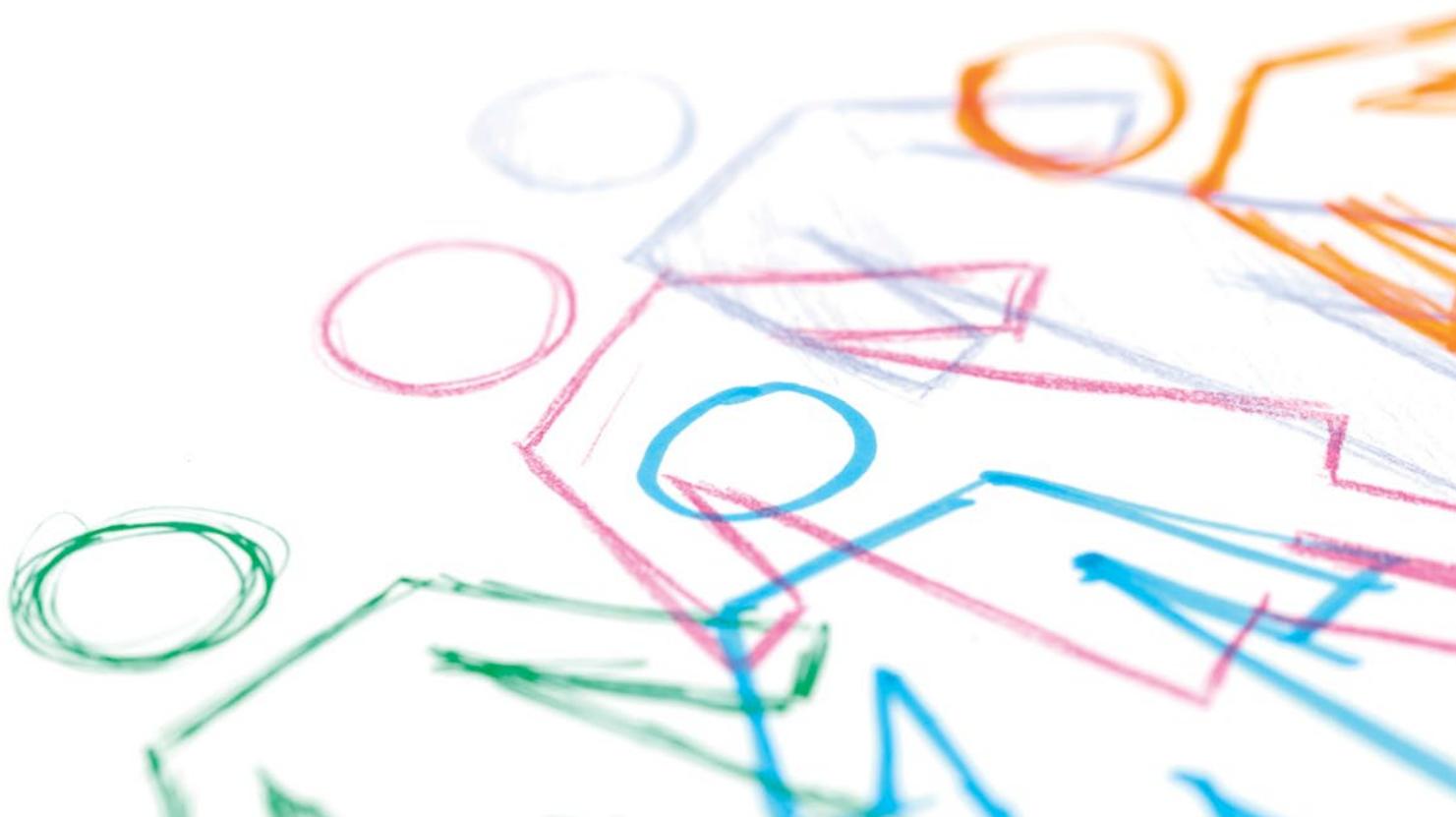


# Social security

Implementing the devolved powers



AUDITOR GENERAL 

Prepared by Audit Scotland  
May 2019

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## Audit team

The core audit team consisted of:  
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 Sim, Anne Cairns and Gemma Diamond,  
 with support from other colleagues and  
 under the direction of Mark Taylor.

## Links

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# Key facts



People expected to receive payments from Social Security Scotland every year, once all devolved benefits are implemented

**1.4 million**

Employed by Social Security Scotland since it was established in September 2018

Paid in Best Start Grants (pregnancy and baby) to 7,000 people

**£2.7 million**

**£87 million**

Paid in Carer's Allowance Supplement to 77,000 people

**£33 million**

**30 per cent**

Spent to date on implementation by the Scottish Government

Posts within the social security programme have been vacant

# Summary



## Key messages

- 1** The Scottish Government has done well to establish a new agency and start making benefit payments. It has also undertaken important groundwork needed to deliver future benefits in line with its overall policy direction. But the high pace of delivery and the complexity of the social security system has been a significant challenge and meant that the Scottish Government found delivering on its initial commitments harder than expected.
- 2** Implementing the second wave of benefits is more difficult as the complexity and amount of work increases further. This means a significant change for the implementation programme. The processes and systems currently being used to plan and support implementation have worked well to date. But they will not be enough to support the delivery of the second wave.
- 3** The programme team is aware of these challenges and is doing the right things, revising arrangements to try to address them. Continuous short-term pressures mean that it is difficult for the team to pause and refocus activity, presenting risks to overall delivery. Many decisions about future benefits and how they will be delivered in the long term are still to be made. The current revision of the business case will be important to clarify priorities.
- 4** The Scottish Government does not yet have a clear understanding of the key things needed to deliver all remaining benefits in the way it intends. This includes not monitoring and reporting on how much it will cost to fully implement all the benefits. It is currently developing financial and workforce plans to support its implementation timescales. It is critical that these are agreed and aligned to the intended outcomes for service users.

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## Recommendations

### The Scottish Government should:

- fully develop the critical path of planned actions to support the timetable for the delivery of all future benefits. This should include realistic and sustainable timelines for procurement, key decision points, and more short-term detail of the planned activity and timescales for wave two benefits
  - finalise, as a priority, revisions to the programme business case. Develop aligned workforce and finance plans to support delivery timescales and intended outcomes
  - include a clear estimate of the overall costs to implement the social security system, reflecting decisions made and public commitments. This should be updated regularly and reported to the programme board
  - complete the proposed finance review urgently, ensuring that this results in a greater focus on managing total implementation costs alongside the timetable and the quality of outcomes.
- 

## Background

**1.** The Scotland Acts 2012 and 2016, devolved a wide range of powers to the Scottish Parliament. Together, these powers are significantly changing the context of Scotland's public finances and responsibilities. The Scotland Act 2016 devolved 11 social security benefits and gave the Scottish Government the power to create new benefits and top up existing ones. This is the most significant area of spending responsibility to be devolved. Once fully implemented, approximately £3.5 billion of social security assistance payments will be made each year to more than 1.4 million people.

**2.** In May 2017, the Scottish Government announced its intended first wave of benefits: Carer's Allowance Supplement (CAS), Best Start Grant (BSG), Funeral Expense Assistance (FEA) and Universal Credit Scottish Choices. It committed to delivering these benefits by summer 2019. The Scottish Government announced it would create a new agency to deliver the devolved benefits and that it would be in place to administer the Carer's Allowance Supplement. The Scottish Government set up a social security programme, within its social security directorate, to manage the implementation of the devolved benefits.

**3.** The Social Security (Scotland) Act 2018 received Royal Assent on 1 June 2018. This sets out the framework for how the Scottish Government will operate the devolved social security powers and any new forms of assistance. The Act puts into law the Scottish Government's intended approach of delivering a social security system based on the principles of dignity, fairness and respect. It introduces eight overarching principles for the operation of the system and commits the government to produce a social security charter in collaboration with those who will be affected by the new system. The purpose of the charter is to set out what is expected from the government and from individuals applying for and receiving assistance.

**4.** The Scottish Government has also made a number of commitments on how social security is to be delivered in Scotland, including:

- Benefits are to be actively promoted to encourage uptake and there is a commitment to have a strong local presence across the country by placing agency staff within community services.
- People diagnosed with a terminal illness will not have to be determined to have less than six months to live to access benefits.
- Assessments for disability support will be carried out only when necessary. If required, they will be delivered through Social Security Scotland ('the agency') with no private sector companies involved.
- The assessment process is to be flexible, allowing people to choose the time and location for assessments, including the option of a home visit. Audio recordings of assessments are to be made to support decision-making and appeal processes.
- The agency is to have a responsibility to tell someone if they can make an appeal and to provide advice about independent advocacy.

## About this audit

**5.** This report builds on our [previous reports](#)  looking at how the Scottish Government is implementing the Scotland Acts 2012 and 2016. We most recently reported in March 2018, focusing on the devolved social security powers. We found that the Scottish Government had made good early progress on establishing the arrangements and processes needed to implement the powers. We also reported that there would be significant challenges for the programme as it progressed.

**6.** We highlighted specific areas for the social security programme to focus on to help manage these challenges:

- Build enough time into plans for assurance activities, procurement, recruitment and succession planning.
- Keep under review joint delivery plans for the parts of the system that the Department for Work and Pensions (DWP) is developing on the Scottish Government's behalf.
- Develop detailed options appraisals and contingency plans for interim and long-term information technology (IT) components, and ensure key decision points are fully reflected in plans.
- Develop and report more detailed estimates of the costs of implementing the social security powers, regularly reviewing levels of optimism bias.

**7.** This report examines how well the Scottish Government is continuing to manage the delivery of the social security powers being devolved under the Scotland Act 2016. Our audit assesses progress up to February 2019, while acknowledging that substantial activity is ongoing. We will continue to review and report regularly on the government's progress in this area.

	<b>Previous reports looking at how the Scottish Government is implementing the Scotland Acts 2012 and 2016:</b>
	<b>Preparations for the implementation of the Scotland Act 2012</b>
	December 2014
	<b>Implementing the Scotland Act 2012: an update</b>
	March 2015
	<b>Managing new financial powers: an update</b>
	March 2017
	<b>Managing the implementation of the Scotland Acts</b>
	March 2018

**8.** The report has three parts:

- **Part 1 (page 9)** sets out what the Scottish Government has delivered as part of its social security programme since we reported in March 2018 and how this is aligned with the government's plans and commitments.
- **Part 2 (page 15)** assesses how well the Scottish Government's social security programme has worked over the last year to deliver the benefits to date.
- **Part 3 (page 28)** examines to what extent the Scottish Government is well placed to deliver the remaining devolved benefits.

**9.** Our findings are based on reviewing documents and talking to staff from organisations involved in implementing the new arrangements. Our audit methodology is in [Appendix 1 \(page 37\)](#).

**10.** You can find our work on the financial powers in the Scotland Acts on [our website](#) .

# Part 1

## What has the Scottish Government delivered?



### Key messages

- 1** The Scottish Government has delivered on the commitments it made for the last year. These include: establishing a new agency which paid the first Scottish benefits, developing a Social Security Charter, and establishing the Scottish Commission on Social Security.
- 2** The programme has undertaken important groundwork to support the delivery of future benefits, including drafting regulations and developing business cases. It has also embedded new ways of working to support the phased delivery of the benefits and to reflect the principles of fairness, dignity and respect.
- 3** The Scottish Government launched its Carer's Allowance Supplement in September 2018. In 2018/19, Social Security Scotland paid the supplement to 77,000 people, totalling £33 million.
- 4** The Scottish Government launched the first element of its Best Start Grant, the Pregnancy and Baby Payment, in December 2018. By January 2019, Social Security Scotland had paid £2.7 million in assistance to 7,000 people.

### The Scottish Government has delivered on its initial public commitments

**11.** The Scottish Government has delivered on its public commitments to date, passing the Social Security Act, establishing a new social security agency and launching two benefits. [Exhibit 1 \(page 10\)](#) sets out the devolved benefits and arrangements the Scottish Government has delivered so far and its commitments for delivery of the remaining benefits.

### The Scottish Government has established a new social security agency

**12.** Social Security Scotland became operational on 1 September 2018 as an executive agency of the Scottish Government, in time to make the first Carer's Allowance Supplement payments. The agency will be responsible for delivering the devolved benefits in Scotland to the 1.4 million people who rely on them.

**13.** The agency is led by a senior leadership team, with the chief executive assisted by five heads of service. It has put in place the core governance arrangements required of an executive agency, including establishing an Audit and Assurance Committee and an Executive Advisory Board ([Appendix 2, page 38](#)). The agency's interim corporate plan outlines the administrative arrangements and strategic objectives needed to deliver the benefits effectively. The agency is currently consulting on this plan and proposes to publish an update later in 2019.

## Exhibit 1

Timeline of the social security powers being devolved through the Scotland Act 2016



Notes:

- Universal Credit Scottish Choices offers Scottish recipients choices about how Universal Credit is paid to them. The benefit itself remains reserved to the UK Government.
- New benefit being introduced by the Scottish Government. No forecast figures currently available.
- Carer's Assistance will subsume the Carer's Allowance Supplement and associated expenditure.
- Cold Spell Heating Assistance, the intended replacement for Cold Weather Payments, can vary significantly year-on-year depending on the severity of winter weather. Approximate number of payments is shown instead of recipient number.

Source: Audit Scotland, using data from the Scottish Government and the Scottish Fiscal Commission

**14.** The agency has its headquarters in Dundee and a second main office in Glasgow. As at February 2019, it employs 320 staff (headcount). This is set to grow significantly as the agency delivers more benefits. The Scottish Government expects that the agency will employ at least 1,500 people within its two main offices when fully operational.

**15.** In addition to those two locations, the Scottish Government has committed to the agency providing local pre-claims support across Scotland. It has committed to employing 400 pre-claims support staff when it is fully operational. About 100 of these staff are expected to be in place by the end of 2019. The agency is engaging with local authorities and third sector organisations to ensure that it is exploring all options for its local arrangements. It aims to have teams of two to three staff in place in each local authority area. Planning is at an early stage with the aim that local services will be operational in time to support wave two delivery dates.

### **The Scottish Government has published its Social Security Charter**

**16.** The Social Security Charter (the Charter) was approved by the Scottish Parliament in February 2019, as required by the Act. It is publicly accessible and clearly communicates what people can expect from the Scottish Government and Social Security Scotland. It sets out the eight principles from the Act and translates them into four key aims for the work of the Agency and Scottish Government.

**17.** The Charter was co-produced with people who have experience of the current social security system. The government worked over a six-month period with a core group of 34 people drawn from the large-scale experience panels, which had already been established to inform the design and development of the system. The co-production approach involved workshops, focus groups, interviews, a survey of experience panel members, and meetings with stakeholders.

**18.** The Scottish Government is required to review the Charter at least every five years. It must consult with the Scottish Commission on Social Security and people who have received assistance. Any changes must be approved by the Scottish Parliament.

**19.** The Scottish Government is to produce an annual report at the end of each financial year. This will report on the performance of the agency that year and assess whether the standards set out in the Charter have been met. Work on developing a measurement framework has started and it will be co-produced with users.

### **The Scottish Commission on Social Security has been established**

**20.** The Scottish Commission on Social Security (the Commission) was established on 21 January 2019. The Cabinet Secretary for Social Security and Older People has appointed a chair and three further members to the Commission. The members bring an extensive range of social security experience.

**21.** The Act sets out the Commission's functions and the procedures between the Commission, Ministers and the Parliament. The Commission will provide independent and expert scrutiny of benefit regulations that will set out the eligibility of claimants. On 8 February 2019, the chair of the Commission wrote to the Scottish Parliament's Social Security Committee, stating it was ready to start its work. It has started to set up its operating processes and it will scrutinise the Young Carer Grant regulations first.

**22.** The Commission can request evidence from any relevant people when preparing reports and is required to make such reports publicly available. It is also intended to act as a place for people to report concerns about the Scottish social security system. It is required to report publicly on fulfilment of the Social Security Charter and to recommend changes when standards are not being met.

### **The programme has been preparing for the delivery of future benefits**

**23.** The programme has carried out a substantial amount of work to develop, consult on and finalise the regulations required to legislate for the devolved and new Scottish benefits. The Social Security (Scotland) Act 2018 was designed as a framework piece of legislation. This means that the Scottish Parliament will need to approve regulations that set out the detail of how each of the benefits will be administered and eligibility criteria. Changes to other existing areas of legislation have also been required. To date the Scottish Government has:

- produced several regulations, covering
  - benefits – including for BSG, FEA and the uprating of Carer's Allowance
  - establishing the Scottish Commission on Social Security
  - establishing, and setting out the rules and procedures of the **Social Security Chamber**  of the First-tier Tribunal for Scotland
  - changes to existing forms of assistance, such as the council tax reduction scheme, to account for the new benefits
- undertaken several consultations covering the benefits, including BSG, FEA, Job Grant and Young Carer Grant.



The Chamber deals with appeals against decisions made by Social Security Scotland  
Social security chamber 

**24.** The programme and agency have also been working to establish the wide range of policies and processes required to support the administration of the benefits. This includes processes for appeals, redeterminations, document management, fraud and error, and debt management. They have worked to understand what is needed to deliver the local pre-claims support service that the government has committed to. They have also worked to define the assessment model the agency will adopt in delivering the disability-related benefits.

**25.** New ways of working have been well established within the programme. Multidisciplinary teams have been successfully embedded and now include operational staff from the agency. These teams bring together the relevant staff from across programme functions – such as policy, digital and user research – to work together on the design of benefits and processes.

**26.** The programme and agency have worked well to build and promote a positive culture with their staff and stakeholders. There is a clear focus on the principles of dignity, fairness and respect throughout communication and engagement activities. The agency has worked closely with third sector organisations to communicate about its progress and to gather views and feedback from people who will be affected by how it operates. It has also put in place a customer insight team to capture and learn from customer feedback.

**27.** The Scottish Government aims to ensure the agency is representative of people receiving benefit payments from Social Security Scotland. The agency is using a range of recruitment approaches to help it to achieve this aim, including attending jobs fairs, holding recruitment open days, and working with third sector organisations. It has held roadshows in a wide range of locations, including foodbanks, Job Centres, community resource centres and churches.

#### **The Scottish Government has introduced its Carer's Allowance Supplement and Best Start Grant Pregnancy and Baby Payment**

**28.** The Scottish Government launched its Carer's Allowance Supplement (CAS) on 3 September 2018. This provides a top-up to people already in receipt of Carer's Allowance to bring the amount of money received in line with Jobseeker's Allowance. This has been introduced as a short-term measure until the Scottish Government is ready to take over delivery of Carer's Allowance, whereby it can make changes to the benefit including the payment amount.

**29.** CAS is paid as two lump sums each year to people who meet the eligibility criteria on a set qualifying date. In 2018/19, the supplement was paid to approximately 77,000 people, totalling £33 million.

**30.** Social Security Scotland makes the payments. The agency requires the DWP to provide information identifying people in Scotland who are in receipt of Carer's Allowance. The agency and the DWP agreed a Service Level Agreement on 30 October 2018, setting out the arrangements for sharing this information.

**31.** At the same time as launching CAS, Scottish ministers took on executive competence for Carer's Allowance. Executive competence means that the Scottish Government is responsible and accountable for the delivery of the benefit. It has currently agreed that the DWP will continue to deliver the benefit on the Scottish Government's behalf. The Scottish Government and the DWP put in place an Agency Agreement on 30 October 2018, setting out the delivery arrangements. The agreement states that no changes will be made to how Carer's Allowance is administered while the DWP continues to deliver it. The Scottish Government will pay the DWP for the costs associated with delivering the benefit to people in Scotland. The agreement is initially for two years but can be extended if both parties agree.

**32.** The Scottish Government launched the pregnancy and baby element of its Best Start Grant (BSG) on 10 December 2018 ([Exhibit 1, page 10](#)). The BSG is the Scottish Government's replacement for the UK benefit, Sure Start Maternity Grant (SSMG), which was delivered by the DWP before being devolved to Scotland (and continues to be delivered by the DWP in England and Wales). The Scottish Government has made changes to the eligibility criteria for the benefit and to the payment amounts ([Exhibit 2, page 14](#)).

**33.** Social Security Scotland administers and pays the BSG Pregnancy and Baby Payment. The agency has agreed access to DWP systems to allow it to check and validate some aspects of applications. In [Part 2](#) of the report, we discuss in more detail the systems and arrangements in place for the sharing of this information ([paragraph 84](#)). The Scottish Government has actively promoted both the CAS and BSG Pregnancy and Baby Payment through media campaigns and ongoing communications.

**34.** By the end of January 2019, BSG Pregnancy and Baby Payments had been made to 7,000 people, totalling £2.7 million. In 2017/18, the UK Government made 4,000 SSMG payments in Scotland at a cost of £2 million. Initial **Scottish Fiscal Commission**  forecasts expected that in 2018/19 the payment would be made to 4,000 people at a cost of £1.7 million. It also forecasts that 13,000 BSG payments will be made in 2019-20, at an estimated cost of £5.6 million. This is £3.1 million more than the projected cost of SSMG payments over this period, if these were still being delivered in Scotland.



Supplementary Costings: Social Security Best Start Grant (Pregnancy and Baby Payment)  
Scottish Fiscal Commission  
 September 2018

## Exhibit 2

BSG Pregnancy and Baby Payment is available to more people and offers more money than the benefit it has replaced

### Sure Start Maternity Grant

#### Eligibility

You must be one of the following:

- The parent or carer of the baby, or the parent or carer of a dependent mother under 20 years old, and in receipt of one of the qualifying forms of assistance.

#### Application window

- From 11 weeks before due date to 3 months after birth.
- Within six months of taking responsibility for a child and up to the child's first birthday where claimant has taken over responsibility for child.

#### Payment amount

- £500 for first child only
- £500 or £1,000 for subsequent twins/triplets depending on circumstances



DWP



### BSG Pregnancy and Baby Payment



#### Eligibility

 You must be one of the following:

- The parent or carer of the baby, or the parent or carer of a dependent mother under 20 years old, and in receipt of one of the qualifying forms of assistance, which has been extended from the SSMG list.
- The mother of the baby, 18 or 19 years old, in school, college or training, and your parent or carer is in receipt of a qualifying child-related benefit.
- The mother of the baby, or her partner, and under 18 years old.



#### Application window

- From 24th week of pregnancy to six months after birth.
- Up to one day before child's first birthday where claimant has taken over responsibility for child.



#### Payment amount

- £600 for first child
- £300 for subsequent children
- £300 for additional payment for twins/triplets



Social Security Scotland

# Part 2

## How has delivery been achieved?



### Key messages

- 1** Delivery of the first benefits has been more difficult than expected but the programme has responded well to the challenges to date. The Scottish Government is prioritising the safe and secure transfer of benefits and taking a phased incremental approach to delivery. The scale and complexity of the process has become clearer as teams plan the delivery of individual benefits.
- 2** The pace of delivery has put significant pressure on programme and agency staff. The programme has relied more heavily on temporary and contractor staff than planned because of difficulties in recruiting people with the skills and experience it needs.
- 3** The programme has short-term programme plans to support delivery of the first wave of benefits. However, it does not have a detailed enough view of the critical path to support delivery of all benefits.
- 4** The programme's financial reporting focuses on spending against the annual budget. It does not clearly monitor or report how much it will cost to fully implement all the benefits. The Scottish Government has spent £87 million to date on implementing the devolved social security powers. In addition, it expects to have spent £16 million on operating the new agency by the end of March 2019.

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### The programme is taking a phased approach to the implementation and delivery of the new benefits

**35.** The Scottish Government has made the safe and secure delivery of the devolved social security benefits its clear priority in its approach to implementation. To achieve this, the Scottish Government has chosen to phase implementation beginning with less complex benefits. This is to allow it to establish and test core systems, ways of working and processes before these need to be able to cope with the more complex benefits. The government has deliberately chosen to implement first the benefits that have smaller caseloads, involve one-off payments, and do not need medical or physical assessments.

**36.** The programme has adopted an Agile approach to developing the technology solutions needed to deliver the benefits. Agile involves developing and delivering solutions incrementally, focusing on the minimum requirements first and adding more functions as required over time. This approach means that detailed plans cannot be developed for the life of the programme; there is more certainty in

the short term and the detail is worked through as the programme progresses. There still needs to be overall clarity about the key decision points and the interdependencies between different parts of the programme.

**37.** Adopting this approach is reasonable to support the priority of safe and secure delivery, as it allows the programme to test systems, learn from experience and make adjustments before fully rolling out the new systems. It also allows technical solutions to be delivered on a phased basis to meet the needs of different benefits, rather than needing to wait until all system requirements are fully known and developed. Agile methodology puts users at the centre of developing solutions; this fits with the programme aim to fully involve those who are affected by the new system in its development.

**38.** The programme continues to show a commitment to reflecting on its progress and learning lessons. Multidisciplinary teams hold regular sessions to share learning and experiences with others. These are open to all programme and agency staff to attend and provide a space for internal challenge. There are also routes for agency staff to feedback on operational learning to programme staff. At a more strategic level, the programme has been carrying out a lessons-learned review on the launch of the BSG Pregnancy and Baby Payment.

### The complexity and challenge of delivering the first benefits has been more than expected

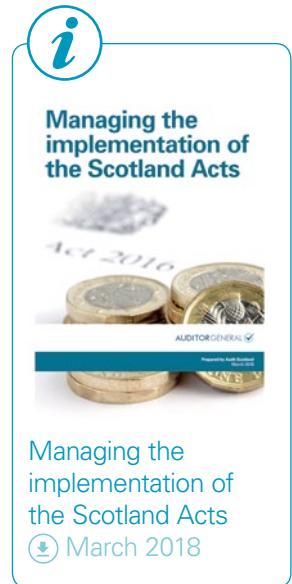
**39.** In our [March 2018 report](#) , we highlighted the scale and complexity of implementing the social security powers. The programme was at a critical point as it moved into the delivery of its first wave of benefits. The Scottish Government and programme staff recognised this.

**40.** As set out in [Part 1](#) of this report, the government has delivered against its initial public commitments. However, the pace and challenge of doing so has been beyond what was expected. The programme now better understands the complexity of the individual benefits and the interdependencies. It has responded well to the challenges to date, maintaining a clear focus on the safe and secure transition of the devolved benefits.

### Thorough programme arrangements are in place but have been put under pressure by the pace of decision-making

**41.** The programme has put in place thorough governance and organisational arrangements ([Appendix 2, page 38](#)). Board structures are well embedded, there are clearly defined roles for senior officers, such as the Senior Responsible Officer (SRO) and the Programme Director, and senior staff provide collective leadership. The programme continues to give a clear focus to risk management with processes well developed. The programme has continued to review and improve the way it provides information to management boards. For example, the introduction of a delivery confidence report for the delivery board has helped to update members across the wide range of programme activity and to focus discussions.

**42.** The pace of decision-making required to support delivery timelines has been a challenge to the governance and oversight arrangements. The delivery board provides an effective forum for regularly challenging and overseeing the programme, which would not be possible at main programme board level. However, the delivery board deals with a significant volume of papers and a wide range of decisions, which can be challenging for members. It is not always clear that decisions are



being appropriately escalated or reported to the programme board, although board members report feeling well communicated with on decisions.

**43.** There continue to be examples of decisions needing to be taken outwith the governance boards so that they are in time for delivery needs. For example, the decision to proceed with a major procurement exercise was escalated from the delivery board to the SRO. The delivery board had not been able to reach agreement following discussions at three board meetings, a dedicated workshop and through correspondence. The final decision needed to be taken quickly to meet the procurement timelines. Had more time been available in the process, the decision could have been postponed for the next delivery board meeting or escalated to the Programme Board to arrive at a collective decision.

**44.** There are also examples of decisions being made by correspondence rather than at a meeting. These decisions are recorded and reported at board meetings. However, routinely needing to take decisions outwith formal meetings risks these being taken without the important input, challenge and support of board members.

### **Programme planning has remained challenging**

**45.** In our March 2018 report, we highlighted that building enough time into plans for procurement and assurance activity should be a priority for the programme. At that time, we found evidence that demanding timescales were not allowing enough time for procurement activities. We also reported that project-level plans were not sufficiently developed and integrated to allow effective joint planning of assurance activities. This is still the case.

**46.** Good programme planning is critical to successful delivery. Key decision points and the dependencies between different areas of the programme need to be well understood and clearly communicated. The programme has developed a user-friendly overarching programme plan, which is reported to the programme board. It currently includes detail only up to the end of wave one delivery.

**47.** The programme has started programme planning for wave two. It has developed a high-level roadmap setting out overall delivery timescales for wave two, and some individual workstreams have more detailed planning towards go-live timescales. As yet, the plans do not set out a clear picture of the key decisions, when these need to be made and how they impact on each other, in order to successfully deliver the wave two benefits and future transfer of existing claimants. Without this, the programme risks taking decisions without fully understanding, and considering, their impact on future delivery needs.

**48.** The programme's ability to develop and maintain effective planning arrangements has been affected by a lack of staff continuity. Over the last year, the programme has had three programme managers and the post was vacant for approximately three months. The current post holder is an interim appointment. It has been difficult for the programme to recruit staff with experience and skills in managing large-scale and complex delivery programmes.

**49.** Not having sufficiently well-developed plans also affects others who are involved in the design and delivery of the devolved benefits. Other Scottish Government teams that support the programme, such as procurement and assurance teams, need to be able to plan their own activity to ensure they have the right staff available at the right time to meet the programme's needs. This is not happening as well as it should be.

**50.** The programme values the input from quality assurance activity, but at times finds it a burden on staff and difficult to manage within delivery timelines. Better-developed plans would help the programme work with assurance colleagues to address these concerns, for example by informing discussions about what elements of delivery could be assured at programme level and what elements need to be reviewed for individual benefits.

#### **Good operational relationships with the DWP have been maintained as the scale of interdependence has become clearer**

**51.** The Scottish Government recognises that it needs to work effectively with the DWP to ensure the safe and secure transition of the devolved benefits. The programme has maintained productive working relationships with the DWP across operational areas. Staff engage in regular communication with DWP counterparts and a range of joint meetings take place.

**52.** The programme's planning team has been engaging with the DWP on joint planning but progress has been affected by the wider planning challenges outlined above. In our March 2018 report, we highlighted the importance of joint delivery plans to allow the programme to manage the dependencies and joint risks with the DWP. The programme and the DWP are working together to create a Joint Critical Milestone Plan.

**53.** The new digital systems the Scottish Government aims to establish will be interdependent with existing DWP systems. The details of this interdependence have become clearer as decisions on implementation have progressed. The programme has worked hard to address these interdependencies without impacting on its delivery timelines, but these have led to additional costs, workload pressures and the need for contingency arrangements. We discuss these issues further in [paragraph 84](#).

#### **The programme has found it difficult to recruit the range of skills and experience it needs**

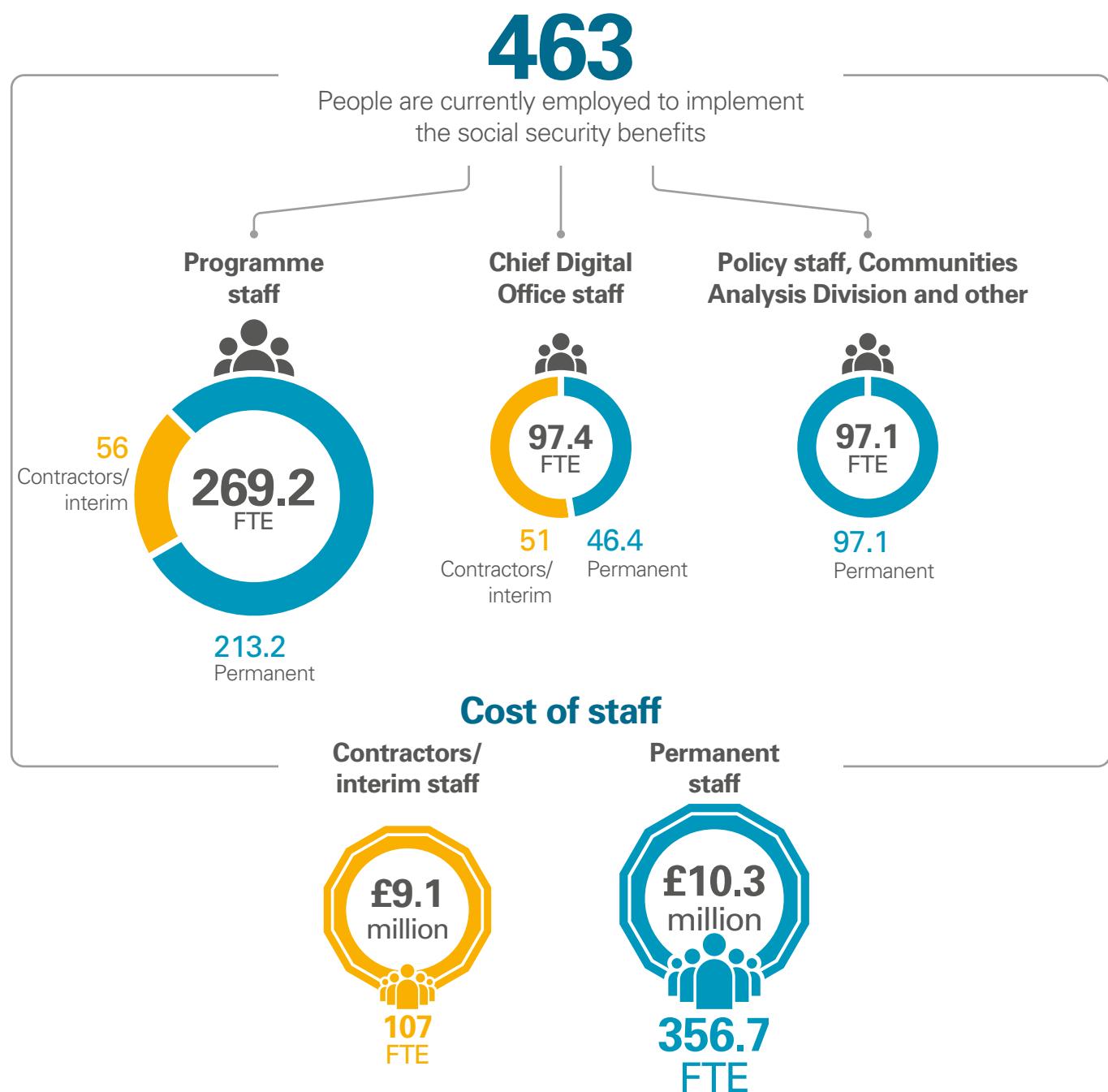
**54.** The programme has assessed that to manage its expected workload it needs 345 core members of staff covering a wide range of roles. However, it has routinely been operating with about 30 per cent of these posts unfilled. This is a significant gap in resource and has led to high numbers of contractors within the programme. It has also led to significant pressure on programme staff, for example requiring some to work across multiple roles.

**55.** In addition to these core programme posts, there are staff in other teams – including the Chief Digital Office's (CDO) team, social security policy, and Communities Analysis Division – who are also working on the social security implementation. In total, there are just over 460 members of staff working on implementation ([Exhibit 3, page 19](#)).

**56.** There have been specific challenges recruiting people with the required skills for the Social Security Directorate's CDO team, particularly in areas such as cloud computing and cyber-security. These specialised skills are in short supply across Scotland. The use of contractors can be a good way of bringing specific skills into the team when these will only be needed short term, and the CDO's team expected to make use of contractors. As a result of the recruitment issues, it has needed to use many more contractors than expected with over half of the team employed on this basis.

**Exhibit 3**

More than 460 people are currently employed to implement the social security benefits



Note: 1. Cost for April–December 2018.

Source: Audit Scotland; and the Scottish Government

**57.** The high level of contractor and interim staff use has implications for the programme in terms of costs and continuity. As highlighted on [page 18](#) in relation to programme planning, quick turnover of staff in key functions limits the programme's ability to develop and maintain core processes. Like other areas of the Scottish Government, the programme has also experienced relatively high levels of internal staff turnover as competing demands lead to staff moving between directorates. When staff move or change role, additional time and effort is needed to build relationships and an understanding of the programme.

**58.** The programme reviewed its resource needs during summer 2018, resulting in it identifying that it required 174 additional posts. This was a significant increase to the size of the programme and reflects in the main the greater understanding of the complexity involved in implementing the benefits. For example, it was identified that for delivery of the BSG the programme would need three separate multidisciplinary teams rather than the one originally planned. The complexity of delivery has also meant that staff have been needed for longer than expected on projects and therefore have not been available to progress new areas of work.

**59.** Recruiting to these roles has taken significant effort from programme staff. In some cases, multiple recruitment rounds have been needed to recruit the number of staff required. The level of recruitment activity has also placed pressure on the Scottish Government's corporate human resource functions.

**60.** Staff demonstrate a high level of commitment to the success of the social security programme. The pace of change and delivery over the last year has been very demanding on staff and has been compounded by the resourcing issues.

### **The programme has not been regularly estimating and reporting the long-term implementation costs**

**61.** We reported in our previous audit that the Scottish Government had set out in the financial memorandum to the Social Security Bill its high-level expectations of how much overall implementation of the devolved benefits would cost. This work was completed in 2017 and estimated the cost to be £308 million. It acknowledged, however, that this was based on a number of high-level assumptions and would depend significantly on a number of key decisions yet to be taken about the Scottish system. This estimate has not been revised.

**62.** At the time of reporting last year, the programme had started work on a five-year financial plan to specify in more detail the implementation and operational costs set out in the financial memorandum. An initial plan has only recently been introduced and has not yet been reported to the programme board. The five-year financial plan does not align with the three cost elements included in the original financial memorandum estimate: staff, estates and IT.

### **Oversight and scrutiny of overall implementation costs has been limited**

**63.** Without estimates being refined and clarified, programme board members are unable to effectively scrutinise the programme's progress, determine if it is on budget and assess if it has the resources it needs for successful delivery.

**64.** There is limited evidence of whole-life implementation costs being discussed at the programme board, including the expected costs beyond the end of the current parliamentary term. There is no clear reporting to board members on the long-term financial impacts of investment, policy and delivery decisions. Finance reports to the programme board up to the end of 2018 include a general overview of the

estimated £308 million to be spent up to the end of the 2022/23 financial year. This is not detailed, and it is not clear how it links to programme plans, delivery timelines, awards of contracts or other key programme decisions. It is also unclear if the £308 million estimate of implementation costs reported to the programme board has been calculated on the same basis as the financial memorandum.

**65.** Many factors have progressed, are more clearly defined, or have arisen that have the potential to significantly change the whole-life cost of implementation from the original estimate. These include:

- the large increase in the programme's staffing establishment, and the use of contractors while the programme is recruiting and training permanent staff
- the decision that Social Security Scotland would carry out disability-related assessments, which was not confirmed at the time of the financial memorandum and not detailed in the cost estimate
- decisions on the delivery of the digital infrastructure, with contracts awarded for digital solutions, without a clear tracking of this against the estimated £190 million IT spending and the 200 per cent optimism bias included in this estimate
- higher than expected costs associated with DWP implementation activity and payment to the DWP through agency agreements for delivery, as the amount of work was previously unknown.

**66.** Finance reporting to the programme board focuses on annual budgets. Short-term financial reporting has improved over the last year. Progress against budget is set out clearly each month, and variances are explained.

**67.** The remit of the programme's Financial Review Board (FRB) includes reviewing business cases from a finance perspective before they are reported to the delivery board. The FRB's remit also includes reviewing the financial implications for the programme of requests to change previously agreed plans. We would expect the FRB to be reviewing business cases and investment decisions in conjunction with a medium- to long-term financial plan before resources are committed. There is limited evidence of business cases and change requests being scrutinised at this board before decisions are taken at the delivery board and no evidence that they are scrutinised in conjunction with the financial plan.

**68.** Like other areas of the programme, the capacity of the finance function has been affected by difficulties in recruiting enough staff with the right skills. In particular, there has been very limited capacity within the finance team to support the development of business cases. Social Security Scotland has also faced challenges in recruiting suitably experienced finance staff.

**69.** Until February 2019, leadership of the finance functions across the social security directorate, programme and agency was provided by a single Head of Finance. This has limited the strategic focus on finance and the leadership capacity across the three areas. With the growth of the programme and agency, this was recognised as not being sustainable, and management structures have recently been revised. We discuss the new structures in more detail in [Part 3 \(paragraph 112\)](#).

**The Scottish Government has spent £87 million to date on implementing the new powers**

**70.** We estimate that the Scottish Government will have spent £87 million by the end of March 2019 on implementing the new and devolved social security benefits ([Exhibit 4](#)).

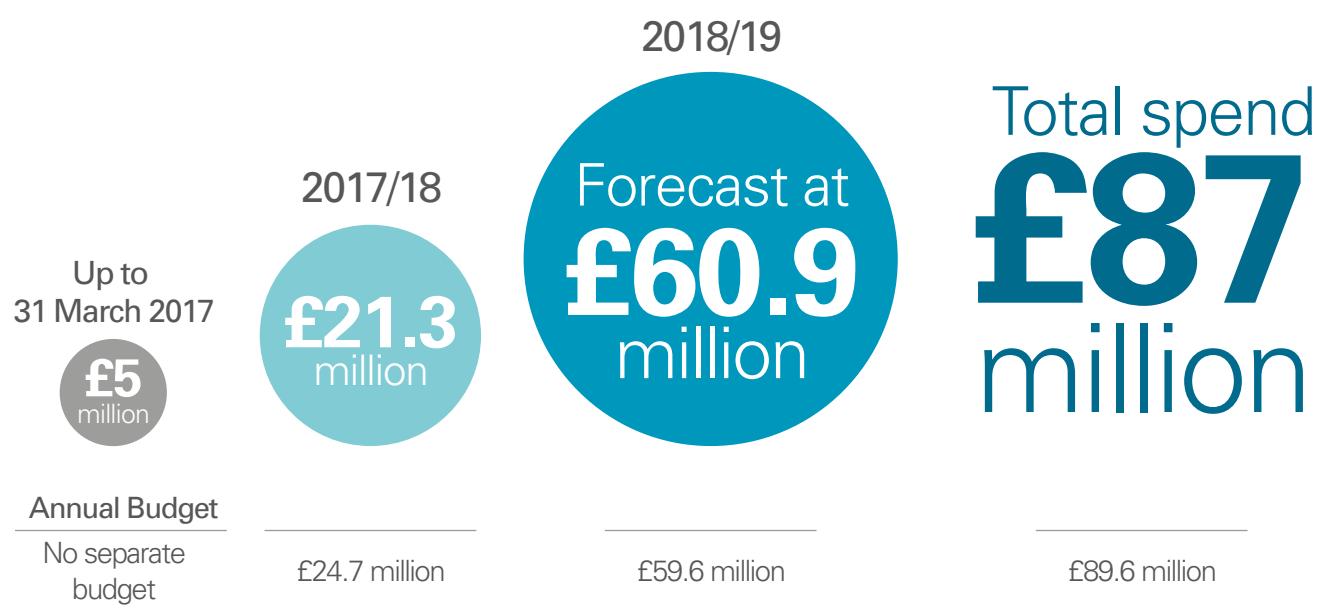
**71.** On 31 December 2018, actual spending for 2018/19 was £33.8 million. The programme's forecast for spend at the year-end is £60.9 million, resulting in an overspend of £1.3 million. However, it was expecting to take action to allow it to reduce the overspend and meet its budget. In addition, the Scottish Government expects to spend £16 million on operating Social Security Scotland in 2018/19.

**72.** The Scottish Government is required to pay the DWP for any implementation and delivery activity it carries out on the Scottish Government's behalf. This is done through quarterly payments from the Scottish Government to the DWP. It has been difficult to accurately forecast the costs, partly due to the incremental nature of the implementation activity. A finance recharging board, attended by DWP and Scottish Government finance staff, is in place to discuss and agree the costs. The DWP provides monthly finance reports to help with early identification of any variance from forecast costs.

**73.** The Scottish Government paid the DWP £3 million in recharges in 2017/18. It expects the costs to be £7.3 million in 2018/19, although this is still to be finalised. The 2019/20 budget for Social Security Scotland ([Exhibit 7, page 33](#)) includes £6.1 million to cover the costs of agency agreements and other recharges from the DWP. Most of this, just over £5.8 million, is in relation to the DWP delivering Carer's Allowance on the Scottish Government's behalf.

#### **Exhibit 4**

The Scottish Government will have spent £87 million on social security implementation by end March 2019



## **Understanding of fraud and error is at an early stage**

**74.** It is important that people receive the financial assistance that they are entitled to, and that public funds are well managed and used for their intended purposes. There is an inherent risk of fraud and error in a social security system that is driven by individual claims. The system is complex and can be difficult to navigate as each has its own individual regulations and assessment criteria. The agency needs to have effective arrangements to prevent, detect and investigate fraud and error.

**75.** The Scottish Government defines fraud as when someone has applied for, or is getting, a benefit they know they are not entitled to. Error includes both claimant and official error:

- **Claimant error:** where a claimant has provided inaccurate or incomplete information, or failed to report a change in circumstances, but where there is no fraudulent intent on the claimant's part.
- **Official error:** where a benefit has been paid incorrectly due to inaction, delay or a mistake by the organisation responsible for administering the claim.

**76.** The inherent risk of fraud and error can result in both overpayments and underpayments. For example, in its 2017/18 accounts the DWP estimated it had made overpayments of 4.4 per cent of expenditure and underpayments of two per cent of expenditure across all of the benefits it administered. Due to the scale of fraud and error in the DWP's accounts and the fact that these payments are not in line with the requirements of the legislation, the Comptroller and Auditor General of the National Audit Office has qualified the regularity opinion on the accounts for the last 30 years. While the Agency relies on DWP for the delivery of benefits, these levels of fraud and error will be relevant.

**77.** The programme and agency need to ensure that there are adequate controls in the system to ensure public funds are spent properly, while making processes as simple as possible for claimants. It will also need to have adequate arrangements in place to assess, monitor and report on fraud and error levels in the benefits that it pays out. The agency is establishing a fraud investigation team and is developing separate fraud and error strategies. It published its fraud strategy in September 2018 and aims to publish the error strategy shortly. The Scottish Government is required under the Social Security (Scotland) Act 2018 to establish a code of practice on investigations. This will set standards of conduct and explain how a person's dignity will be respected during investigations.

**78.** We will consider levels of fraud and error, and the agency's strategies, as part of our annual audit process.

## **Good progress has been made in implementing the digital arrangements needed for the first benefits**

**79.** The programme has delivered the digital infrastructure it had identified as necessary to deliver the wave one benefits to date. The approach being taken follows the principles of Scotland's digital strategy. This means it is reusing existing solutions where possible rather than building from new, and using cloud technology to connect data and systems instead of building bespoke systems. The programme has worked well to embed the Agile approach to development and to establish cloud-based systems, which is a new way of working for the Scottish Government.

**80.** One of the main components of the digital infrastructure is the case management system (CMS). This will manage the flow of claimant applications and assess them against predetermined rules before payments are calculated. IBM was awarded the contract in November 2017 to implement the CMS to support the first wave of benefits. To date the CMS is being used to deliver the BSG Pregnancy and Baby Payments. The functionality of the system was delivered as a minimum viable product, meaning that it delivers the basic functions required to allow the benefit to be launched. More functions will be delivered over time.

**81.** The programme is considering potential revisions to the contract for the CMS to support delivery of wave one benefits. The main reasons for this are:

- **Planned unknowns in the contract** – at the time of awarding the contract, it included the delivery of CMS functionality to support an undefined benefit. This was because, for the CMS to be delivered in time for the BSG, the contract had to be awarded before the programme had decided on the longer-term phasing of the benefits. As decisions have been made, contract requirements have been revised.
- **Increased complexity** – the complexity of the benefits being delivered has become better understood and has led to more work being required. For example, when the contract was agreed, the delivery of the BSG was set out as a single workstream but has since been split into three elements.
- **Resourcing issues** – the programme planned a phased transfer of the staffing for this work from contractors to programme staff. This has not happened as it has not been able to recruit the required staff. This has also limited the planned transfer of knowledge and skills from IBM to programme staff.
- **Technical issues** – when the contract was agreed, the programme understood that the DWP owned a key piece of coding that would be required. This was not the case and required the programme to negotiate purchase of the coding from a third party, leading to an unexpected cost. This also led to a significant delay in the work being progressed and additional staff costs to deliver the required functions on time.

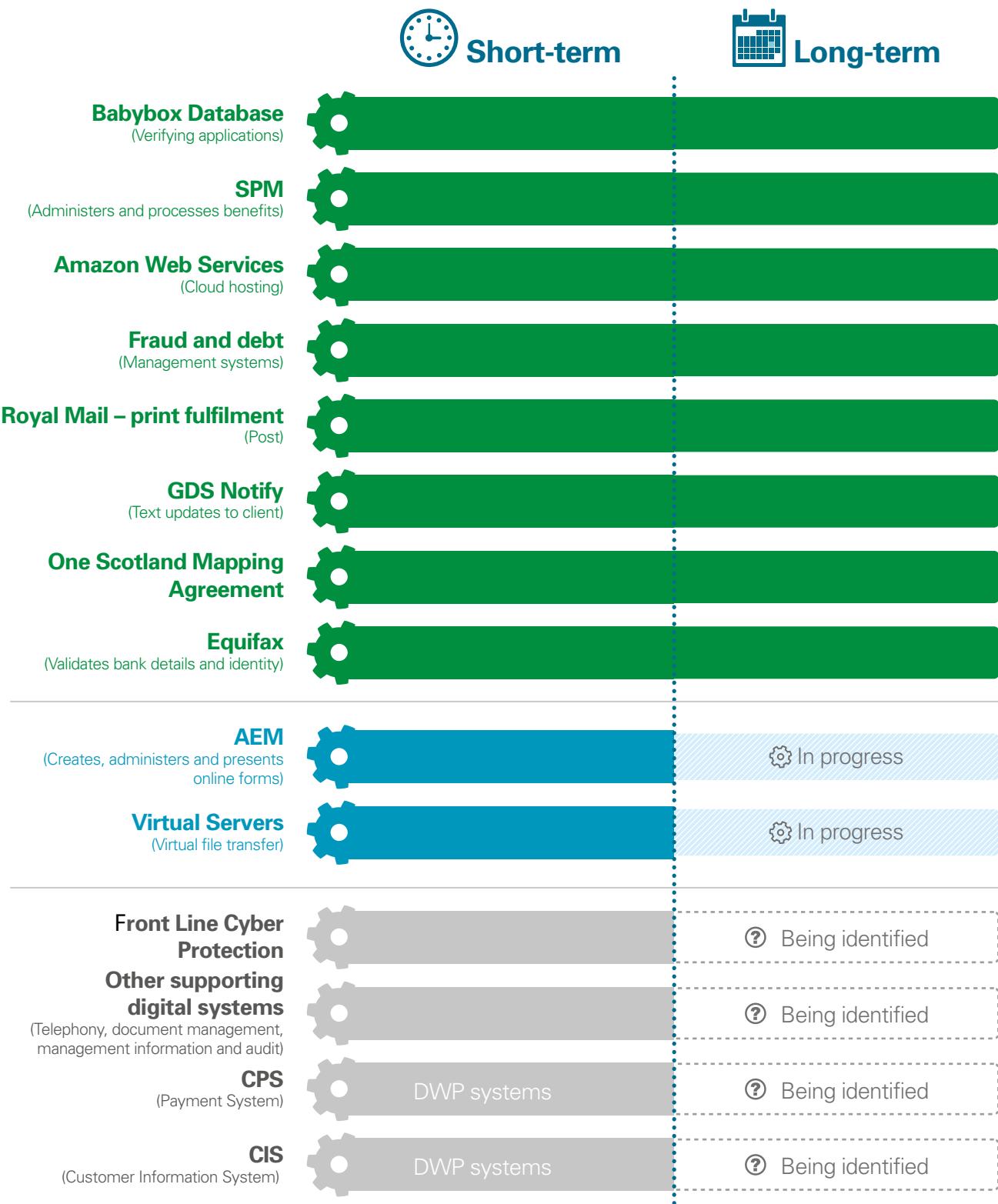
**82.** These factors are linked to the phased, incremental approach used by the programme and it is to be expected that as more variables are known then contract revisions may be needed. It illustrates the issues the programme has encountered over the last year of high vacancy rates and understanding more about the complexity of the benefits. This means that the contract cost, originally forecast at £8.3 million, is likely to increase.

### **The digital infrastructure is complex and short-term solutions are being used**

**83.** The digital infrastructure delivered to date also includes a range of components to deliver other functionality required, for example identity checks, electronic notifications, and eligibility checks. These components are also being delivered incrementally. The digital infrastructure delivered to date uses several short-term solutions ([Exhibit 5, page 25](#)).

## Exhibit 5

The programme is using a number of short-term digital solutions



Note: The Scottish Government has agreed a contract with the DWP to use the CPS and CIS systems for three to five years, with the potential for extension. It is currently assessing the feasibility of developing digital systems at a Scotland-wide level which could provide the required functions in the longer-term. The outcome of this work will inform any decision on the continued use of the CIS and CPS systems.

Source: Audit Scotland; and the Scottish Government

**84.** The digital solutions being put in place require a wide range of interfaces with other systems. [Exhibit 6 \(page 27\)](#) shows the interfaces required to process the BSG Pregnancy and Baby Payment. The planned CMS solution for the BSG required an interface with DWP systems to check that the applicant had not received the equivalent benefit from the DWP. However, the interface between the systems was not developed in time for the introduction of the BSG. This meant that the programme had to redevelop parts of the system and put in place manual workarounds to replace the automatic check. This has led to increased processing times, and a higher risk of error. Developing the automatic check will be completed later in the programme, adding to future workloads and pressure on programme staff.

**85.** As reported last year, the programme chose to use the DWP payments platform to make assistance payments. The Scottish Government does not currently have a platform to make the forecast volume of payments. It is also using the DWP customer information system to allow the agency to check applicants' qualifying benefits, validate identity information, avoid claimants having to provide the same information to different organisations, and to allow it to audit staff access to cases.

### **The Scottish Government has continued to actively involve those with an interest in the social security system**

**86.** The Scottish Government has made a clear commitment to involve potential users of the social security system in its design. It has continued to make good use of its experience panels, working with them to consider issues including:

- agency operations – such as opening hours, branding and communication
- complaints, redeterminations and appeals processes
- benefit rules such as eligibility criteria, award durations and automatic entitlements.

**87.** The Scottish Government has published accessible reports on the outcomes of experience panel research. The Scottish Government reports that experience panel members feel valued and listened to by having the opportunity to contribute to the design of the new social security system. The Scottish Government has also published results from public consultations, such as on proposed regulations for Scottish benefits, along with independent analyses of the results.

**88.** Stakeholder feedback has led to changes in proposed regulations. For example, the BSG regulations were revised to say that:

- a young parent can now choose to apply, or to nominate a grandparent to apply on their behalf
- informal kinship carers who receive a DWP benefit on behalf of a child can now apply.

**89.** The programme and agency have asked members of the experience panels and other stakeholders to carry out testing of early versions of digital systems and applications forms. This is to ensure that they are learning from people who have direct experience of current arrangements and who will need to use the new systems.

**Exhibit 6**

## Process for administering the BSG Pregnancy and Baby Payment



# Part 3

## How well placed is the Scottish Government to deliver the remaining benefits?



### Key messages

- 1** Delivering the second wave of benefits will be a significant challenge for the programme. The programme is doing the right things to try and address the challenges, but there is a risk that constant short-term delivery pressures do not allow the team the time and space to implement the required changes.
- 2** The programme faces significant resourcing challenges as it scales up for the work required for wave two benefits. It is aware of these, but now needs to move quickly to identify and implement solutions to ensure it has the people and skills it needs.
- 3** It is important that there is greater clarity of the estimated total costs of setting up the Scottish social security system. The programme needs to clarify its priorities and intended outcomes in its revised business case. This should show how outcomes will be delivered across the planned timescales. Workforce and finance plans should then be developed in detail to support delivery.
- 4** Delivering the devolved social security powers is a substantial long-term programme. Many decisions about future benefits and how they will be delivered in the long term are still to be made. This includes decisions about long-term digital solutions. It will require the Scottish Government to work closely with the DWP for a considerable time.

### Delivery of the devolved disability benefits will be a step change for the programme and agency

**90.** There is a substantial amount of complex work still required to deliver the remaining wave one benefits by the end of 2019 ([Exhibit 1, page 10](#)). At the same time, the work needed to design and implement the wave two benefits will need to proceed quickly to meet the timescales the Scottish Government has announced.

**91.** Wave two includes delivery of the most complex and highest risk benefits being devolved. These will account for about 98 per cent of the expected annual benefit expenditure of the agency once all benefits are implemented. They involve more complex processes than those already implemented, including:

- high-volume, regular payments
- assessment of eligibility, across a wide range of criteria
- varying payment amounts depending on people's circumstances, which could also change over time.

**92.** Some of the benefits that are yet to be implemented, particularly the disability-related ones, have a more significant impact on recipients' regular income than the benefits already implemented. This increases the importance of getting delivery and administration of the benefits right.

**93.** The Scottish Government has committed to delivering two new forms of assistance: a Young Carer Grant and a Job Grant. It has also made a commitment through its Child Poverty Act (Scotland) 2017 to work towards introducing an income supplement by 2022. The government has decided that the social security programme will lead the feasibility stages of this work, adding to the scope of the programme. A feasibility study has been started, looking at delivery options, which is due to report in summer 2019. This could be a significant additional undertaking.

**94.** The timeline at [Exhibit 1 \(page 10\)](#) outlines the delivery commitments the Scottish Government has made. The programme is already working at a high pace. Given the emphasis on safe and secure delivery and the complexity and scale of work ahead, it is difficult to see how the programme could progress more quickly. There is a vast amount of work required, by way of policies, processes and systems, to deliver on these commitments. Much of this will need to happen while the programme and agency are working towards the launch of the remaining wave one benefits. This includes:

- regulations for each of the benefits still to be devolved, involving public consultations and scrutiny by the Scottish Commission on Social Security
- the locally delivered pre-claims advice and support service, expected to be in place from the end of 2019
- an assessments model and digital tool for determining eligibility for disability-related benefits and the staff to operate it
- replacing short-term digital solutions with longer-term arrangements to deal with the complexities of wave two benefits
- continuing to establish the agency, including securing permanent main office bases, establishing local office facilities, and the ongoing recruitment and training of staff.

**There is a significant amount of work under way to prepare for the next stage of delivery. This will need to be implemented quickly.**

**95.** The programme and its staff show a good level of self-awareness and willingness to reflect and challenge themselves on progress. But, given the ongoing challenge and demand of delivering the rest of the wave one benefits along with the work to design and implement the wave two benefits, there is a significant risk that the programme doesn't have the time and capacity to learn from experience to date and make the changes necessary to successfully deliver on wave two timescales.

**Programme governance and planning arrangements are being reviewed**

**96.** The programme recognises that it needs to be able to make decisions quickly and that this has been a challenge within its current governance arrangements. It has started work to review how well its governance arrangements are working and how they can work best to support it in future. As highlighted in [Part 2](#) of this report, the volume and range of issues being dealt with at the delivery board has been very demanding. The programme recognises that it needs to focus the work of the delivery board more clearly. This will need to be supported by a clear understanding across the programme of which board does what, how and when responsibilities are delegated from one board to another and within what financial limits boards can take decisions.

**97.** The programme is also reviewing its governance arrangements for investment decisions. The aim of the new arrangements is to make the process clearer, more controlled and ensure more consistent reporting to boards. The programme has brought in consultants to support this work.

**98.** This work will be progressed alongside a wider review of planning arrangements. Programme planning for wave two is currently not sufficiently well advanced. The programme will need to develop this quickly to set out the critical path for the planned timescales.

**99.** The programme intends to update its overarching programme business case. It struggled to resource this work and progress it as quickly as it had planned and has brought in consultants to progress this. Not having an up-to-date overarching business case makes it harder for the programme to bring together its consideration of timelines, finances and staffing. An updated business case would also help the programme to prioritise requirements if needed to meet delivery timescales.

**100.** The programme is also looking at how it is set up to work, given the substantial increase in staff numbers and the increasing range of workstreams. Organisational and leadership structures have been revised ([paragraph 102](#)). The programme is also considering how to adapt its Agile working approaches, such as the multidisciplinary teams, to cope with the increased scale. As with much of the other planned review activity, it will be a real challenge for the programme to find the capacity to progress this activity and embed changes to support wave two working.

**101.** The programme, working with staff from the Scottish Government's procurement team, is developing its contract management arrangements to ensure that these are suitable for dealing with multiple suppliers. This will be important when the programme moves into wave two, the number of contracts increases, and some digital solutions will be being developed by more than one supplier.

**The programme is working to address its resourcing issues. This will be critical to success.**

**102.** During November and December 2018, the programme director implemented a new organisational structure for the programme. With the growth in the size of the programme and the increased demands of implementing wave two benefits, it was recognised that the leadership structure was not sufficient to manage the scale of activity. New management posts have been introduced and the responsibilities of existing posts have been revised. This should strengthen the capacity and resilience of the programme's leadership.

**103.** A new role of Head of Resourcing and Digital Transformation was created in November 2018 to provide a clearer focus on programme workforce planning. The programme is trying to implement a more strategic approach to understanding the numbers of staff each part of the programme needs, when, and the specific skills and experience needed.

**104.** A review of the programme workforce began in December 2018. This is intended to lead to a 15- to 18-month workforce plan to support preparations for moving into the delivery phase for the wave two benefits. The programme aimed to complete this review by the end of January 2019, but it has taken longer than expected. Given the delivery timescales, it will be challenging for the programme to reflect on and address the findings of this review activity before needing to make significant progress with implementing wave two.

**105.** The resourcing challenges faced by the programme are not unique, but they are particularly acute given the pace of development and the level of risk. There are challenges across the Scottish Government, and public services more generally, in recruiting people with skills and experience in a number of areas:

- digital skills – particularly including cloud computing, cyber security and testing
- programme management skills – particularly including experience of large-scale programmes and use of Agile methodologies
- Agile working skills – including product owners
- business analysis skills.

**106.** The programme has set up a workforce planning group, which started meeting in February 2019. It is expected that this group will also lead on work to plan for the transfer of staff from the programme to the agency. The programme expects that this will be gradually mapped out over the next few years. It will be important that the programme considers the long-term needs of the agency appropriately when making resourcing decisions.

**107.** The programme is working closely with the Scottish Government's People Directorate team responsible for workforce, skills and capacity. They are working together to consider solutions to the recruitment and skills issues. Options being considered include:

- streamlining the recruitment process
- widening out the range of roles that qualify for enhanced salaries, taking into account that some types of roles within the programme are new to the government (the Scottish Government currently offers salary supplements for some specialist roles which it has identified as hard to recruit).

- creating clearer career paths within the government for non-traditional professions, such as business analysts, to attract and retain staff
- approaches to growing the Scottish Government's own skills base, including through apprenticeships.

**108.** The programme understands the resourcing challenges and risks. Resourcing features as a top-level risk in the programme risk register. We highlighted these challenges in our March 2018 report and the early steps the programme was taking at that time. The programme, along with colleagues in other parts of the Scottish Government, now needs to address the current skills gaps. Many of the options being considered are long-term in nature and while important for finding sustainable solutions will not address the immediate capacity risks.

**109.** Alongside the increased use of contractors and temporary arrangements, the programme has relied heavily on the commitment of the staff it does have. Given the real likelihood that the pace and pressure within the programme will increase, there is a high risk of a decline in staff morale and staff leaving, resulting in the loss of existing skills and experience.

### **Finance arrangements are being revised and need to prioritise better monitoring and reporting of overall cost**

**110.** Budget monitoring reports to the programme board have improved over the last year and now include forecasts, actual expenditure and variances. However, further improvement is required. There needs to be much clearer reporting of longer-term programme costs, profiling of when the programme expects to spend money and the impacts of policy, investment and delivery decisions. This should cover the full implementation period.

**111.** It is important that any cost estimations are fully aligned with timelines and workforce plans. This will ensure that the programme has an overarching picture of the delivery timescales, and the resources – both financial and human – to achieve them.

### **Staffing structures have been revised to clarify roles and enhance focus**

**112.** The programme and agency revised their finance staffing structures in February 2019. There was previously a single Head of Finance responsible for the Social Security Directorate, including the programme, and the new agency. This has now been separated into two roles:

- Head of Strategic and Programme Finance, covering directorate and programme finance
- Head of Finance for Social Security Scotland, covering agency finance.

**113.** The new arrangements should provide a clearer focus on the different aspects of finance and should help to increase capacity. There remain wider skills and capacity issues within both programme and agency finance functions, which will still need to be addressed to ensure adequate finance support and leadership.

**114.** An independent review of the finance functions across the programme and agency is under way. It aims to ensure arrangements and processes are fit for purpose as the programme and agency grow. This was initially due to take place

in late 2018. Difficulties in getting a suitably experienced finance professional, from outwith the programme and agency, to lead the review have led to delays. Improvements are required to ensure the finances of the programme and agency are appropriately managed and value for money is achieved.

**The 2019/20 social security budget of £78 million was more transparently set out, but managing within this will be a significant challenge**

**115.** In 2017/18 and 2018/19, the Scottish Government's budget for social security was included within its wider budget for implementation of non-tax elements of the Scotland Acts. It was not separately set out or identifiable and required a budget transfer through the Spring Budget Revision process. For 2019/20, this has changed, with a social security budget clearly set out within the Scottish Government's Social Security and Older People portfolio ([Exhibit 7](#)). With Social Security Scotland now established as an executive agency, it now also has a separate budget.

**116.** For 2019/20, the programme estimated that it would need a budget of £118 million. The programme was allocated an initial budget of £78 million. Managing expenditure within this budget is challenging given the level of activity anticipated. The Scottish Government has a process for reviewing and revising budgets within the year. Where there are in-year revisions to the budget, these need to be transparently reported to the FRB and programme board. This should include a clear explanation of what any additional funding has been allocated for and any impact on longer-term plans and costs of the programme. It is also important that any significant changes are transparently reported to the Parliament as part of revised budget reporting arrangements.

## Exhibit 7

The 2019/20 budget for social security is clearer than in previous years

	2019/20 budget £m	Expenditure type £m
 Social security advice, policy and programme costs	77.8	Revenue: 67.8 Capital: 10
 Social Security Scotland	41.5	Revenue: 41.5
 Total	<b>119.3</b>	<b>119.3</b>

Source: Scottish Budget 2019/20, Scottish Government

## Key decisions will need to be made on the longer-term options for digital infrastructure

**117.** As reported in [paragraph 35](#), the digital infrastructure is being developed in phases. This means that the agency will have a significant long-term digital programme to deliver final solutions. This may include further developing current solutions or replacing interim solutions. The social security digital team is working with current Scottish Government digital directorate projects that are looking at a Scottish payment platform and online identity assurance.

**118.** Currently all digital staff work within the Chief Digital Office (CDO) in the social security directorate. The agency has no digital staff, but some of the directorate digital team are located in the agency offices. The CDO is starting to consider what skills may be needed in the agency in the longer term to run the digital infrastructure. Given the vacancy rate, the team is trying to get permanent staff into these key roles. The CDO is using Agile methodology to build the digital infrastructure, and although agency staff are involved in the multidisciplinary teams, the agency needs to ensure that it has enough staff with the appropriate skills to effectively participate and promote agency requirements.

**119.** The phased development of the digital infrastructure means that more functionality is built in over time. The multidisciplinary teams decide which requirements are priorities and add these to delivery plans. There are many competing requirements across the programme and agency, including operational requirements, security considerations, fraud controls, policy requirements and systems requirements. One of the lessons learned from delivering the BSG Pregnancy and Baby payments has been the need to look at how these requirements are prioritised and to ensure that staff across the programme and agency can participate effectively in the process. This will be critical as more complex systems are being developed.

**120.** In wave two, the digital infrastructure will become significantly more complex, with the case management system a core part of the delivery of ongoing benefits, as well as being developed for wave two benefits. This will require strong governance to coordinate the work of different teams and understand interdependencies. The programme and digital team are currently reviewing how best to achieve this, and this will be key to effective delivery of the systems.

**121.** The programme is currently procuring a contractor to develop and configure the CMS for wave two benefits. The programme aims to appoint a contractor in early summer 2019. The timescale for this procurement was very challenging and, based on feedback from potential suppliers, was extended to give more time for bids to be submitted. Once the contractor is appointed, work will need to progress very quickly if the required infrastructure is to be in place when it is needed.

**122.** The CDO is looking at how to address the vacancy rates in the team. Recruiting people with digital skills is difficult across the Scottish Government, and the team is realistic in its expectation that it will not be able to fill all vacancies. It is considering procuring a partner to fill the vacancies in key areas such as cloud architecture and 24-hour system monitoring. This would give the team a more structured and controlled response rather than continually employing temporary staff.

## **Full implementation of the new powers will continue into the next parliamentary term**

**123.** On 28 February 2019, the Cabinet Secretary for Social Security and Older People announced the Scottish Government's high-level timelines for delivery of the remaining benefits. The planned delivery dates are set out in [Exhibit 1 \(page 10\)](#). It is important that people affected by the new devolved powers know what is happening. The announcement was a positive step in sharing information publicly about the delivery timetable and the intended order of implementing the benefits.

**124.** The Scottish Government published several policy papers alongside the timeline announcement. These provide more detail on its plans for delivery of the benefits to people making new claims and how it intends to manage the transition of people who are currently in receipt of these benefits from the DWP, into the new Scottish system. It also launched a public consultation on how it plans to deliver disability assistance.

### **The programme and agency will be reliant on the DWP for a number of years**

**125.** Scottish ministers will take on executive competence for all the devolved benefits no later than 1 April 2020 ([Exhibit 1](#)). Social Security Scotland has an agency agreement with the DWP, and has announced that it will enter into further agreements, for the continued delivery of some benefits until it is ready to take on delivery. These will cover the interim delivery of some benefits, during the process of transferring claims, and the delivery of Severe Disablement Assistance and Industrial Injuries Disablement Benefit on an ongoing basis.

**126.** This ongoing delivery relationship will need to be carefully managed by the Scottish Government and the agency. The transfer of people from DWP systems and benefits to Scottish ones will continue for several years. For it to be successful the DWP and the agency will need to continue to work closely for a significant time period.

**127.** The Scottish Government will continue to rely on DWP for access to information and IT systems. As mentioned in [paragraph 84](#), the Scottish Government has opted to use a number of DWP systems as short-term solutions to support the delivery of the benefits. Further, where it is developing its own systems, there are areas where it is reliant on access to DWP component parts to support this. The digital solutions being implemented in Scotland also rely on a range of interfaces with DWP systems, for example to verify information in applications. This relationship will require ongoing communication, negotiation and effective joint planning.

**128.** The eligibility criteria for many of the devolved benefits include the applicant being in receipt of another specified benefit, most of which remain reserved to the DWP. The Scottish Government will therefore need a long-term arrangement to verify this information with the DWP.

### **Measuring success will be important to show value for money and improved outcomes**

**129.** In the long term, as the benefits transfer to the agency, the focus of activity will move from implementation to ongoing delivery. Improvements and changes will continue to be needed but these will be as part of the agency's business-as-usual processes rather than separate implementation activity. The Scottish Government needs to have a clear vision of the long-term shape of the agency and ensure it is building the skills and expertise it needs to achieve this, for example by developing its own policy, analysis, and digital functions.

**130.** The Scottish Government, through the Social Security Act and the Charter, has committed to delivering a social security system based on dignity, fairness and respect. The principles set out in the Act give a clear statement of the Scottish Government's position, including that social security is an investment in people, a human right, should contribute to reducing poverty, and should be delivered in a way that respects and involves people.

**131.** It is important that there are clearly set out measures of success to provide an ongoing focus on achieving the principles of the Act and the Scottish Government's expected outcomes. These will need to be underpinned by robust information and data to monitor progress over time. As noted in [paragraph 19](#), work has started to develop a measurement framework for the Charter.

**132.** It is important to make sure that the revised programme business case is clearly aligned to the Scottish Government's social security policy aims and outcomes. This will help to ensure that decisions are based on a good understanding of their impact on achieving these aims and that the programme can assess and demonstrate the value for money of its delivery and investment decisions.

# Appendix 1

## Audit methodology



We reviewed and used a range of information during our audit, including the following:

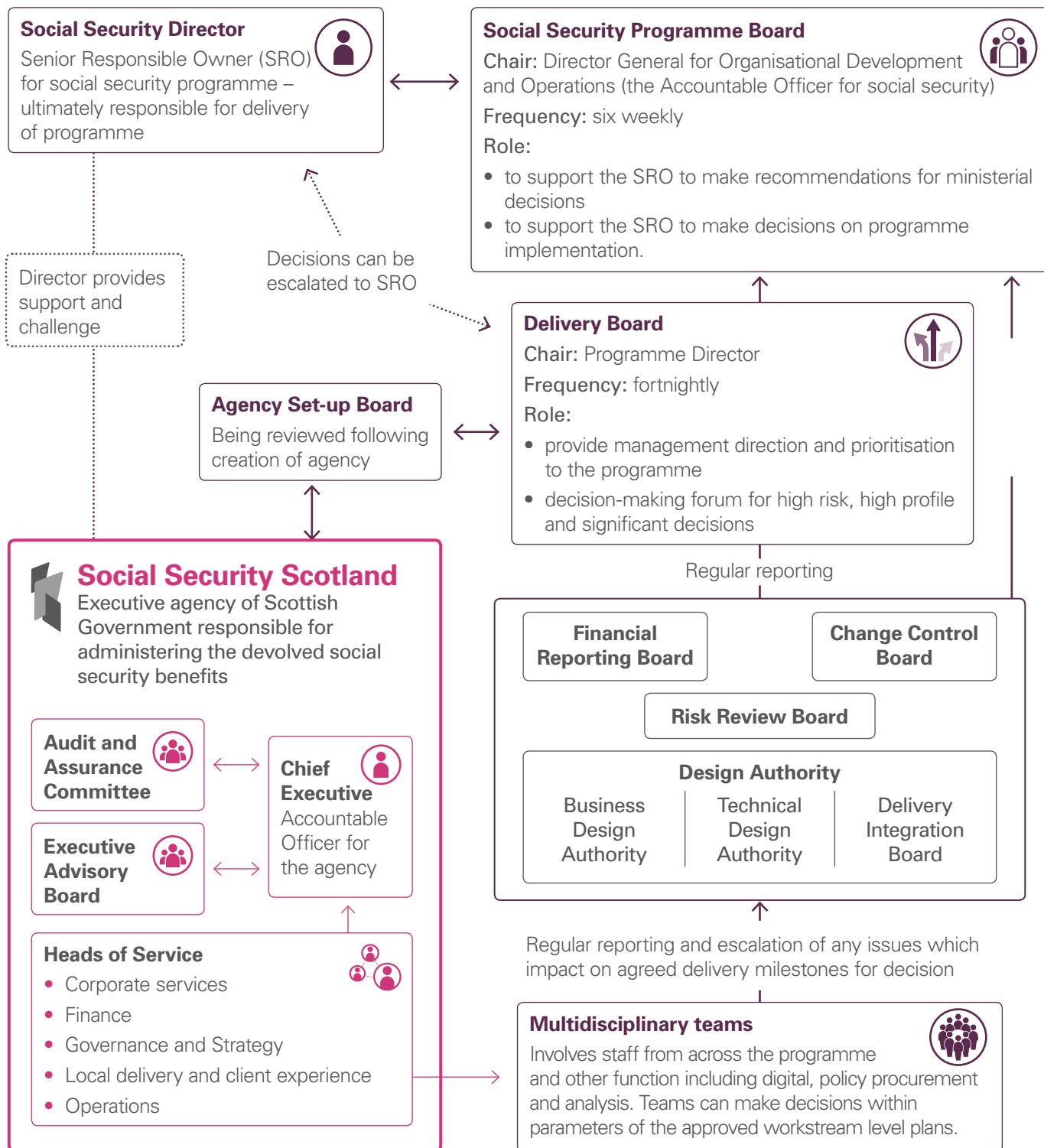
- Papers and minutes from the Scottish Government's Social Security Programme Board and programme management documentation
- Papers and management documentation from Social Security Scotland
- Papers and official reports of the Scottish Parliament's Social Security Committee
- Scottish Government budget documents
- Scottish Fiscal Commission economic forecasts
- Minutes of the Joint Ministerial Working Group on Welfare
- Annual audit work on the Scottish Government.

We spoke to representatives from:

- Scottish Government
- Social Security Scotland
- Scottish Fiscal Commission.

## Appendix 2

# Governance and organisational structures



# Social security

## Implementing the devolved powers

This report is available in PDF and RTF formats,  
along with a podcast summary at:

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