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| Agenda item 2 |  |  |
| 13 May 2014   |  |  |

## Welfare Reform Committee

### Personal Independence Payment – an update

#### Introduction

This briefing summarises the current status of the Personal Independence Payment (PIP), for the Committee's evidence session with Salus on 13 May 2014. It includes information on the PIP implementation timetable and criticisms of progress to date from the National Audit Office, Public Accounts Committee and the Work and Pensions Committee. It also refers to the previous evidence provided by Salus. A comparison between PIP and Disability Living Allowance (DLA) and a brief description of the new claims process for PIP is attached in the Appendix.

#### About PIP

PIP is a new benefit which is replacing DLA for people aged between 16 and 64 (working-age). As with DLA, PIP is a non-means tested benefit to help people with the extra costs of living with a disability. It is payable regardless of employment status, and like DLA has a mobility and care component.

|                        | Standard weekly rate | Enhanced weekly rate |
|------------------------|----------------------|----------------------|
| Daily living component | £54.45               | £81.30               |
| Mobility component     | £21.55               | £56.75               |

The aim of the change is to “create a benefit that is simpler to administer and easier to understand, is fair, and supports disabled people face the greatest challenges to remaining independent and leading full, active lives.”<sup>1</sup>

#### ***Reduction in numbers and costs***

Another aim is to reduce numbers and cost, the UK Government said that “in just eight years, the number of people claiming DLA has risen from 2.5 million to 3.2 million – an increase of around 30 per cent”<sup>2</sup>. The DWP expects that

<sup>1</sup> DWP (2011) [Government's response to the consultation on Disability Living Allowance reform](#)

<sup>2</sup> DWP (2011) [Government's response to the consultation on Disability Living Allowance reform](#)

there will be 600,000 fewer people receiving PIP by May 2018 compared with the expected trend for DLA<sup>3</sup>.

The intention is to reduce projected working-age expenditure by 20% in 2015/16<sup>4</sup>. The NAO reports that in the absence of reform the DWP expects that annual spending on DLA could rise to £16.9bn in 2018-19, a 23% increase from 2012-13 in real terms. By introducing PIP the DWP expects to save £3bn annually from 2018-19<sup>5</sup>.

### **Implementation timetable**

A briefing by the House of Commons Library shows how the timetable for PIP implementation has been revised twice<sup>6</sup>, as illustrated in the table below.

The original plan to introduce PIP for new claims from April 2013, in a controlled area, and extending to the rest of Great Britain from June 2013 has not been affected.

It is the reassessment of DLA to PIP that has been revised. There are two stages to reassessment, 'natural reassessment' and 'managed reassessment'. The following DLA claimants would be invited to claim PIP under the first stage of 'natural reassessment'.

- Children turning 16 (except those awarded DLA under special rules for terminally ill) when their fixed term was coming to an end
- People experiencing a change in their health condition or disability that would affect their rate of payment
- Those with a fixed term award about to end
- 'Self-selectors' – existing DLA claimants wishing to claim PIP

All remaining DLA claimants will be invited to claim PIP under 'managed reassessment'.

Following a consultation<sup>7</sup>, the UK Government announced in December 2012 a 'significantly slower migration profile' for reassessing DLA claimants for PIP. This would allow time to 'learn from the early introduction of PIP' in time for the peak period of reassessments to begin, 'around two years later', in October 2015<sup>8</sup>, ie the managed reassessments.

In October 2013 a further delay was announced - that a phased start for PIP natural reassessments would be introduced from 28 October 2013<sup>9</sup>. This would enable the UK Government to test the claimant reassessment journey

<sup>3</sup> National Audit Office (2014) [Personal Independence Payment: early progress](#)

<sup>4</sup> DWP (2012) [Government's response to the consultation on Disability Living Allowance reform](#)

<sup>5</sup> National Audit Office (2014) [Personal Independence Payment: early progress](#)

<sup>6</sup> House of Commons Library (2014) [Introduction of Personal Independence Payment](#)

<sup>7</sup> DWP (2012) [Government's response to the consultation on DLA reform and PIP – completing the detailed design](#)

<sup>8</sup> DWP (December 2012) [Personal Independence Payment: Reassessment and Impacts](#)

<sup>9</sup> HC Deb 21 October 2013 [c8WMS](#)

using a similar approach taken for new claims to PIP, ie in controlled areas, and provide an opportunity to consider its first independent review of PIP by the end of 2014 – a commitment made in the Welfare Reform Act 2012. It has been announced that Paul Gray, the chair of the Social Security Advisory Committee (SSAC) will carry out the review and will stand aside from any consideration by SSAC of issues relating to PIP in the interim<sup>10</sup>.

### Introduction of PIP: revised implementation

|  | Original  | First revision – December 2012 <sup>11</sup>  | Second revision –October 2013 <sup>12</sup>   |
|--|---|---|---|
| New claims (north west and north east England) | April 2013  | April 2013  | April 2013  |
| New claims across GB                           |   | June 2013   | June 2013   |
| Reassessment from DLA to PIP                   | October 2013  | October 2013<br><br><b>‘Natural reassessment’</b> of working age DLA claimants  | October 2013<br><br><b>‘Natural reassessment’</b> of working age DLA claimants in controlled areas - Wales, East Midlands, West Midlands and East Anglia (where assessments are carried out by Capita). |
|  |   |   | January 2014<br><br><b>‘Natural reassessment’</b> extended to southern Scotland (postcodes beginning DG, EH, TD, and ML)  |
|  |   |   | February 2014<br><br><b>‘Natural reassessment’</b> extended to parts of northern England  |
|  | Spring 2016<br><br>All remaining DLA claimants would be invited to claim PIP. | October 2015<br><br><b>‘Managed reassessment’</b><br><br>All remaining DLA claimants would be invited to claim PIP.<br><br><b>To be completed by October 2018</b> | By October 2017<br><br><b>‘Managed reassessment’</b><br><br>All remaining DLA claimants would be invited to claim PIP.<br><br><b>No completion date given</b>   |

<sup>10</sup> HC Deb 10 April 2014 [c32WMS](#)

<sup>11</sup> DWP (December 2012) [Personal Independence Payment: Reassessment and Impacts](#)

<sup>12</sup> DWP (October 2013) [Personal Independence Payment rolls out to existing claimants](#)

## Progress on PIP implementation – National Audit Office

A report<sup>13</sup> by the National Audit Office reviewed the early progress of PIP implementation. The head of NAO, Amyas Morse, said in the press release accompanying the report:

“It is too early to conclude on the Personal Independence Payment programme’s overall success and all major programmes run the risk of early operational problems. However the Department did not allow enough time to test whether the assessment process could handle large numbers of claims. As a result of this poor early operational performance, claimants face long and uncertain delays and the Department has had to delay the wider roll-out of the programme. Because it may take some time to resolve the delays, the Department has increased the risk that the programme will not deliver value for money in the longer term.”

The key findings were:

- The DWP introduced PIP as planned in April 2013, with a controlled start.
- In mid-2013 backlogs developed and the DWP made far fewer claim decisions than expected. Backlogs developed at each stage of the claimant process. Both the DWP and assessment providers have processed fewer claims than expected, despite the number of new claims being in line with what was expected.
- By 25 October 2013, the DWP had made only 16% of the number of decisions it expected, over 166,000 people had started new claims for PIP and 92,000 claims had been transferred to the assessment provider and not yet returned to the DWP – nearly three times the volume expected by the DWP at this stage.
- Claimants face delays, and the DWP is not able to tell them how long they are likely to wait, potentially causing distress and financial difficulties.
- The DWP has postponed the reassessment of most existing DLA claims, as discussed above. Roll-out was postponed following discussion with assessment providers, and postponed roll-out in most of the areas where Atos is the assessment provider “because it needed to consider further Atos’s ability to reduce backlogs and manage higher volumes.”
- The DWP will not achieve the savings it expected in the current Spending Review period, but still expects to achieve long-term savings.

### **Backlogs**

The NAO reviewed a sample of 296 claims where decision letters had been sent out by mid-October 2013. The DWP estimate for average claims was 74 calendar days to decide non-terminally ill claims, and just 10 days to decide a

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<sup>13</sup> National Audit Office (2014) [Personal Independence Payment: early progress](#)

terminally ill claim. The review found that the average time for a non-terminally ill claim was 107 days, and for terminally ill claims the average was 28 days. In addition, the NAO states “Claims with decisions are likely to have shorter delays than average, so our sample is likely to understate delays.”

According to the NAO, the assessment providers are under contract to complete 97% of assessments within 30 days. By the end of October 2013, Atos and Capita had completed 55% and 67%, respectively, of assessments required in the timeframe.

The backlogs developed for a number of reasons:

- Claimants taking longer to return forms
- The delay in providers returning assessments to DWP
- A far higher proportion of new claims contained information that conflicted with data on existing benefit systems, leading to delays in processing claims (83% instead of the estimated 20%)
- The proportion of claims requiring face-to-face assessments was 97% for Atos, 98% for Capita, higher than the estimated 75%

A DWP newsletter from 10 April 2014<sup>14</sup> said that claims from terminally ill people that were held up earlier have now been cleared, and that significant improvements were being made to clearance times generally. However, claims are still taking longer than expected, so those who are eligible for PIP will be paid their benefit from the date they became entitled and not from when a decision is made.

### ***Contracts with assessment providers***

Atos and Capita are paid by the DWP to provide PIP assessments across GB. Capita covers Wales and the Midlands, accounting for 23% of assessments, and Atos covers the rest of GB. Both operate in different ways. Capita directly employs health professionals and aims to assess 60% of claimants at home, but they have an option to visit an assessment centre. Atos subcontracts to 14 smaller organisations, including Salus, who conduct assessments at specified centres using health professionals. Atos remains responsible for administration and quality assurance within its service.

The NAO states that despite improvements in the DWP’s commercial approach, Atos and Capita have not achieved the planned levels of performance. From April – October 2013, both Atos and Capita did not achieve agreed performance levels. As a result, Atos has accrued service credits (financial penalties) of £0.8m and Capita £0.2m. Reference is made to the backlog relating to ESA and the Work Capability Assessments carried out by Atos. Since 2011 the DWP suspended the service credits regime three times and revised how it monitored contractual performance. As at 25 October

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<sup>14</sup> DWP (April 2014) [Touchbase: DWP news for advisers and intermediaries](#)

2013, there was a backlog of 780,000 ESA claims awaiting assessment. In July 2013 the DWP announced that additional providers would be brought in from summer 2014. On 27 March this year Atos announced it was withdrawing its contract to deliver WCAs<sup>15</sup>.

### **Recommendations**

The NAO said the DWP would need to show that it has:

- Set out a clear plan for informing claimants of likely delays they will experience while plans to improve performance take effect or in the event of problems in the future.
- Tested assessment providers' and departmental plans for dealing with backlogs and increased numbers of assessments.
- Tested its operating assumptions across the whole claim process, to identify and prevent future bottlenecks.
- Identified any outstanding commercial risks in its relationship with contracted assessment providers that might affect operational recovery.
- Revised expected benefit savings and longer-term risks to the programme.

### **Latest data**

The most recent data on DLA uptake comes from August 2013. For the first time since May 2002 (when data is first available from), there is a slight reduction in the number of DLA claimants, less than 1%. Between May and August 2013 there were 12,720 fewer entitled cases of DLA. This is likely to be because of new claims being made to PIP. While the data is considered to be robust and reliable, it does not meet the minimum quality standard required by the UK Statistics Authority to be published as official statistics. The first set of PIP data is likely to be available in Spring 2014<sup>16</sup>. However, the DWP did release some 'ad hoc' statistics in February<sup>17</sup>. Three tables show:

### **PIP new claims registered**

|   | <b>Cumulative totals up to and including:</b> |                 |                 |                 |                 |
|---|---|-----------------|-----------------|-----------------|-----------------|
|   | <b>April 2013</b>                             | <b>Jun 2013</b> | <b>Aug 2013</b> | <b>Oct 2013</b> | <b>Dec 2013</b> |
| <b>New claims <u>not</u> made under Special Rules for Terminally Ill People</b> | 2,900   | 30,700          | 95,500          | 164,900         | 220,300         |
| <b>New claims made under Special Rules for Terminally Ill People</b>            | 200   | 1,300           | 4,000           | 6,900           | 9,400           |
| <b>All PIP New Claims</b>   | 3,000   | 31,900          | 99,600          | 171,800         | 229,700         |

<sup>15</sup> HC Deb 27 March 2014 [c57WMS](#)

<sup>16</sup> DWP (February 2014) [Statistics and related information on Personal Independence Payment](#)

<sup>17</sup> DWP (February 2014) [Personal Independence Payment: Management Information](#)

**PIP new claims decisions made**

|  | Cumulative totals up to and including: |          |          |          |          |
|--|--|----------|----------|----------|----------|
|  | April 2013                             | Jun 2013 | Aug 2013 | Oct 2013 | Dec 2013 |
| New claims <u>not</u> made under Special Rules for Terminally Ill People | <100                                   | 200      | 2,800    | 11,600   | 34,200   |
| New claims made under Special Rules for Terminally Ill People            | <100                                   | 500      | 3,000    | 6,200    | 9,600    |
| All PIP New Claims   | <100                                   | 800      | 5,900    | 17,800   | 43,800   |

**Proportion of PIP new claim decisions leading to an award**

|  | Cumulative totals up to and including: |          |          |          |          |
|--|--|----------|----------|----------|----------|
|  | April 2013                             | Jun 2013 | Aug 2013 | Oct 2013 | Dec 2013 |
| New claims <u>not</u> made under Special Rules for Terminally Ill People | -                                      | 60%      | 35%      | 37%      | 37%      |
| New claims made under Special Rules for Terminally Ill People            | -                                      | 100%     | 100%     | 100%     | 100%     |
| All PIP New Claims   | -                                      | 88%      | 69%      | 59%      | 50%      |

**Further progress**

Since the NAO report, both the Public Accounts Committee and the Work and Pensions Committee at the House of Commons have considered progress on PIP implementation.

***Public Accounts Committee***

On 20 March 2014 the Public Accounts Committee took evidence on PIP from a range of witnesses<sup>18</sup>.

Representatives of disability and welfare organisations detailed the problems that delays in processing PIP was causing for disabled people and their families, for example, negatively impacting on health, causing significant stress, and severe financial difficulties requiring the use of the social fund and charitable donations. The House of Commons library summarised<sup>19</sup> some of the specific problems with the PIP process:

“The disability and welfare rights representatives detailed problems with initial telephone contacts when making a claim for PIP, difficulties getting information on how applications are progressing, problems as a result of assessment providers not getting evidence from health and social care practitioners to support claims, delays getting appointments for assessments, and assessments cancelled with little or no notice.”

<sup>18</sup> Public Accounts Committee, oral evidence: [Personal Independence Payments](#), Thursday 20 March 2014

<sup>19</sup> House of Commons Library (2014) [Introduction of Personal Independence Payment](#)



Further, Lisa Coleman, Senior Policy Officer at Atos, denied that the company had made incorrect claims in its original tender document about agreements with third parties to provide premises for assessments. Coleman also said around 40% of PIP claimants faced travelling times to assessment centres in excess of 60 minutes. This is in contrast to its tender document which proposed that between 75% and 90% of claimants would be within 30 minutes' travel of an assessment centre.

In response to whether Atos had employed enough health professionals to undertake assessments, Coleman said:

“Right now, based on the duration and volume of the assessments that are coming through to us that we cannot deal with in advance of a face-to-face assessment, we do not. That is one of the things that we are trying to improve. The assessments are taking twice as long as we expected—we didn't know that was going to happen—and we are seeing 20% more people going through to face-to-face assessment than we expected or understood at the time of the tender as well.”<sup>20</sup>

### ***Work and Pensions Committee***

The Work and Pensions Committee published a report on [Monitoring the Performance of the Department for Work and Pensions](#) in 2012-13 (12 March 2014), which included a section on PIP. It responded to many of the concerns raised by the NAO report and recommended that penalty clauses in the DWP contracts with assessment providers should be invoked where necessary, that the DWP clears the existing backlog of PIP claims before reassessment of existing DLA claims is extended, and that all necessary resources be devoted to meeting a seven day target for processing PIP claims from terminally ill people<sup>21</sup>.

### **Salus**

Salus previously gave [evidence](#) to the Welfare Reform Committee on 22 January 2013 (Kenny Small from NHS Lanarkshire and Mark Kennedy from Salus) as it had recently been announced that Salus would deliver PIP assessments in some parts of Scotland, on behalf of Atos on a four year contract. Kenny Small described Salus as a fully:

“integral part of the mainstream NHS Lanarkshire service. Its core purpose is to provide occupational health and safety services to the staff of NHS Lanarkshire and to NHS Lanarkshire itself. Historically, over a number of years, because of its expertise Salus has developed what could be defined as a commercial interest. In other words, Salus sells services and bids for contracts to provide occupational health and

<sup>20</sup> Public Accounts Committee, oral evidence: [Personal Independence Payments](#), Thursday 20 March 2014 [Q101](#)

<sup>21</sup> House of Commons Library (2014) [Introduction of Personal Independence Payment](#)



safety services and other services to other aspects of the public service and to the private sector. Any additional income that is gained as a consequence of that activity is fully reinvested within NHS Lanarkshire. I can confirm that clearly". (col 487)

In terms of providing a service that improves upon the negative perceptions, Kenny Small stated the following:

"our overt intention is to seek to add the value that we believe an appropriately recruited and selected and then trained and supported NHS workforce can bring to the assessment and reassessment process for DWP PIP.

Based on our vast experience of recruiting and retaining experienced and highly productive professionals, we believe that we have the ability to make a positive difference to the assessment process experience. As I said, we are talking about a prospective arrangement, and we have not yet begun to deliver the process. At present, we are looking to recruit the appropriate numbers to deliver the assessments, but that is set against a moving feast on the numbers. We are responding to the DWP, through Atos, on the number of assessments that will take place in the area for which we have responsibility." (col 488)

Kenny Small went on to say that intensive training was set aside for May 2013, in time for the roll out of new claims of PIP in June 2013 (col 493). In response to a question about the added value that Salus could bring to PIP assessments, Kenny Small stated:

"Our room for manoeuvre, whereby we believe that we can add value in a way that another contractor or organisation might not, is in the quality of training that we give to staff who enact the assessment. I listened carefully to the earlier debate and, for me, the crucial driver is the quality of the assessment. That is one of the reasons why we believe that the NHS in Scotland can make the initial assessment process a much better driver in terms of outcome." (col 504)

Salus has submitted written evidence to the Committee for its meeting on 13 May 2014 which includes the following information:

- To date approximately 10,700 appointments have been offered, with over 6,800 individual consultations completed.
- To date 5 complaints have been received (rate = 0.0007% - none upheld).
- No penalty credits have been sanctioned.
- Staff are completing an average of 4 consultations a day
- Salus hope to provide over 31,000 appointments by December 2014
- "Atos Healthcare and DWP have informally stated that Salus are among the best service providers relating to the quality of reports submitted"
- Currently 25.5 WTE health professionals are in place, this will rise to 37 WTE by August, assuming all posts are filled.

**Nicki Georghiou**

**SPICe Research**

**08 May 2014**

Note: Committee briefing papers are provided by SPICe for the use of Scottish Parliament committees and clerking staff. They provide focused information or respond to specific questions or areas of interest to committees and are not intended to offer comprehensive coverage of a subject area.

## Appendix

### Comparison of DLA and PIP

Figure 1<sup>22</sup> in the NAO report compares DLA and PIP. The key points are:

- PIP is based on an independent assessment by a health professional and further medical evidence, rather than self-assessment for DLA.
- All PIP awards of two years or more will be reassessed, compared to around 30% of DLA awards having a review period.
- The weekly award range is the same, £21-£134. This is despite the change in the two components of the award. Both have a care and mobility component. Under DLA there are 3 levels to the care component, and two levels to the mobility component. For PIP there are two award levels for each.
- The administration cost for DLA is £49 per claim, compared with £182 for PIP.
- The expected average decision time on a new claim for DLA was 37 days, for PIP this is 74 days.

### New claim process

To initiate a claim, new claimants must first call the DWP which takes preliminary details by phone and sends out an evidence gathering form. Claimants must fill in the form and can provide further medical evidence to supplement their claim. Claimants must do this within a month or the PIP claim will be turned down. If the person is already claiming DLA, this benefit will be stopped 14 days after the first pay day following the date of the decision to refuse to the PIP claim. Time extensions are available with a valid reason. A decision is made by the health assessor whether a face-to-face consultation or paper based assessment is appropriate, ie if the claimant meets the basic conditions for PIP. Once an assessment is made, the information is passed to the DWP who then decide whether a person is eligible for PIP. Terminally ill claimants would not need to submit an evidence gathering form.

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<sup>22</sup> National Audit Office (2014) [Personal Independence Payment: early progress](#)