26th September 2017

Dear Mr Crawford

We were pleased to appear before the Committee on 13 September to give evidence on the Financial Memorandum for the Social Security Bill. You asked that we follow up that appearance with further information on our approach to the IT procurement process and the various stages between now and the point at which the benefits become the responsibility of the Scottish Government.

Firstly, you will find attached a note shared recently with the Social Security Committee by our Chief Digital Officer, Andy McClintock. It provides an overview of the approach to IT investment to support the Social Security Programme. You may find it helpful to read this letter in conjunction with that note.

In terms of procurement, we are primarily following the ‘agile’ development model, which is a well-established and widely used methodology, especially useful where complex IT system development is required. The agile development model has a number of phases: discovery, alpha, beta and live service. Ensuring we learn lessons from past IT implementations in the public sector, following an agile approach allows us to take account of Audit Scotland’s recommendation from their ‘Principles for a Digital Future’ report1 that implementation should not be ‘big-bang’ but must be broken down into manageable stages.

We have been clear that users of the service - the individuals in Scotland who apply for and receive support from the social security agency – will be at the heart of our approach. Again, the adoption of agile methodology allow this: it means from the beginning we design with actual users in mind, share prototypes and plans with them as we go and make changes based on their feedback. We have already done some of this work in an alpha development focused on the application process for the new Best Start Grant, with a number of changes being made to the application form and the administration processes as a result of feedback from people who have received the Sure Start Maternity Grant from DWP.

Digital/IT Specifications & System Design

During our appearance at Committee, Mr Kelly and Mr Coffey asked about the way in which the Programme had gathered specifications for our IT system. In response to this, I think it's important, firstly, to make the general point that our Programme establishes a new public service for the people of Scotland. This underlines the scale and complexity of what we are involved in, a point made by Ministers on numerous occasions. In response to your members’ specific points, it may be helpful to outline some of the work we have already done to identify requirements across the Programme.

Last summer, we carried out a social security ‘discovery’ exercise. The purpose of this was to identify who the users of the service would be, what their needs would be, how existing services meet those needs, and what might be required for establishing a new service.

This discovery exercise identified, at high level, the services required for the administration of social security and the digital/IT systems that would be required to support those services. It also identified that many of the elements of technology that will be required by the social security agency (e.g. a payment system, a case management system and telephony etc.) are similar to those already in use by other large public sector organisations. It also told us that only a small proportion of the technology would be wholly unique. An example here would be establishing new data links with DWP and other public bodies. This means we can consider how other organisations have developed and implemented similar systems and whether the technology they use might be appropriate for the new agency. The discovery exercise also told us that, at a high level, similar capabilities are required to administer each of the benefits. In other words, we know we should only need one case management system, one payments system and one notification system to give you some examples. Agile means that, as we proceed through our work, the precise requirements of, say, that case management system can be refined and developed as our work proceeds, ensuring that this final product meets the specification suitable for the agency.

We have made significant progress on process and system design work for the benefits that are part of the first wave of delivery. The Carer’s Allowance Supplement requires joint work with DWP to identify the caseload of Scottish recipients and to provide a data link to our social security agency. This is a particular arrangement for the Carer’s Allowance Supplement to allow us to deliver additional financial support to carers in Scotland as quickly as possible. As we advised at Committee, the Carer’s Allowance Supplement will largely be delivered through the re-use of existing Scottish Government IT capabilities.

For the other benefits within the first wave - Best Start Grant and Funeral Expense Assistance - we have started the detailed process design and expect to appoint a supplier shortly who will support our agile development of the technology required. The specification for this was developed through a detailed statement of requirements, taking into account the services identified through the earlier discovery exercise.

Mr Coffey also asked about a system go live date. Our phased approach to the design of the technology we need mirrors our phased approach to the devolution of social security; or, to put it another way, different elements of digital/IT systems will go live at different times.
**Cost Estimates**

Mr Kelly asked how we arrived at a high level cost estimate. In preparing the Financial Memorandum for the Bill, we estimated the implementation costs for each of the elements of the required technology identified during our discovery exercise. The Scottish Government has a number of existing framework contracts for digital/IT development, some of which give detailed cost rates for specific types of services. Those frameworks have been used as a source of cost information together with the costs of IT system implementation in other organisations. Other organisations’ costs are a good guide to the costs we might incur – given that many of the elements of the technology solution for social security have been identified as not being wholly unique – but they are only that, a guide. The cost information from existing frameworks and from other projects was collated and each element of the overall technology was costed individually: for example a cost was prepared for a case management system, for a payment system, for a document management system and so on. This allowed a high-level estimated cost to be prepared.

Estimates have also included the likely scale of components of the digital/IT solution. For example, with the case management system assumptions have been made in terms of the number of simultaneous users based on staffing estimates for the social security agency. In line with the HM Treasury *Appraisal and Evaluation in Central Government*, or The Green Book, the £190 million cost for IT in the Financial Memorandum includes appropriate ‘optimism bias’. This means the risks of implementing a new IT solution have been factored into the potential cost. This detailed work resulted in the cumulative £190 million IT implementation cost, estimated over four years. The Financial Memorandum also includes clear caveats around the IT implementation figure as we are implementing an IT solution in a phased way, so we will only arrive at certainty on costs, as we go through each implementation phase.

Mr Harvie also asked why we could say with confidence that our administration costs would be lower than DWP costs. The statements in both the Financial Memorandum and the options appraisal are not intended to give that impression. Rather the point we are making is that the comparisons made on costs give us confidence that our administration cost estimate is credible, rather than to demonstrate that we would definitively achieve a lower overall administration cost. Indeed there are factors which will continue to influence costs for some time. For example, feedback received from users as our service design proceeds could lower or raise the final implementation or administration cost estimates presented in the Financial Memorandum, were Ministers minded to accept those changes and bear those costs.

We also know that some of the devolved benefits - in particular the disability benefits - are more complex to administer, as they require detailed information about an individual’s health or disability to support their application. For this reason we are carrying out a more detailed ‘discovery exercise’ on the disability benefits which will identify the additional key requirements for those benefits. That exercise will conclude early next year and will inform that future procurement activity.

**Wider Impact**

Mr Harvie asked how we will assess the impact of benefits on public finances or the effectiveness of spending public money. In a narrow sense, all procurement activity must be supported by detailed business cases which assess cost, risk, success factors and improved outcomes (which we refer to as ‘measurable improvements’). Monitoring these business cases will assist us in being able to demonstrate that the Social Security Programme is
securing value for money and improving the outcomes we have identified. Ultimately, however, you will recognise that at the heart of much of this work lie a series of political commitments which are encapsulated in a set of priorities published in the Scottish Government’s Programme for Government. Ministers believe that the investment they are making in our new social security system will improve the outcomes for people living and working in Scotland now and in the future. This will no doubt be a point of great consideration and debate by all parliamentarians as the Bill proceeds through its scrutiny process.

I trust this letter addresses the points you asked that we follow up on fully. If it would be useful to the Committee to receive further information, Andy McClintock, our Chief Digital Officer, and his team would be happy to set out our approach in more detail to the Committee. Please let me know if this would be helpful.

Yours sincerely
ICT IMPLEMENTATION FOR SOCIAL SECURITY

Introduction
This paper is one of a series of papers in which the Scottish Government wishes to set out and (where appropriate) provide an update on its position on various matters relating to the Social Security (Scotland) Bill. The purpose of this paper is to set out the Scottish Government’s approach to IT for social security.

The Scotland Act 2016 devolved new social security powers to Scotland. Our paper Creating a Fairer Scotland: A New Future for Social Security in Scotland\(^1\), which was published in March 2016, set out the Scottish Government’s vision, key principles for the future of social security using these devolved powers and intention to establish an agency within the Scottish Government family to deliver the devolved benefits. The enabling legislation for this, the Social Security (Scotland) Bill, was laid before the Scottish Parliament on 20 June 2017 and is currently undergoing Stage 1 of the Parliamentary scrutiny process.

Programme Management Arrangements
The delivery mechanism for the safe and secure transfer of social security benefits, together with the creation of the executive Agency, will be via an appropriately controlled and directed programme of work – the Social Security Programme. The Senior Responsible Owner is the Social Security Director, and the Programme Board is chaired by the Accountable Officer - the Director General (DG) for Organisational Development and Operations. The Programme has in place appropriate governance and control mechanisms and is subject to the Scottish Government’s independent assurance arrangements including OGC Gateway, Internal Audit and the new Technology Assurance Framework with its mandatory Stop/Go gates. The Programme is further supported by joint working groups such as Joint Ministerial Working Group on Welfare.

ICT Implementation
The vision for the social security digital and technology solutions is one which is ‘benefit neutral’ and can support multiple benefits irrespective of their type, entitlement, or payment frequency, without the need to re-engineer or create separate systems for separate benefits as they transfer to us or even future social security powers.

The agency will be operating in a digital age and will be designed to take advantage of digital platforms and modern business practices. The new agency must meet the needs of the people who use its services. We already know that many people who claim benefits want to be able to talk face to face to a real person as they use our services, whilst others want to avoid unnecessary journeys and would prefer to apply online or talk to someone over the telephone. We will therefore ensure that the new

agency enables people to choose different ways of applying for benefits or seeking our advice.

A modern, digital business model is the key to this, because it allows us to carry out the administrative processes that people do not see in the most efficient way possible, freeing our staff to provide the personal, human contact that is so essential to providing a service that embeds dignity and respect for individuals.

User engagement
Dignity and respect for individuals is at the heart of everything we do. Working with the people who will apply for and receive support from the new agency to understand their needs is critical to this. 2,400 people have volunteered to be part of our Experience Panels, and they will help us to define the service that the social security agency offers, and the ways in which technology should support that service. This will inform user needs, which will drive the detailed design of the service, processes and systems.

Working with DWP
We are at the beginning of a lengthy journey to create the digital and technology solutions which will support both the initial 11 benefits being devolved and further social security powers. An understanding of the existing DWP benefit systems is an important part of our evidence base, as it informs the experience that users have just now. DWP systems have evolved over the last 30 years with many of the core benefit systems deployed on ageing technology platforms with legacy application software.

In the team we have people with specific knowledge of the current and historical systems used by DWP, and in particular the benefits being transferred to Scotland. This is important because it provides us with a solid basis for understanding the technical challenges we will face throughout the programme and ensures we are not ‘flying blind’. Our initial activities have necessarily been focused on discovery and documenting the current solutions deployed by the DWP. This has illustrated a number of complexities we need to tackle.

A number of the devolved benefits are passported – the eligibility criteria for them require individuals to be in receipt of other benefits from DWP. This means that, on an ongoing basis, we will need to be able to access data from DWP and relate it to data that the social security agency holds about people in Scotland who have applied for or are receiving the devolved benefits.

Investing in technology
Our approach is fully aligned to the Scottish Government’s Digital First Service Standards. Although we expect that many people, when they are applying for benefits or contacting the agency, will come through non-digital channels (e.g. on paper application forms or by phone). This aligns with the service standards – the aspects of the service that depend on technology should be modern and efficient, and should support people through the channel that suits them.

We aim to make the reuse of Government services that are currently available to complement what we will procure from the commercial sector. This approach will
reduce delivery risks and allow us to replace components of the wider technology estate rather than undertake major modernisation programmes in the future.

We know that one of the key issues in DWP is that information about individuals is held in different systems, and it is difficult to pull that together to provide a clear and consistent view of all the support that an individual is getting. This is an important part of our approach – designing our data and systems in a way that makes it as easy as possible for people to access the support to which they are entitled.

We have started procurement activity to bring in IT suppliers to support our first wave of delivery of benefits, as well as more detailed work to understand the additional complexity that will come with managing the disability-related benefits.

**Resourcing**

Since early this year we have had a dedicated Chief Digital Officer (CDO) who is responsible for delivering the inward and outward facing technology required to support the transfer of social security powers safely and securely. Part of this role is to ensure that what we develop is built with the needs of the individual at the front of our minds, and that their experience with the agency is one which has dignity and respect at its core.

The CDO has significant previous experience in both the public and private sector, having most recently been responsible for the Scottish Government’s own IT platforms and shared IT services and having delivered significant IT programmes, within time and budgetary limits, for commercial sector organisations and the NHS in England. He is building a strong and capable team, forming good relationships with DWP and the wider UK Government (e.g. GDS) and embedding lessons learned from other programmes, such as CAP, into the foundations of our approach.

**Lessons Learned**

We have conducted a thorough lessons learned exercise over several months. This included a review of over 25 other major projects and programmes across the Scottish Government and wider public sector. The findings from this work have been ‘hard wired’ into our approach with specific action owners allocated against the lessons and/or actions. This is a dynamic piece of work and will continually be updated. Discussions with previous significant IT Programmes including NHS24, AFRC Futures, Police Scotland i6, continues to shape the thinking and approach to the creation of technology solutions that will underpin the transfer of powers.

Lessons learned activity is integrated in our response to the Audit Scotland recommendations paper, with a series of actions being planned, and incorporated into our existing multi-project activities.

**Scottish Government**

Social Security Directorate
07 September 2017