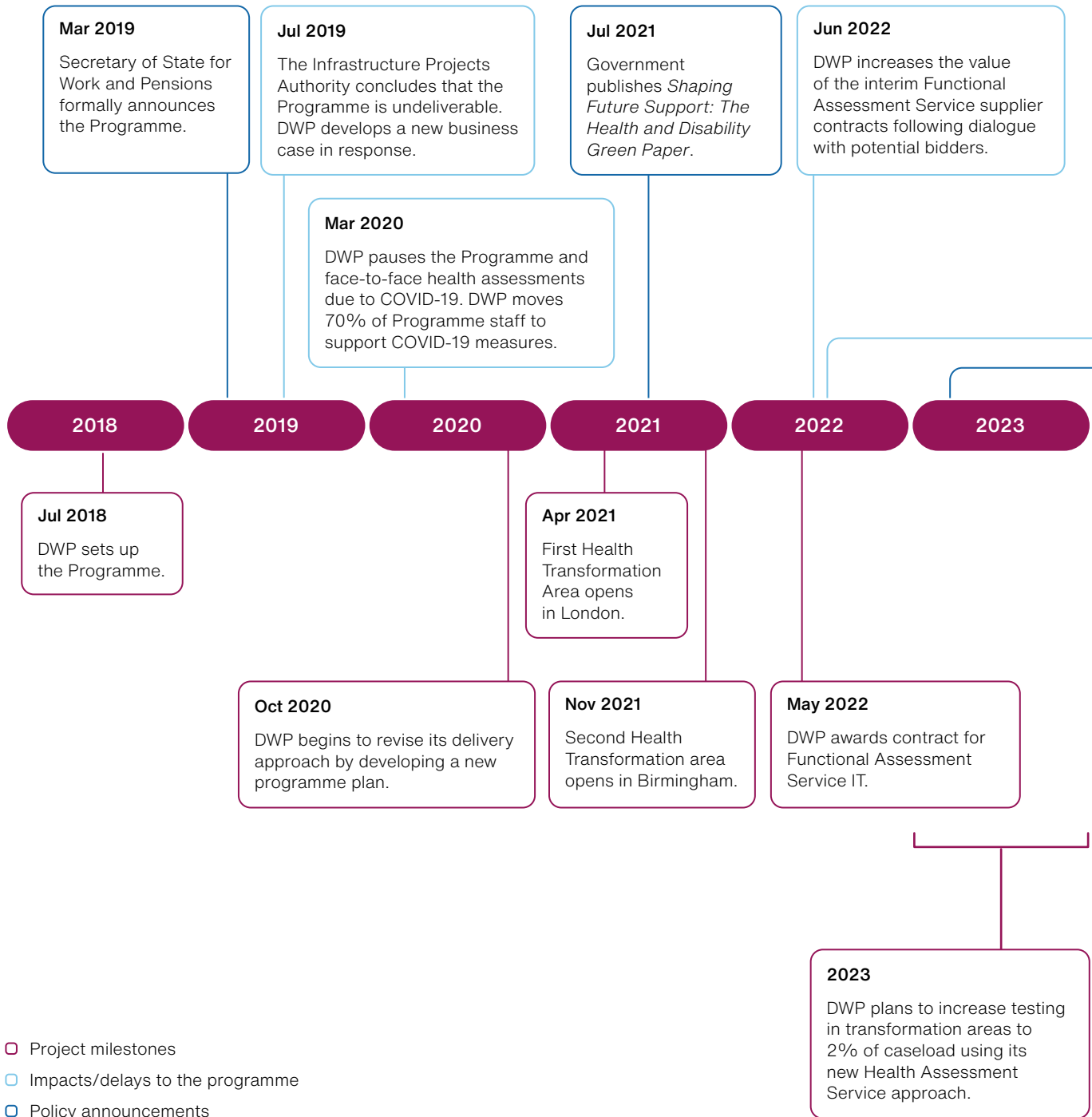
2.6 As a consequence of the COVID-19 delays, DWP extended the current provider contracts by a further two years to August 2023. This meant extending the existing contracts beyond their contractual terms, which DWP justified on the basis that it needed to secure continuity of health assessment service while allowing sufficient time to procure and transition to the new Functional Assessment Service (FAS) contracts. DWP told us that the legal basis for the extension was circumstances which could not be foreseen.¹¹

¹¹ The Public Contracts Regulations 2015, regulation 72 (1) (c).

Figure 10

Key events relating to the Health Transformation Programme (the Programme)

The Department for Work & Pensions (DWP) set up the Programme in 2018, it has continued to evolve since and is due to complete in 2029



Source: National Audit Office analysis of Department for Work & Pensions data

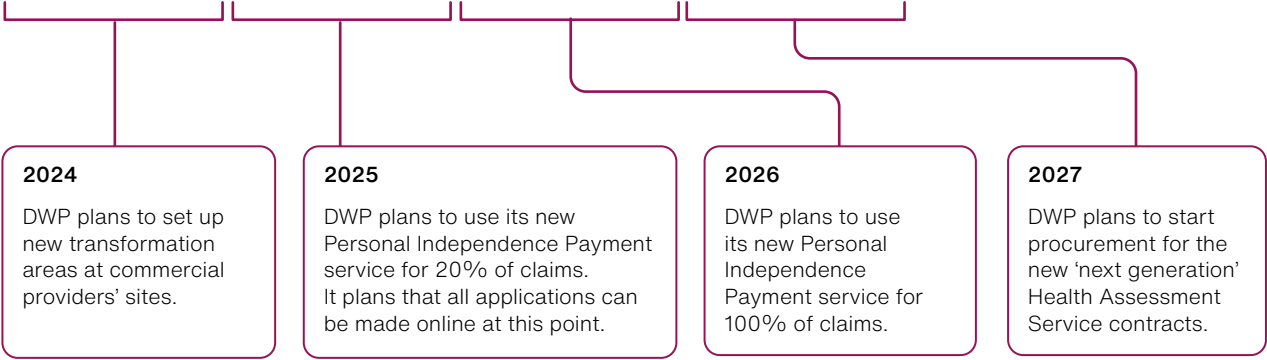
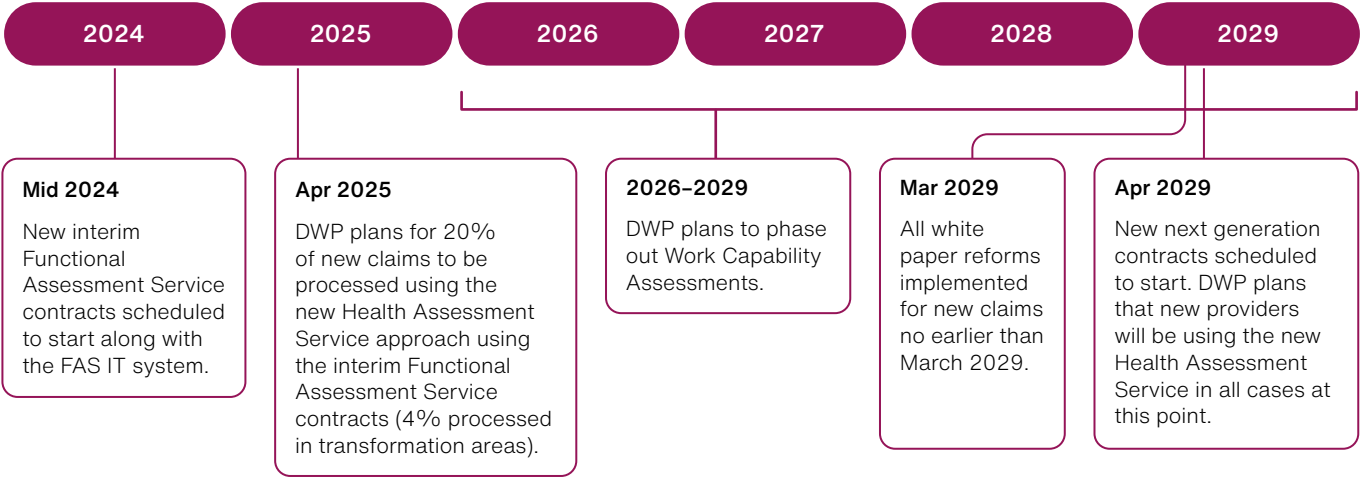
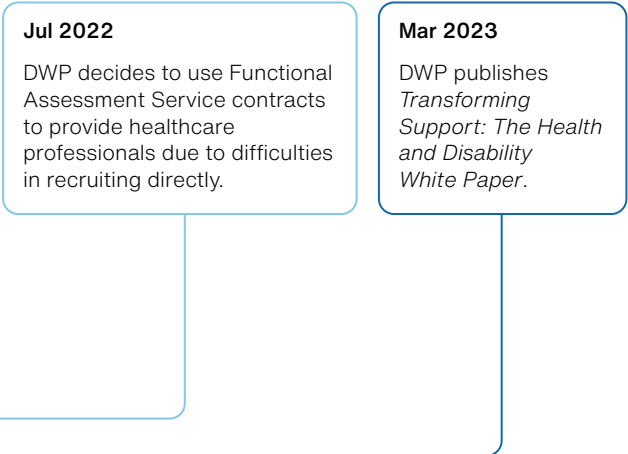


Figure 11 Department for Work & Pensions’ (DWP’s) revisions to its implementation strategy for the Health Transformation Programme (the Programme)

DWP has revised its Programme implementation strategy since it started in 2018, moving some activity to later stages and delaying the stages themselves

	Plan in place during 2018 to 2019	Plan in place during July 2019 to August 2020	Plan in place during August 2020 to 2022	Plan in place 2022 onwards ¹
Reason for change	Start of the Programme	Infrastructure Projects Authority (IPA) review concluded the Programme delivery plan was unachievable	DWP paused the Programme due to COVID-19 and moved most of the Programme’s staff to work on DWP’s pandemic response	Programme risks materialised – in particular procurement delays and challenges recruiting healthcare professionals for test-and-learn activity
The content and timing of Phase 1	2019 to 2021 Creating the foundation to enable improvements to the assessment process in the live service	2019 to 2021 Creating the foundation to test improvements to the assessment process in new DWP transformation areas	2019 to 2023 Creating the foundation to test improvements to the assessment process in new DWP transformation areas	2019 to 2024 Creating the foundation to test improvements to the assessment process in new DWP transformation areas
The content and timing of Phase 2	2019 to 2025 Transformation of Personal Independence Payment (PIP) customer journey and roll-out of next generation service by 2025	2021 to 2024 Transformation of PIP customer journey in test areas in parallel to interim contracts based on existing service	2023 to 2028 Commence implementing longer-term transformation with transformation of PIP customer journey in test areas, scaling of assessment service and potentially introducing improvements into interim contracts	2024 to 2029 Commence implementing longer-term transformation with transformation of PIP customer journey in test areas, scaling of assessment service and potentially introducing improvements into interim contracts
The content and timing of Phase 3	2019 to 2028 Delivering longer-term transformation	2024 onwards Delivering longer-term transformation through new Health Assessment Service in place with new contracts processing all new and ongoing claims	2028 onwards Complete delivery of longer-term transformation through new Health Assessment Service in place with new contracts processing all new and ongoing claims	2029 onwards Complete delivery of longer-term transformation, through new Health Assessment Service in place with new contracts processing all new and ongoing claims

Figure 11 continued
 Department for Work & Pensions' (DWP's) revisions to its implementation strategy for the Health Transformation Programme (the Programme)

	Plan in place during 2018 to 2019	Plan in place during July 2019 to August 2020	Plan in place during August 2020 to 2022	Plan in place 2022 onwards ¹
Service contract periods				
Existing contracts	Extended to 2021	Extended to 2021	Extended to 2023	Extended to 2024
Interim contracts	None	2021 to 2024	2023 to 2028	2024 to 2029
Contracts for transformed service	2021 to 2028	2024 onwards	2028 onwards	2029 onwards
Responsibility for test-and-learn activity	With contractors in existing locations	With DWP in new test areas	With DWP in new test areas	With DWP in new test areas using contractors' healthcare professionals
Case management IT system	In-house for whole programme from 2021	DWP considered in-housing and outsourcing options but had not reached a decision before COVID-19 disruption	Provided by each service provider to 2023 In-house within new DWP transformation areas from 2021	Provided by each service provider to 2024 In-house within new DWP transformation areas from 2021
Estates	Using DWP estate from 2021	Using DWP estate from 2022	Mixed using DWP and contractors' estate	Mixed using DWP and contractors' estate

Notes

- 1 This does not reflect the impact of changes because of the 2023 white paper.
- 2 Activity in Stage 1 commenced in 2019. While subsequent plans have changed the end date, the start date remains the same.

Source: National Audit Office analysis of Department for Work & Pensions information

2.7 Since restarting the Programme in 2021, DWP has further changed its plans as new risks have materialised, effectively delaying programme completion until 2029:

- DWP paused procurement of the interim FAS provider contracts in May 2022 as the response from bidders indicated that the contract value was too low. DWP agreed to increase the contract value and to allow time to amend the tendering process and maintain continuity of health assessment services. It also extended the current contracts by seven months. DWP now expects to start the interim FAS provider contracts in March 2024, and the 'next generation' Health Assessment Service contracts in April 2029.
- DWP initially planned to employ healthcare professionals directly for its health transformation areas but found it challenging to recruit them. DWP now plans to amend its new contracts, once it has let them for FAS providers, to resource the transformation areas. This will delay the transformation areas' expansion by two years.

DWP's new approach to implementing the Programme

2.8 DWP used an options appraisal to decide which elements of the service to outsource and which to provide in-house. DWP chose to continue to use contractors to undertake most health assessments. A key factor in its decision was it does not believe it can directly employ sufficient healthcare professionals to deliver the service in-house.

2.9 DWP's original plan before the reset was to maintain the current service through outsourced providers while also asking them to help develop a transformed service. That would be difficult; we have reported previously examples of the risks involved where public bodies have tried to contract for services that they simultaneously tried to transform. For example, in 2018 we found that NHS England's decision to contract with Capita both to run existing primary care support services and to simultaneously transform those services, was high risk and led to contractual failure and delays to the transformation. We recommended that NHS England set clear targets with agreed data sources to provide assurance of the transformational activity shared with Capita and share a joint risk register to help Capita understand the scale of the transformation activity it was supporting.¹²

¹² Comptroller and Auditor General, *NHS England's management of the primary care support services contract with Capita*, Session 2017-2019, HC 632, National Audit Office, May 2018.

2.10 Following the reset and COVID-19 delay, DWP has changed its strategy and contracting approach to reduce the risks to the Programme. Its original plan included three phases, that would initially run in parallel. It has introduced a more phased approach by more gradually transforming the service, with the last phase starting in 2029; set up in-house transformation areas where it could develop the new service outside of the main outsourced service; and deferred more of the transformation until later:

- **Phase One – Conclusion of existing contracts up to 2024 and set up of transformation areas:** DWP has set up and is running two in-house transformation areas in London and Birmingham to develop its Health Assessment Service using a test-and-learn approach. These use healthcare professionals, employed both directly by DWP and by its contractual providers, to assess claims and test the Health Assessment Service while it is in development. Meanwhile, DWP has also developed a new digital channel so that people can apply for PIP online, which it plans to roll out by 2024. DWP had planned to sign new contracts for an interim Functional Assessment Service in May 2023 but received a challenge to one of its contract ‘lots’. However, it hopes to now have the contracts in place later in 2023 to start in 2024.
- **Phase Two – Interim Functional Assessment Service (2024 to 2029) contracts commence and increased use of the new Health Assessment Service to test and learn what works best:** During this phase most functional health assessments will be provided through the interim outsourced Functional Assessment Service, based on the existing service. It has contracted with Atos to develop the interim IT system for the outsourced providers to use, and aims to contract for an IT system to manage Work Capability Assessments in 2025. In parallel, DWP will continue to develop the new Health Assessment Service and PIP service improvements in its in-house transformation areas. DWP aims to increase the volume of claims processed in the transformation areas, using the new service approaches, to up to 20% of new claims by 2026. It also plans to import good practice developed in the transformation areas into the interim outsourced services where possible.
- **Phase Three – Development of the new service ready for ‘next generation’ 2029 contracts using the new Health Assessment Service:** DWP aims to have its new transformed service ready to process all new and ongoing claims from 2029. This will include its own in-house case management system and, subject to future decisions, new contracts for functional health assessments.

Business case for the Programme

2.11 The Programme has three components, each with its own business case which DWP needs to update. These components are:

- an interim FAS provided under contract (latest business case approved 2023);
- an interim case management platform, FAS IT, provided through a contract for PIP (latest business case approved 2022). DWP will need to recontract for an IT system to manage Work Capability Assessments from 2025; and
- plans for transformation including the transformation areas, transforming the claimant's experience of applying for PIP from application to decision, and development of the new Health Assessment Service ready to start in 2029 (latest business case approved 2021).

Costs

2.12 Through the FAS, DWP will provide an interim service through contracts running from March 2024 to March 2029, before moving to its 'next generation' Health Assessment Service. DWP estimates that FAS will cost some £2,095 million. Through FAS, DWP plans to simplify assessment provision by having one provider per region providing the relevant assessment for all benefits. Currently, two assessment providers operate in each region, providing either PIP assessments or Work Capability Assessments. While FAS is included within the Programme to continue providing the service, it is not part of the cost of transformation.

2.13 Using the forecast spending DWP set out in its 2021 strategic outline business case and adjusting this for the amount it has spent up to March 2023, DWP currently expects the transformation costs under the Programme - that is, the cost of introducing the Programme - will be £882 million (**Figure 12**). This includes the development of the new Health Assessment Services, DWP's own case management IT system, designing new services using transformation areas and transforming the PIP application process.

2.14 In addition to the cost of the Programme, DWP also expects to spend, on two interim IT platforms:

- **£97 million for the FAS IT project:** FAS IT is a provider-supplied IT system providing an interim case management system for PIP assessments. DWP aims for this to remove IT as a barrier for new entrants into the health assessment market by removing the need for entrants to provide their own case management system. Providers use their own IT system under the current contracts. DWP plans the FAS IT contract to run from March 2024 to March 2029, in alignment with the FAS contracts. The FAS IT project also includes some additional digital costs.
- **£47 million for Work Capability Assessment IT extension:** DWP also needs to recontract for Work Capability Assessment IT from 2025. DWP plans to introduce its own in-house IT system for all assessments from 2029.

In total therefore, including the interim FAS IT system, DWP estimates that it will spend a total of £1 billion on the transformation elements of the Programme. DWP has spent £168 million of this as of 31 March 2023, mainly in setting up the Programme, the interim contracts and the new test areas.

Figure 12

Health Transformation Programme (the Programme) costs

The Department for Work & Pensions (DWP) expected the transformation of health assessment services to cost just over £1 billion as at May 2023

	Transformation activities including development of the new Health Assessment Service	Interim IT system supporting Functional Assessment Services	Total cost of Work Capability Assessment IT service extension	Total cost of transformation activities including provision of interim IT systems
	(£mn)	(£mn)	(£mn)	(£mn)
Pre 2019-20 (actuals)	24	0	0	24
2019-20 (actuals)	34	0	0	34
2020-21 (actuals)	18	0	0	18
2021-22 (actuals)	35	2	0	37
2022-23 (actuals)	41	15	0	56
2023-24 (business case forecast)	90	27	0	118
2024-25 (business case forecast)	87	13	1	102
2025-26 (business case forecast)	86	12	11	109
2026-27 (business case forecast)	76	12	11	99
2027-28 (business case forecast)	70	12	12	94
2028-29 (business case forecast)	66	4	12	82
2029-30 (business case forecast)	46	0	0	46
2030-31 (business case forecast)	39	0	0	39
2031-32 (business case forecast)	38	0	0	38
2032-33 (business case forecast)	39	0	0	39
2033-34 (business case forecast)	39	0	0	39
2034-35 (business case forecast)	40	0	0	40
2035-36 (business case forecast)	14	0	0	14
Total	882	97	47	1,026

Notes

- 1 The Programme costs include all actual spending up to March 2023.
- 2 Forecast costs are from the most recent relevant business case. Actuals are from DWP's financial records and have not been independently verified by the NAO.
- 3 Figures may not sum due to rounding.

Source: National Audit Office analysis of Department for Work & Pensions data

Benefits

2.15 DWP expects the Programme to save £2.6 billion over its lifetime: 2021-22 to 2035-36. This represents a net present value of £1 billion. Net present value takes account of costs and adjusts for the fact that having money today is worth more than the promise of money in future. Of the total, £1.3 billion are departmental savings including:

- reducing manual processes and introducing digital channels to increase efficiency and shorten claim times (£334 million);
- use of data to triage claims and reduce demand for face-to-face assessments by fast tracking simpler claims, using more paper-based assessments or redirecting claimants to more suitable support (£269 million);
- improving claimant trust by making health assessment services simpler and more transparent (£262 million); and
- developing its own IT system to provide a better service for claimants (£204 million).

2.16 DWP also expects financial benefits from improved labour market impacts (£0.4 billion) and societal benefits from increased claimant employment (£0.9 billion). DWP needs to revise planned savings in its next business cases, to take account of changes to its plans.

2.17 DWP also identified a number of non-financial benefits in its 2021 business case including reduced journey times, increased claimant satisfaction and a reduction in the proportion of claims overturned at appeal. Since its 2021 business case, DWP has revised its theory of change, which describes how it expects the changes it is making to lead to beneficial outcomes. In May 2023, DWP published its *Health Transformation Programme Evaluation Strategy*, which sets out DWP's high-level approach for evaluating and tracking the performance of the Programme and includes the theory of change.¹³ In its strategy DWP has identified nine top-level key performance indicators to monitor performance against its strategic objectives. Of these nine key performance indicators, DWP told us that it has data and has developed metrics with baselines for six and plans to develop metrics with data and baselines for the remaining three (**Figure 13**).

2.18 DWP's key performance indicators do not give a complete picture of its ambition for the Programme and DWP is still developing its performance framework to help it track the impact of its transformation. DWP has identified at least 45 other metrics, in addition to the nine key performance indicators. Of the total of 54 metrics, DWP expects to baseline 47 of these and has developed data for 36 (77% of 47) with baselined metrics for 27 (57% of 47). The remaining seven of the 54 metrics are new services which DWP is developing and will not have a baseline to existing services.

¹³ Department for Work & Pensions, *Health Transformation Programme Evaluation Strategy*, May 2023.

Figure 13

Key performance indicator readiness for the Health Transformation Programme (the Programme)

The Department for Work & Pensions (DWP) has developed metrics and has a baseline for six out of the nine key performance indicators for the Programme

Key performance indicator	Data and metric development			
	Data collected	Data analysed	Metric developed	Metric baseline
Health assessment quality	✓	✓	✓	✓
Customer journey time by milestone	✓	✓	✓	✓
Percentage of cases cleared within benchmark	✓	✓	✓	✓
Contracted staff attrition	✓	✓	✓	✓
Average unit cost of service	✓	✓	✓	✓
Health assessment capacity compared with demand	✓	✓	✓	✓
Percentage of actual productivity to funded productivity	✓	✓		
Engagement with employment support	✓	✓		
Customer query resolved at first contact				
Nine key performance indicators – number in each category	8	8	6	6
38 lower-priority indicators – number in each category	28	27	21	21
Total (number and proportion in each category)	36 (77%)	35 (74%)	27 (57%)	27 (57%)

Notes

- 1 We have not had the opportunity to validate this information.
- 2 This figure shows DWP's assessment, for each performance measure, of whether it has collected data, analysed the data, developed a metric and established a baseline level of performance for the metric.

Source: Department for Work & Pensions data

The impact of the health and disability white paper, 2023 on the Programme

2.19 In March 2023, DWP published *Transforming Support: The Health and Disability White Paper*, setting out government’s policy for the future of health and disability benefit services.¹⁴ This includes reforms “to help more disabled people and people with health conditions to start, stay and succeed in work”. The main changes that are likely to be implemented through the Programme are:

- removing the Work Capability Assessment so in future there is only one functional assessment – the PIP assessment. This will require primary legislation which government intends to introduce in the next Parliament. The reform would be introduced – to new claims only – on a staged, geographic basis, from no earlier than 2026-27. DWP expects the change for new claims to be completed within three years, by 2029 at the earliest. It will then begin moving existing claimants to the new system; and
- complex changes to the new PIP IT system, which is in development, and potentially changes to legacy systems.

2.20 Implementing the white paper will therefore take time and will also involve significant changes to other DWP programmes and systems, such as UC, and to job roles. DWP will need to make further policy decisions about how to address this. For example, once the Work Capability Assessment has stopped, work coaches will determine what, if any, work-related activities an individual can participate in. DWP plans to provide transitional protection to those claimants that receive limited capability for work and work-related activity payments and who do not also receive PIP and whose circumstances remain unchanged. As DWP develops the detailed implementation plans for its reforms it will need to continue to assess the implications and impacts of these, including on claimants.

2.21 Overall, DWP expects the Programme to achieve its original objectives. The white paper confirms plans to modernise health and disability benefit services through the Programme: creating a more efficient service and an improved claimant experience; reducing claim times; and improving trust in DWP’s services and decisions. DWP is working on the detailed implementation plans and aims to complete a new business case for approval by spring 2024 with revised Programme costs, timetable, benefits and risks.

¹⁴ Department for Work & Pensions, *Transforming Support: The Health and Disability White Paper*, CP 807, March 2023.

Part Three

Challenges to implementing the Health Transformation Programme

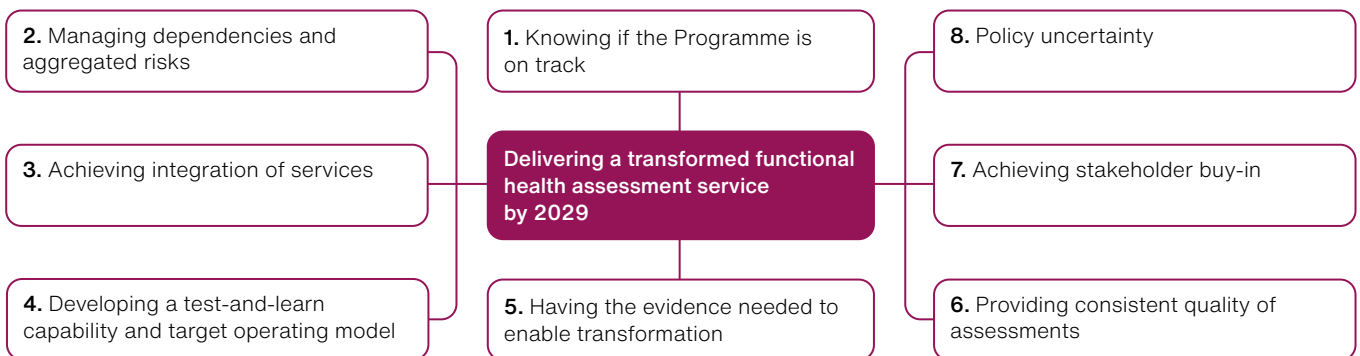
3.1 The Health Transformation Programme (the Programme) exhibits several features we have previously set out which make it complex to implement. These include its strategic importance, the stakeholders involved, the intended benefits, the cost and the number of interdependencies.¹⁵ Requirements are also changing as the Department for Work & Pensions (DWP) intends to amend the Programme in order to implement policy reforms in the 2023 white paper.

3.2 DWP has previous experience of delivering agile programmes and it has much of the governance in place for the Programme we would expect for such a major programme. However, its approach of transforming services over multiple contracts with in-house transformation areas is innovative and DWP does not have any examples where this approach has previously been successful to use as a guide. This part of the report sets out the challenges DWP needs to manage to successfully implement the Programme by 2029 (**Figure 14**).

Figure 14

Challenges the Department for Work & Pensions (DWP) needs to manage to implement the Health Transformation Programme (the Programme) by 2029

We have identified eight challenges which DWP needs to manage



Note

1 Our approach to identifying these challenges is set out in Appendix One.

Source: National Audit Office analysis

¹⁵ National Audit Office, *Good practice guide, Delivery Environment Complexity Analytic (DECA): Understanding challenges in delivering project objectives*, November 2022.

Challenge 1: Knowing if the Programme is on track

Challenge

3.3 DWP does not yet fully know how it will assess whether the project is delivering its intended benefits and is ready to proceed at key decision points. Knowing the Programme is on track to achieve its ambitions is challenging. DWP has defined the final service in its target operating model, but there is uncertainty about how best to make it work, which DWP wants to explore using a test-and-learn approach.

3.4 DWP has delayed the Programme and revised its plans following a Programme reset and the impact of the COVID-19 pandemic, although the planned implementation date has only moved by one year to 2029 (paragraphs 2.4 to 2.6 and Figure 10). The service will need to be scaled to a certain extent before DWP can do some of the testing it intends, and further scaling is dependent on this testing. There is also inherent uncertainty in testing. There is a risk that there is insufficient time in the timetable for the agile elements of the Programme.

3.5 DWP has experience of using an agile approach in its Universal Credit (UC) programme and has many of the structures in place we expect to see in major programmes. So far, DWP's governance and risk management has focused on the more traditional project management techniques necessary to procure the interim Functional Assessment Service (FAS) and IT contracts and to set up the transformation areas. It has therefore been easier to track progress through the first phase of the Programme. However, DWP is still putting in place the reporting mechanisms it will need to know that its test-and-learn activity is bringing about its ambitions for the new Health Assessment Service and that it is ready to proceed to each new phase of the Programme.

How DWP is managing the challenge

3.6 DWP told us it is taking a proportionate approach by prioritising its governance of the initial phase of the Programme. It knows that there are longer-term risks, which it plans to address through:

- a new Programme business case incorporating an assessment of optimism bias, and white paper reforms, for approval by spring 2024;
- a test-and-learn strategy, testing plan and detailed delivery plan for the later parts of the Programme;
- scenario-planning to understand what risks might impact its plans; and
- developing programme management metrics and an evaluation strategy, which it published in May 2023.

Challenge 2: Achieving integration of services

Challenge

3.7 DWP wants to scale the Health Assessment Service, which will require negotiation and the contractors' cooperation. Integrating digital systems across providers is a common source of contractual failure and dispute (**Figure 15** overleaf). Providers can use difficulties in the roll-out of a new system as justification for not performing to the contract. It is thus important to incentivise the right behaviours so that DWP and providers work together to achieve the Programme's objectives over three phases of digital and service integration:

- rolling out the interim FAS IT for providers to use between 2024 and 2029;
- testing the new Health Assessment Service with providers in specific geographic areas; and
- rolling out the full Health Assessment Service to the 2029 contracts.

DWP may also introduce improved practices from the transformation areas into the interim FAS during the lifetime of the 2024 contracts.

3.8 DWP is using standard government outsourcing model service contracts, which require the service to be specified up front and provide for only limited changes to that service. These contracts do not provide incentives for effective transformation beyond the initial implementation period or clarity about what happens and who is responsible when something goes wrong with systems that are not in the providers' control. Any significant changes to the specification will need to be separately negotiated. DWP is also still setting itself up as an 'integration office' to manage integration issues.

How DWP is managing the challenge

3.9 DWP told us it is managing the challenge of achieving integration through:

- early market engagement with bidders, contractual requirements for expansion of health transformation areas, and collaborative working with suppliers;
- the change control procedure in the model service contracts, for example DWP plans to change the interim FAS contract once signed to include support for health transformation areas in 2024-25;
- in response to our work, exploring options for incentives for the FAS providers;
- a phased approach to the Programme and criteria to assess readiness for scaling and roll-out of new processes, such as 'Apply for PIP'; and
- contingency plans, including ultimately the option to terminate or partially terminate the contracts, which would involve a significant lead-in time and termination costs.

Figure 15

Examples from our previous reports of the challenge of integration 2018 to 2023

We have found several examples where integration challenges have put programmes at risk

Example 1 – Cross-government, Lessons learned from Major Programmes

We often see cases where it is unclear who is accountable for integrating the various elements of a programme. Delivery bodies often expect that integration will emerge from collaboration between delivery partners but, in practice, collaboration is weakly incentivised.

Comptroller and Auditor General, *Lessons learned from Major Programmes*, Session 2019-21, HC 960, November 2020.

Example 2 – Home Office, Progress with delivering the Emergency Services Network (ESN)

We previously found that the Home Office was unclear as to how the different elements of ESN would be made to work together ('integration') and did not have the capability it needed to fulfil its role. It started rating technical integration as a 'red' risk in February 2022. As the required skills are not always available within the Home Office, it has relied on contractors. It does not yet know how hard it will be to integrate the new software. This will depend on whether there is a clear technical architecture and whether Motorola's work followed expected standards so can be easily replaced. The Home Office has paused work on how it will run ESN when it is live and it will resume this work when a replacement for Motorola is appointed.

Comptroller and Auditor General, *Progress with delivering the Emergency Services Network*, Session 2022-23, HC 1170, March 2023.

Example 3 – HM Prison & Probation Service (HMPPS), Electronic monitoring: a progress update

We found there were shortcomings in HMPPS's performance as systems and service integrator. HMPPS took on the integrator role from Capita following a dispute in 2016. As integrator, it had to agree requirements, ensure suppliers' contributions were compatible and resolve integration issues. However, HMPPS did not spend enough time at the outset with Capita to explore the feasibility of its requirements. Instead, it took a detailed, prescriptive approach which was inflexible and limited innovation. An external review of the programme found that HMPPS did not intervene early enough to resolve cross-supplier integration issues. In addition, a breakdown in trust and collaboration between HMPPS and Capita led to three formal disputes between HMPPS and Capita during the programme.

Comptroller and Auditor General, *Electronic monitoring: a progress update*, Session 2022-23, HC 62, June 2022.

Example 4 – Department for Transport, Transport for London and Crossrail Limited, Crossrail – a progress update

As we said in our last report, Crossrail Ltd opted for 36 main works contracts, including separate contracts for each individual station and a range of system-wide contracts. However, the integrated nature of Crossrail has made it difficult to hold a single contractor to account when delays arise. In late 2018-early 2019, Crossrail Ltd renegotiated the terms of the remaining work with its main contractors. For example, it established a fixed price with contractors for some of the remaining work.

Comptroller and Auditor General, *Crossrail – a progress update*, Session 2021-22, HC 299, July 2022.

Source: National Audit Office summary of published reports

Challenge 3: Managing dependencies and aggregate risks

Challenge

3.10 The Programme is dependent on other departmental programmes and initiatives for its success and managing the interrelated risks will be complex, although DWP has made a good start. Any major programme has the challenge of managing dependencies and risk to achieve its objectives. Delays in one project may require changes in those dependent on it, for example to mitigate conflicts for available resources, requiring careful management and prioritisation.¹⁶ For the Programme this includes improvements to the process of applying for UC.

3.11 DWP also needs to design new digital systems in a way that meets its overall digital strategy: DWP aims to use a common data language and adopt common approaches, using reusable components, interoperable data and shared technology platforms. The projects on which the Programme depends must all meet common milestones so it can move to the next phase.

3.12 Individually, the projects on which the Programme depends have risks which DWP is used to managing. However, the risks of each project and their interdependencies aggregate to a greater overall risk to the Programme. There is collaboration between programmes, DWP has identified its key Programme dependencies and monitors these regularly at the Programme board. It has used reference class forecasting to benchmark its plans for its projects. There is more that DWP can do to plan for this aggregate risk and how it will adapt the Programme if it materialises.

How DWP is managing the challenge

3.13 DWP is managing a risk that “the Department is not sufficiently resilient to integrate the level and complexity of change from the Programme in order to deliver the outcomes and transformational benefits”. It has identified mitigations it is introducing including:

- developing scenarios to understand better where DWP may need to plan differently, which will inform a revised business case;
- identifying criteria to be met before new approaches are scaled up after testing;
- early introduction where possible of IT components so Programme milestones can be achieved;
- developing its commercial strategy including the option to bring functional health assessments in-house should commercial options prove unsuccessful; and
- aligning the Programme’s digital systems with DWP’s strategic reference architecture.

¹⁶ See footnote 14.

Challenge 4: Developing a test-and-learn capability and target operating model

Challenge

3.14 DWP has set out in broad terms what the Programme will look like in 2029 but will need to define the interim stages it needs to get there. Under the Programme, DWP is building and using an interim Health Assessment Service in the transformation areas (with both a new digital system and an operational service to process claims) to test new practices. DWP can then implement improvements more widely, including through its interim FAS and IT contracts. The Infrastructure and Projects Authority, in its review of the Programme in May 2021, recommended DWP set out what outcomes will be achieved in each phase of the Programme. We found DWP has a roadmap for the Programme which sets out broadly what the Programme will achieve, and DWP has a target operating model for how the service should operate in 2029. DWP has an interim operating model to reflect how the service should have changed between 2022 and 2023 but needs to develop interim operating models for later phases.

3.15 DWP's current systems also limit the data available to test and learn. The interim Health Assessment Service must provide both the environment in which DWP can run its test-and-learn experiments and the data it needs to evaluate the impact of the changes it is making, while also providing a reliable service for claimants. DWP's focus to date has been on building the case management system it needs to process claims in its transformation areas. Given the timescales involved, there is a risk that DWP focuses on the creation of a system that can process claims but does not develop the system sufficiently to allow for experimentation.

How DWP is managing the challenge

3.16 DWP told us it is taking action to address this challenge, including updating its target operating model, along with interim operating models. DWP will need these models to reflect the changes in the 2023 white paper. DWP is also developing a test-and-learn strategy to provide the Programme with:

- greater capacity for supporting future disability benefits policy testing;
- scope to cover small-scale tests which will prove whether an intervention might work; and
- larger-scale trials designed to measure impact of proposed changes.

Challenge 5: Having the evidence needed to enable transformation

Challenge

3.17 DWP does not yet have all the data and metrics it needs to undertake testing and to judge if the new Health Assessment Service is successful. DWP needs to build the Health Assessment Service to produce the data it needs to judge whether it is achieving the intended transformational change. DWP is still developing its test and evaluation strategy and has not specified exactly what information it will need from the Health Assessment Service to test new practices. We found that DWP:

- has not fully established a baseline level of performance at the start of the Programme to assess progress against the objectives in its 2021 business case and 2023 evaluation strategy (Paragraphs 2.17 and 2.18, and Figure 13);
- has identified the tests it wants to conduct to develop the new Health Assessment Service – potentially more than 200 changes – but has more work to do to prioritise these and establish a robust testing framework;
- is focusing first on building a case management system for the new Health Assessment Service and then plans to build the evidence base it needs to enable transformation; and
- expects to get some of the data it needs from the 2024–2029 FAS to compare the new service to existing practice.

3.18 This may not be sufficient to provide the robust evidence base it needs, early enough and with the data to understand the impact of its changes on different types of claimants, to inform the service design.

How DWP is managing the challenge

3.19 DWP told us it knows that it needs the right evidence to enable transformation and has been developing testing and evaluation strategies. It is updating its plan for what the Programme will achieve. As part of this update, it has been reviewing the evaluation measures it will use to assess the transformed service, including common indicators in the Health Assessment Service and the interim FAS. DWP published its *Health Transformation Programme Evaluation Strategy* in May 2023 which sets out a high-level approach for evaluating and tracking the performance of the Programme as a whole.¹⁷ DWP plans to include customer segmentation analysis in its evaluation to understand the impact of its changes on claimants.

¹⁷ Department for Work & Pensions, *Health Transformation Programme Evaluation Strategy*, May 2023.

Challenge 6: Providing consistent quality of outcomes

Challenge

3.20 DWP is using two assessment services, which it wants to produce consistent outcomes. It plans to check this by testing a sample of decisions. Under the Programme, cases will be processed through either the interim FAS or the developing Health Assessment Service, using the same legal criteria but different processes. DWP does not plan to change the criteria to be used in assessing a claim, or to use different quality standards across the two services.¹⁸ However, the different approaches between the interim FAS and Health Assessment Service will inevitably lead to differences in the arrangements in place for its contracted-out provision and its transformation areas, which are intended to produce different working practices and processes.

3.21 Although the approach in the transformation areas may be inconsistent with the approach in its contracted-out services, these differences may be of benefit to claimants. We saw in the transformation areas that, as well as changes made to process, DWP decision-makers and healthcare professionals are co-located and better able to discuss cases with wider access to information about a claimant. DWP also aims to triage cases in order to make decisions earlier, without an assessment if possible, or to direct applicants to more appropriate support. It also aims to reach the right decision first time leading to fewer decisions being successfully challenged through mandatory reconsiderations and appeals. For example, decision-makers and healthcare professionals do not receive detailed feedback about their decisions to support improvement, either from the results of mandatory reconsiderations or from appeals.

How DWP is managing the challenge

3.22 DWP told us that it has a very low tolerance for allowing different outcomes between its contracted-out and in-house services. It acknowledges this risk already exists in the current system where there are differences between providers and assessors. The risk is not unique to the Programme, which is why it reviews a sample of all decisions against standards as a quality control. DWP also moderated decisions by checking a sample of 7% of decisions in its transformation areas with the decision-makers for the contracted-out services – DWP told us it plans to increase the proportion of decisions checked to 15% from July 2023.

¹⁸ For example: The Universal Credit Regulations 2013 (SI 376/13); and The Social Security (Personal Independence Payment) Regulations 2013 (SI 377/13).

Challenge 7: Achieving stakeholder buy-in

Challenge

3.23 DWP recognises that the Programme would benefit from engaging with stakeholder groups. One of DWP's strategic objectives for the Programme is to build greater trust in and improve transparency of its decisions. DWP has several stakeholders with a close interest in functional health assessments and the benefits which the Programme could bring. These include the service providers and bodies representing individuals with specific health conditions and disabilities. Stakeholder support can provide greater insight, while their opposition could delay or derail the project. Each group may have a different perception of success. Identifying and understanding these groups or individuals, their level of influence and the range of ways to engage with them can be crucial to project success.¹⁹

3.24 DWP has held a series of events with stakeholders to inform them about the Programme's scope and aims. It has, since January 2021, held 17 workshops with national representative groups, including to involve them in the design of aspects of the service. DWP has also held workshops with representatives local to the transformation areas in Birmingham and London. DWP has received positive feedback from stakeholders following these workshops. The small number of stakeholders that responded to our consultation felt that the Programme would benefit claimants but were concerned that the Programme would not achieve effective transformation and would only make minor changes to the current service.

3.25 At this point in the Programme the awareness and views of stakeholders may be influenced by the relatively small number of claims being processed through the Programme and the fact that, although the Programme started in 2018, DWP has not promoted it widely. DWP has not yet published key papers, such as a summary of its business case as it did for the introduction of UC or an Accounting Officer Assessment. The 2021 green paper and 2023 white paper include high-level Programme objectives but not details about the Programme's timetable or detailed benefits and risks.

How DWP is managing the challenge

3.26 DWP believes it is effectively engaging with the stakeholders that it needs to at this stage. It has a programme of engagement to involve stakeholders in co-designing aspects of the service. DWP decided not to share detailed plans or communicate widely about the Programme publicly until its white paper was published. DWP told us it expects awareness about the Programme, and what it plans to achieve through the Programme, to increase following the publication of its white paper. For example, DWP published its evaluation strategy in May 2023. DWP told us that it intends to undertake an Accounting Officer Assessment and publish a summary when its revised business base is approved, by spring 2024.

¹⁹ See footnote 14.

Challenge 8: Policy uncertainty

Challenge

3.27 There are likely to be a number of changes to requirements over the life of the Programme which may affect the current timetable. As with any long-term transformation programme, it is highly likely that there will be policy changes between now and its scheduled completion date in 2029. Most significant issues arise where there is a change in strategic direction. The challenge for DWP is to be both clear about the government's policy objectives and allow sufficient flexibility in the Programme for future policy change.

3.28 Government set out its policy intent in 2019, consulted on changes to policy through a green paper in 2021 and published *Transforming Support: The Health and Disability White Paper* in March 2023.²⁰ As set out in paragraphs 2.19 to 2.21, the main change in the white paper to impact the Programme is to remove the Work Capability Assessment. Changes are also likely to be needed to both legacy and new IT systems. The reforms would be introduced no earlier than 2026-27 and completed for new claims within three years.

3.29 The white paper requires primary legislation which DWP intends to introduce in the next Parliament and until then DWP is developing the new Health Assessment Service within the existing legislative framework. However, DWP is also attempting to build in sufficient flexibility in its design so that it can adapt to any changes requested by Parliament. However, as noted above, DWP is using standard government outsourcing model service contracts which require the service to be specified up front and provide for only limited changes (paragraph 3.8).

How DWP is managing the challenge

3.30 DWP has identified and tracked the possibility of a change in strategic direction as a risk. The Programme has some flexibility and DWP has undertaken analysis of the impact of the main changes and has highlighted the risks to ministers. DWP is in the process of considering the detailed implications of the white paper and is revising implementation plans to incorporate into a revised business case for the Programme.

²⁰ Department for Work & Pensions, *Transforming Support: The Health and Disability White Paper*, CP 807, March 2023.

Appendix One

Our evidence base

Scope

- 1** We reached our independent conclusions on whether the Department for Work & Pensions (DWP) is managing the Health Transformation Programme (the Programme) to achieve value for money, after analysing evidence collected between June 2022 and May 2023.
- 2** The evaluative criteria we used to assess value for money included whether DWP: is taking a logical approach to transforming functional health assessments; knows what it is trying to improve and how it will assess that; and is managing key risks to delivery and value for money effectively.
- 3** This report is our first examination of the Programme, which started in 2018. We reported on *Contracted-out health and disability assessments* in 2016.²¹ We examined DWP's plans to improve functional health assessments and the process for applying for Personal Independence Payment (PIP) through the Programme. We have not examined in detail the current processes for applying for health and disability-related benefits, although we do report some DWP performance data in Part One as part of our examination of the reasons for change. We have also not examined the effectiveness of functional health assessments.
- 4** In forming our conclusions, we drew on a variety of evidence sources, as described below. We collated and analysed the evidence we obtained, using our evaluative criteria as a framework. We looked across different sources of evidence to support each of our findings.

²¹ Comptroller and Auditor General, *Contracted-out health and disability assessments*, Session 2015-16, HC 609, National Audit Office, January 2016.

Methods

Document review

5 We reviewed a range of published and unpublished documents to further our understanding of the Programme and DWP's plan for implementation. This included a review of:

Published

- announcements and statements;
- policy papers;
- answers to parliamentary questions; and
- evidence to and reports by the House of Commons Work and Pensions Committee.

Unpublished

- business cases;
- contracts;
- governance papers including Programme board papers;
- assurance reports;
- risk registers and assessments;
- commercial strategy documents; and
- management information about disability benefits service performance.

6 We reviewed each document against our evaluative criteria. The review was used to:

- inform further discussion and follow-up with DWP;
- determine audit findings and triangulate findings from other sources; and
- inform our analysis of the risks DWP is managing in its implementation of the Programme.

Interviews

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

- policy development;
- programme management and governance;
- programme implementation;
- commercial approach and procurement;
- external engagement; and
- analysis and evaluation.

8 We held interviews with senior staff at each of the three commercial providers of functional health assessments which were under contract to DWP at the time of our work: Capita; Independent Assessment Services; and Centre for Health and Disability Assessments. We used these interviews to gain insight into how DWP had engaged with its commercial partners on the development and implementation of the Programme and to explore opportunities and risks to the Programme. We also interviewed the official at the Infrastructure and Projects Authority responsible for overseeing the Programme as part of the Government Major Projects Portfolio.

Quantitative analysis

9 We conducted quantitative analysis of published and unpublished DWP data during our audit. This included analysis of:

- **PIP assessment and Work Capability Assessment data:** Data included DWP's published monthly figures for the number of referrals and assessments conducted;
- **quality of providers' assessment reports:** we analysed the assessed quality of PIP providers' assessment reports between 2015 and 2022, represented by a bar graph in Figure 4;
- **PIP and Work Capability Assessment journey time data:** DWP provided us with its internal journey time data that covered the process for PIP from claim to first decision. DWP also provided Work Capability Assessment journey time data for the part of the process when a claim is with the assessment provider, which is the part of that process within the scope of the Programme. Our analysis of journey times focused on variance over time for different claimants and is represented in the area charts in Figures 5 and 6;

- **customer satisfaction:** we analysed customer satisfaction scores collected by DWP in its Customer Experience Survey. DWP could only provide survey results for 2020-21 and 2021-22 due to the COVID-19 pandemic and changes in survey design. We did not use data relating to UC customers as the customers receiving health-related payments as part of UC are not separately identifiable. Our quantitative analysis of the Customer Experience Survey is represented in the bar graph in Figure 7;
- **mandatory reconsiderations and appeals data:** we analysed official statistics published by DWP, along with additional management information provided by DWP, on mandatory reconsiderations and appeals relating to PIP. Our analysis is in the Sankey diagram in Figure 8;
- **Programme cost data:** we conducted financial analysis of DWP's historical cost and forecast cost data for the Programme, the interim Functional Assessment Service (FAS) and interim FAS IT. We present the cost data in Figure 12; and
- **Programme benefits data:** we conducted analysis of the Programme's benefits included in its strategic outline business case. DWP published a new evaluation strategy for the Programme on 25 May 2023. DWP then provided us on 7 June 2023 with its assessment of whether it had data, metrics and baselines in place for its nine key performance indicators and 38 other performance measures. We have presented this information at Figure 13 but did not have the opportunity to validate the information before publication. For example, we have not seen all the baseline data.

Stakeholder consultation

10 We conducted a stakeholder consultation between September and November 2022. The aim of our consultation was to better understand what stakeholder organisations know of the Programme, their perspectives of the Programme, and whether DWP has effectively engaged them in the development and implementation of the Programme.

11 We used purposive sampling for our consultation to include stakeholder organisations with a knowledge of the Programme. We invited stakeholder organisations DWP engages with through its national and local stakeholder groups to participate, including stakeholder organisations representing people with particular disabilities and health conditions. We chose stakeholder groups that directly engage with DWP because they are best positioned to give their perspectives of the Programme and DWP's aims, as there is limited detail about the Programme in the public domain.

12 In total, we invited 48 stakeholders by email to participate in our written consultation and we met with or received written submissions from five stakeholder organisations. The written consultation was ‘open text’ and stakeholders could discuss any aspect of the Programme or the wider functional health assessment service. Our consultation questions however, aligned with the scope of our audit and focused on the Programme.

13 Our qualitative analysis of the responses we received consisted of identifying and collating the key themes from submissions. We analysed each stakeholder response separately before taking a broader view of the feedback and isolating the common themes.

Synthesis of good practice and lessons across government

14 We identify good practice and lessons learned across government. We share our insights to make it easier for others to understand and apply the lessons from our work. Based on those insights we used an iterative approach to identify the main challenges which DWP needs to manage in the Programme. Internally we organise our insights over six themes: analysis; commercial; digital; financial and risk management; major projects; and people and operational management. Experts in each of these themes worked with the study team, in particular as part of our document review and interview methods, to review the evidence and to discuss the challenges we identified.

Site visits

15 We carried out four visits in person to DWP sites between July 2022 and February 2023 in Leeds, Birmingham and to Stratford and Marylebone in London. Two of these sites (in Birmingham and Marylebone) are the health transformation areas. The visits included meetings with management and operational staff and the observation of staff as they carried out their work. The aim of the visits was to:

- understand and observe each part of the claim process for PIP, Employment and Support Allowance (ESA) and UC;
- discuss and observe the role of DWP decision-makers and, in the two health transformation areas, of healthcare professionals, including observation of health assessments being carried out by video and telephone;
- discuss and observe DWP’s approach to improvement; and
- discuss with DWP staff their experience of the claim processes, implementation of the Programme and how it interacts with normal business.

16 We visited a PIP assessment centre in London run by Independent Assessment Services. The aim of the visit was to observe and understand how functional health assessments are carried out. It comprised:

- observing assessors conducting different types of functional health assessments both face-to-face and by telephone; and
- discussions with management about how it organises assessments and the opportunities and risks from the Programme.

17 Where we observed a functional health assessment, either DWP or the commercial provider obtained the prior agreement of the healthcare professional and individual being assessed.

CORRECTION SLIP

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SESSION 2022-23

HC 1512

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Correction:

Figure 8, on page 29 needs to be amended for an error in the positioning of the labels. The figure currently shows the labels 'Award changed at MR: Appeal withdrawn (630 claims)' and 'Appeals lapsed (47,470 claims)' in the wrong place.

Text currently reads: **(see overleaf)**:

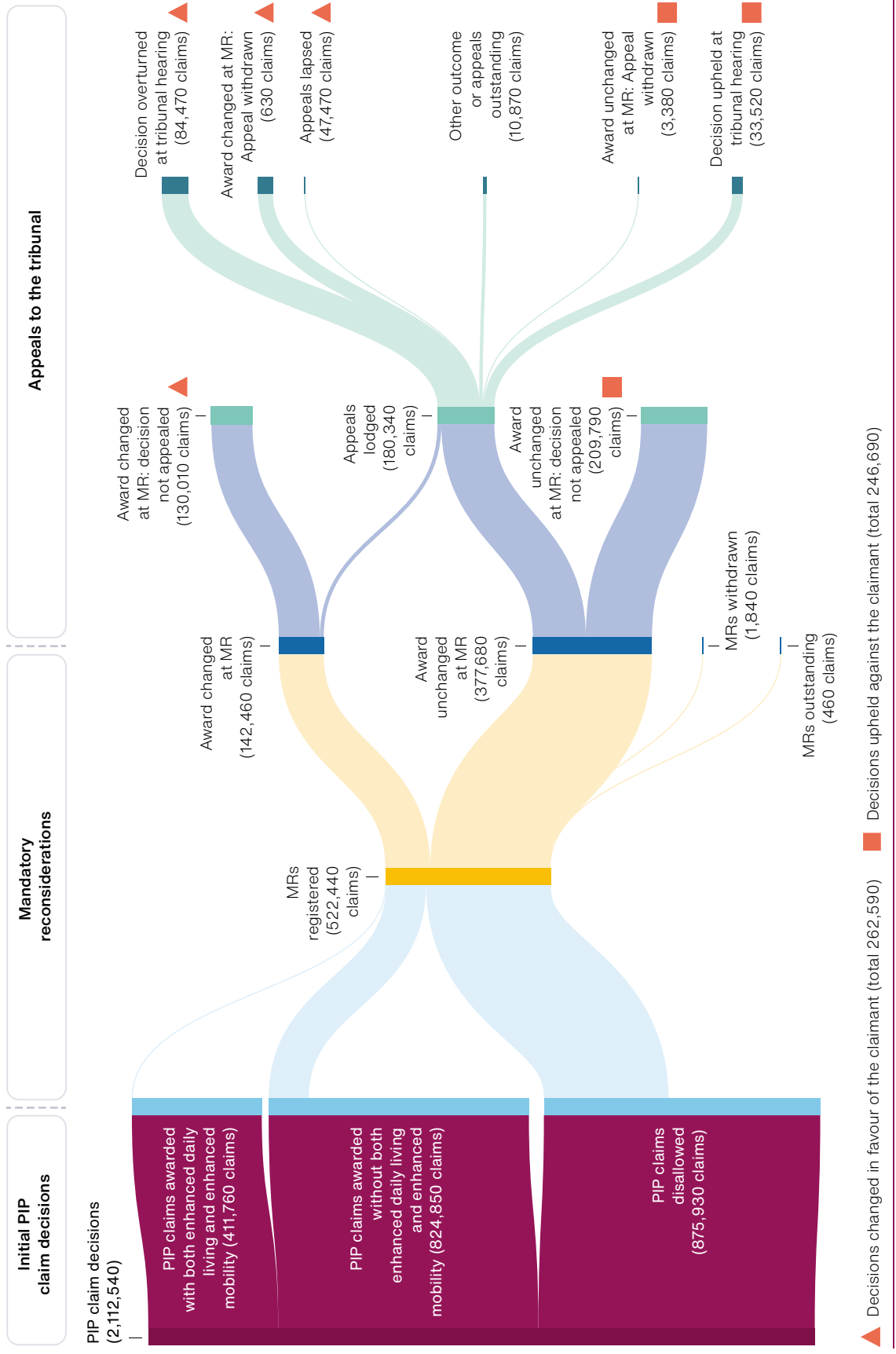
[BACK TO REPORT](#)

Date of correction: 6 July 2023

Text currently reads:

Figure 8 Personal Independence Payment (PIP) initial decision to appeal outcomes, April 2018 to March 2022

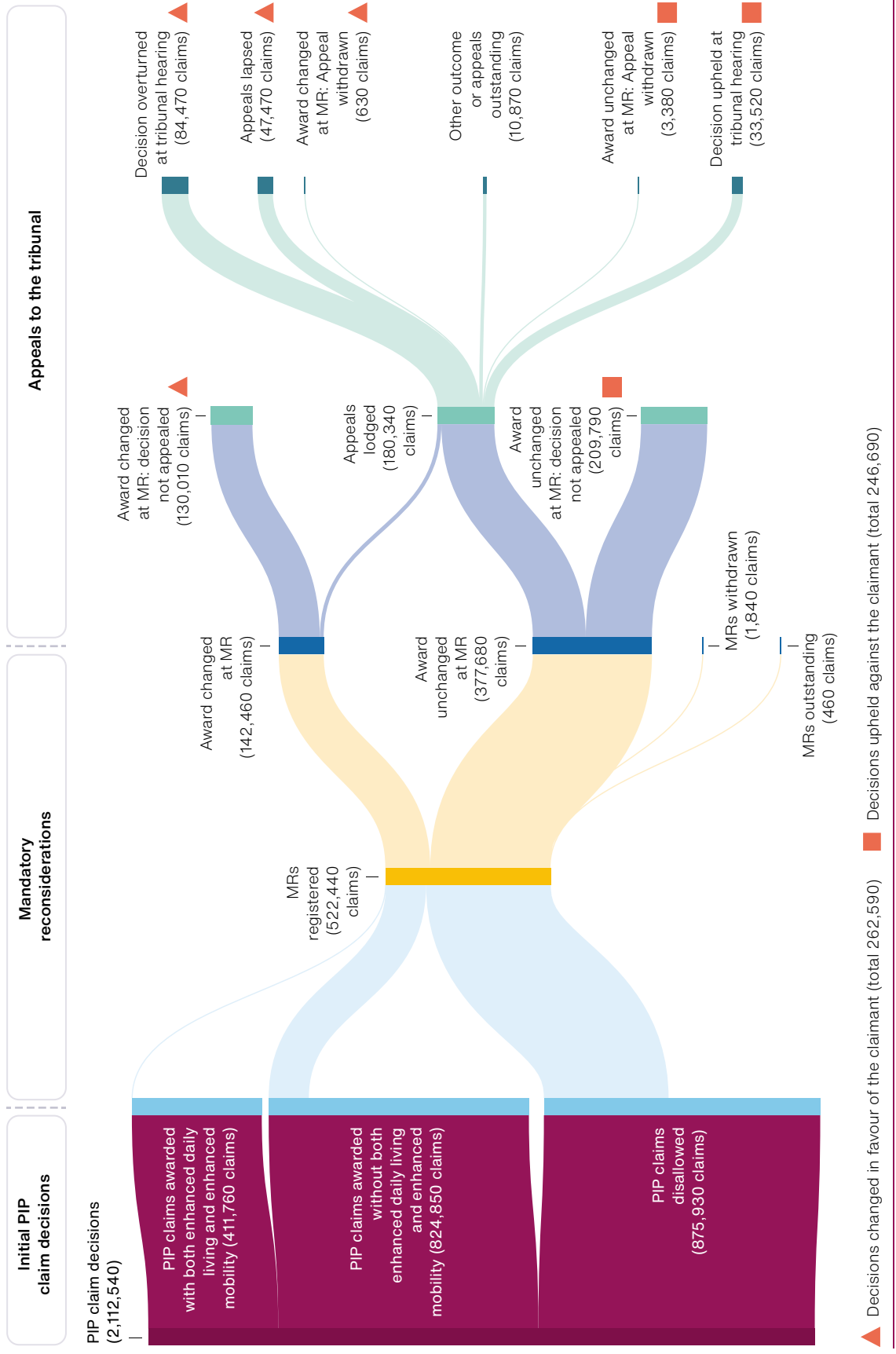
More than 260,000 (12%) of initial PIP decisions were changed in favour of the claimant through either mandatory reconsideration (MR) or appeal. This represents 15% of initial decisions where claimants were not initially awarded the enhanced daily living and mobility allowances for PIP and are thus more likely to ask for the decision to be overturned¹.



Text should read:

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