

T: 0131 244 1888
E: andy.mcclintock@gov.scot

Jackie Baillie MSP
Acting Convener
Public Audit and Post-legislative Scrutiny Committee
Scottish Parliament
via email papls.committee@parliament.scot.

cc Convener, Finance and Constitution Committee
Convener, Social Security Committee

7 December 2017

Dear Ms Baillie

Thank you for your letter to Colin Cook, Director Digital of 9 November 2017.

Given the Social Security Committee is nearing completion of the Stage 1 process in relation to the Social Security (Scotland) Bill, Colin and I agreed that I should write to you on the specific issues relating to social security in advance of the agreed deadline for the overall response to your letter. I hope that this is acceptable.

At our appearance before the Committee on 26 October 2017 to give evidence on the Audit Scotland report '*Principles for a Digital Future*'¹, James Kelly MSP asked for a table showing how the initial high level estimate of £190 million, included in the financial memorandum to the Social Security (Scotland) Bill, was built up and what the different component parts were.

When creating the financial memorandum to support the Social Security (Scotland) Bill, we made a decision to supply as much information as we were able at that stage, even where this led to figures being included that were initial high level estimates, with such figures being appropriately caveated. We took this approach to provide the Scottish Parliament with as much information as possible to support scrutiny of the Bill.

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. To ensure 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*' report that implementation should not be 'big-bang' but must be broken down into manageable stages.

We carried out a discovery exercise during the summer of 2016. This exercise identified, at a high level, the services required for the administration of social security and the digital/IT

¹ http://www.audit-scotland.gov.uk/uploads/docs/report/2017/briefing_170511_digital_future.pdf

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.

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 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, payment system, document management system and so on. 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, this allowed a high-level estimated cost to be prepared.

In line with the HM Treasury 'Appraisal and Evaluation in Central Government' guidance, 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. We have also accounted for VAT when preparing estimates.

The financial memorandum includes clear caveats around the IT implementation figure as we are implementing an IT solution in a phased way, therefore will only arrive at certainty on costs as we go through each implementation phase. The financial memorandum states at paragraph 54, in relation to the £190 million: '*that this is an initial estimate which could change materially, and firm estimates of cost will only become clear as key decisions are taken and detailed plans developed.*'

A table detailing the cost estimate including appropriate optimism bias and VAT, by components forming the total initial high level estimate of £190 million included in the financial memorandum, is attached to this letter as Annex A.

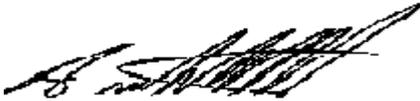
You note in your letter of 14 November that you felt that the evidence regarding who is ultimately responsible for the successful delivery of the IT systems for the new social security powers could have been clearer. I am sorry if the information we provided led to any confusion and I hope what follows below clarifies the matter.

You will be aware that the term 'accountable officer' has a specific meaning from the Public Finance and Accountability (Scotland) Act 2000. Under Section 14(1) of the Act, the principal accountable officer for the Scottish Administration is Leslie Evans, the Permanent Secretary. Under Section 15(1) of the Act, Sarah Davidson the Director General for Organisational Development and Operations has been designated by the Permanent Secretary as the accountable officer for the part of the Administration which encompasses social security. In short, the accountable officer is Sarah Davidson.

The social security programme board, which governs the delivery of the new social security powers, is chaired by Sarah. Stephen Kerr is the Director for Social Security and is the Senior Responsible Owner for the programme. He is the senior official whom Sarah has delegated day-to-day responsibility for delivering the programme. The key leadership figure in driving the programme forward is Lisa Baron-Broadhurst, the Programme Director.

I trust this letter addresses the points you asked that we follow up on fully. Please let me know if we could be of further assistance.

Yours sincerely



ANDY MCCLINTOCK
Chief Digital Officer

The table below shows the component breakdown of £190 million detailed in the financial memorandum to the Social Security (Scotland) Bill, as the estimated IT implementation cost including optimism bias and VAT.

As noted at Paragraph 54 of the financial memorandum: *it should be emphasised that this is an initial estimate which could change materially, and firm estimates of cost will only become clear as the key decisions are taken and detailed plans developed.*

Component	Estimate Cost (£million)
Case Management Solution	33.3
Telephony Solution	0.4
Document Handling Solution	3.6
Corporate Accounting Solution	0.9
Payment Handling and Reconciliation Solution	42.1
Knowledge Management Solution	0.4
Identity Management Solution	7.2
Reporting and Statistical Modelling Solution	0.3
Data Feeds and Exchanges	4.5
Online Presence	0.3
Digital Access Solution	10.1
Scottish Government IT Onboarding	15.0
Scottish Government IT Infrastructure	17.1
Development Environment	0.8
Test Environment	18.0
Protective Security	36.0
Data Hosting	0.4
Total	190.4