



OFFICIAL REPORT
AITHISG OIFIGEIL

Social Security Committee

Thursday 3 May 2018

Session 5



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Thursday 3 May 2018

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SOCIAL SECURITY COMMITTEE

10th Meeting 2018, Session 5

CONVENER

*Clare Adamson (Motherwell and Wishaw) (SNP)

DEPUTY CONVENER

Pauline McNeill (Glasgow) (Lab)

COMMITTEE MEMBERS

*George Adam (Paisley) (SNP)

*Jeremy Balfour (Lothian) (Con)

*Mark Griffin (Central Scotland) (Lab)

*Alison Johnstone (Lothian) (Green)

*Ben Macpherson (Edinburgh Northern and Leith) (SNP)

*Ruth Maguire (Cunninghame South) (SNP)

Adam Tomkins (Glasgow) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Morag Campsie (Audit Scotland)

Jeane Freeman (Minister for Social Security)

Caroline Gardner (Auditor General for Scotland)

Stephen Kerr (Scottish Government)

Mark Taylor (Audit Scotland)

James Wallace (Scottish Government)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament Social Security Committee

Thursday 3 May 2018

[The Convener opened the meeting at 09:00]

Decision on Taking Business in Private

The Convener (Clare Adamson): Good morning and welcome to the Social Security Committee's 10th meeting in 2018. I am delighted to have you with us this morning. I remind everyone to turn their mobile phones off, as they may disrupt the broadcasting.

We have received apologies from Adam Tomkins.

Agenda item 1 is a decision to take items in private. I ask members to agree that item 3, the consideration of the evidence that we will hear today, and item 4, consideration of correspondence from the Local Government and Communities Committee, be taken in private. Is the Committee agreed?

Members indicated agreement.

"Managing the implementation of the Scotland Acts"

09:00

The Convener: Under item 2 we will receive evidence on the social security aspects of the Auditor General's recent report. I welcome Caroline Gardner, Auditor General for Scotland, Mark Taylor, Assistant Director, and Morag Campsie, Audit Manager, both from Audit Scotland. I invite Ms Gardner to make an opening statement.

Caroline Gardner (Auditor General for Scotland): Thank you, convener. Today's report is the fourth in a series examining how the Scottish Government is implementing the new powers arising from the 2012 and 2016 Scotland Acts. It assesses progress up to the end of January this year and provides an update since I last reported in March 2017.

As you know, the 2012 and 2016 Scotland Acts devolve a range of responsibilities for taxes, borrowing and social security. Overall, Scotland's public finances are undergoing fundamental change and implementing the new powers is a huge and complex programme of work.

A significant part of this report focuses on the implementation of the new devolved social security powers. I am pleased to report that the Scottish Government social security programme has made good early progress, but 2018 will be a critical year and a significant amount of work is required to meet the planned timescales. That includes launching a new agency, Social Security Scotland, to deliver the carer's allowance supplement in summer 2018, and putting the foundations in place for the information technology infrastructure needed to deliver the devolved benefits. That will require effective working with other organisations, including the Department for Work and Pensions.

The last time I appeared before this committee, in September last year, I outlined the lessons from our publication "Principles for a digital future". I am pleased to report that the social security programme has prioritised learning from other information technology-enabled projects. We have found a number of examples of where it is putting those principles into practice, but the programme is not without risk and I highlight a number of risks in my report, along with areas to prioritise. In particular, making sure that enough time is built in for assurance activities, procurement, recruitment and succession planning will be key to managing those risks.

The cost of implementing the new powers will be significant. The Government estimates that the social security powers alone will cost around £308 million to implement. My report highlights the need to ensure that the cost estimates are refined as decisions about delivery are made, and to report them transparently.

Getting the right people with the right skills in place to implement and deliver the new social security powers will also be challenging. The size and complexity of the agency will increase significantly as it starts to deliver the full range of devolved benefits. I have recommended that the Government needs to do more detailed workforce planning if it is to achieve its ambitious timescales.

Finally, convener, I would like to acknowledge the good engagement that my team has had with the Scottish Government's social security team throughout the audit. As you will be aware, there is a formal process for agreeing the factual accuracy of our reports with the Government. We listen carefully to their views and we are always open to new evidence, but it is vitally important to Parliament that our conclusions are independent and are fully supported by evidence.

Convener, we are happy to do our best to answer the committee's questions.

The Convener: Thank you very much. You mentioned the important working relationship between the DWP and the Scottish Government. We took evidence from the Secretary of State for Work and Pensions on 16 April and asked her about the delays in the bedroom tax. The Cabinet Secretary for Communities, Social Security and Equalities wrote to the secretary of state and was quite unequivocal that she is increasingly concerned about the DWP not being

"consistent in displaying either the willingness or the urgency to deliver on what is very much a joint programme of activity".

When I questioned the Secretary of State about the delay in enabling the Scottish Government not to have to mitigate the bedroom tax, but for it to be removed at source, she said that it was her understanding there had not been a delay and that the targets had been "hoped for" and ambitious. Let us call it a disconnect of understanding.

Does that cause you any concern about the relationship, now and in future, for working towards the delivery of the other social security benefits?

Caroline Gardner: We say in our report that we found evidence of good working relationships on both strategic and operational matters at official level. It is harder for us to comment on the correspondence that you have quoted from, but we also say very clearly in our report that delivering the Government's planned timescales

will absolutely depend on effective working relationships. There is a risk, given the small scale of the benefits that are being devolved within the overall responsibilities of DWP, but their very significant scale for the Scottish Government and for the people who rely on those benefits, that the balance of risk looks very different from each end of the spectrum. That is one of the reasons why we think that more clarity about planning and continued close working between the two Governments is so important.

This is probably also a good opportunity for me to flag to the committee that there is an on-going conversation between the two Governments about the audit and accountability arrangements. At the moment, it is not possible for me or for Audit Scotland to look directly at the workings of the DWP. That is reserved to my colleagues in the National Audit Office. All that we can look at is what is happening through the lens of our audit of the Scottish Government. I am not sure whether Mark Taylor wants to add to that in any detail.

Mark Taylor (Audit Scotland): I echo what the Auditor General said about the importance of relationships—I am sure that the committee recognises that. Whatever the discussions at ministerial level, when we looked at the implementation of the new devolved powers our evidence was that officials were working very well together and that that work is on-going. As the Auditor General said, the risk that we flag is that there is a lot still to do and both parties need to continue to work together. For this to be successful, both parties need to play their part.

The Convener: Thank you. I will open questions to the committee.

Ruth Maguire (Cunninghame South) (SNP): You mentioned in your opening statement the size and complexity of the programme of change that needs to be delivered. Does Audit Scotland have the skilled staff available to deal with this new, complex public service? How are you upskilling staff to make sure that they do the best that they can?

Caroline Gardner: That is a really good question and one that occupies my board, as you would imagine. This is new to all of us. It is new to the Scottish Government, it is new to us and it is new to the Parliament, and we all have to build capacity and expertise as we go. We are fortunate in that we have very good working relationships with our colleagues in the National Audit Office, for whom the audit of the Department for Work and Pensions has been a big part of their responsibilities for a long time. We have been learning from them as we go. We are also grateful that the Scottish Commission for Public Audit of this Parliament, which oversees my budget, has approved some additional resources that we are

investing in at the moment in growing the size of the team working on social security. Mark Taylor leads on that programme, so I will ask him to talk you through it in a bit more detail.

Mark Taylor: The thing to add is that teams within Audit Scotland are involved in housing benefit audit within councils. That is bringing the learning that we already have about that together with the learning curve that we have around the introduction of the new powers.

I make a distinction between the detail required to understand the social security system and its regulations and policies, and the broader look that we are able to reflect in this report about the arrangements to set that system up and how to manage the introduction of new and complex systems. We are very experienced and have a long track record of being able to comment on those sorts of things. The trick for us is to pull that together and—yes, of course—to build the team, to build the staff and to build the knowledge that we have on some of the detail.

Ruth Maguire: Does Audit Scotland meet the DWP directly to discuss planning, or is all your work through your colleagues in the National Audit Office?

Caroline Gardner: At the moment, the legislative position is very clear that I have no rights of access to DWP or indeed to Her Majesty's Revenue and Customs. Until the Scotland Acts of 2012 and 2016 there was no need for me to have that access. There was a clear line about what was reserved and, therefore, what was devolved. As the Scotland Acts have come in, that line has become more wavy.

There is a continuing conversation about what the new audit and accountability framework should look like to recognise that although the DWP is a United Kingdom body and the audit responsibility is that of the National Audit Office, equally, the DWP is providing some very significant services on behalf of the Scottish Government and, therefore, that this Parliament has an interest. Getting the balance right to give me some access, without duplicating the audit that is required, is part of the conversation that is currently under way and that the Public Audit and Post-legislative Scrutiny Committee has taken a significant interest in over the last few months.

Ruth Maguire: Is that lack of access providing extra challenge?

Caroline Gardner: So far, it has not, because our interest has been in the way in which the Scottish Government is implementing its new responsibilities and, by looking at what they are doing and talking to our colleagues in the NAO, we can get a good enough picture. As we reach the point at which new benefits are being delivered,

that starts to become more significant. We discuss that regularly with colleagues in the Government and, as I say, the framework itself is under review, but we are reaching the point at which it could become a problem.

Ruth Maguire: Thank you.

Ben Macpherson (Edinburgh Northern and Leith) (SNP): Touching on the points around data and IT, did you see evidence that the joint working is happening, particularly around data? What is the risk to the programme if there are any delays in the DWP providing the Scottish Government with the data required, interfaces to IT systems and plan details as necessary?

Caroline Gardner: The first thing for me to say is that the social security programme is a bit different from the income tax programme. For the income tax programme, the Scottish Government has no choice but to use HMRC to collect the tax and administer the new tax powers. In relation to social security, it has chosen to do that; building that relationship and being very clear about the expectations on both sides and the timescales involved are critically important. Mark Taylor may like to pick up the question of what we are seeing in data terms.

Mark Taylor: Working around systems and data is obviously a big part of the challenge of that exchange, for both the DWP and the Scottish Government. We have seen in some of the early implementation that that work is going well and part of our overall assessment is that good early progress is being made. There continue to be some challenges in there. Morag Campsie might want to add a bit more detail.

Morag Campsie (Audit Scotland): Exhibit 8 of the Audit Scotland report provides a summary of all the components of the system and all the integration that will be required between DWP systems. As we have set out, there are a number of risks around that. We looked at the joint working, the planning and the programme plans, and one of our recommendations was that the Scottish Government should continue to review the joint delivery plans with the DWP and continue to refine where the key decisions have to be made. Obviously, there are some areas to prioritise going forward.

Ben Macpherson: You mentioned risk. There is risk because the benefits that are being devolved mean that the DWP must provide that data—that is my understanding—to the Scottish Government to enable it to deliver the benefits. You said that you are confident that enough correspondence and joint working are going on, but are you confident that the data sharing will take place in due process?

Morag Campsie: As I said, the planning is in place at the moment. This is a critical point, which will have to be managed. As the Auditor General said earlier, this is quite a small programme for the DWP so making sure that all the stuff that the Scottish Government needs stays up on the DWP's priorities list will be critical. At this stage, we are saying that there are processes in place but we continue to say that it will be important to keep that work going forward.

George Adam (Paisley) (SNP): In your report, you talk about the fact that the case management systems for wave 1 and wave 2 do not talk to one another. There is a problem, is there not, with the DWP's computer systems where there are multiple systems and all the information is carried in different ways? In fact, one of the benefits—off the top of my head, I cannot remember which one—has a manual system. That is quite concerning when we are talking about the safe, secure and timely delivery of the service.

Where do you think we are at with the Scottish Government and the Westminster Government? I will use an example. At the Justice Committee earlier this week, I was very impressed by the joint working between the Westminster Government and the Scottish Government in relation to the British Transport Police. We could see that they were working in tandem. I am not quite so convinced that we have that scenario with the social security powers.

09:15

Caroline Gardner: When we looked at the implementation of social security through our audit of the Scottish Government—that is all that we can do at the moment—we saw evidence of good joint working at official level, both on the operational things that need to happen and strategically about where they are going.

It is probably worth being clear that the complexity of the programme will ramp up very quickly over the next few months as we start delivering the first of the wave 1 benefits and putting in place the foundations for the remainder of the devolved benefits. If you look at the timeline in exhibit 5 of our report, you will see that the wave 1 benefits are quite small, in terms of the amount of money involved and the number of people affected, compared with the post-wave 1 benefits that will come in after that. As the systems are put in place to deliver all the benefits, the complexity increases. The relationships and the amount of work involved between the Government and the DWP will ramp up at the same rate. That is one of the reasons why our report records the risks about the need for that joint working, along with the need for greater clarity about the timescales and what exactly will be required from the DWP to the

Government or vice versa—the information that the Government will need to give to the DWP to make that work.

George Adam: As an organisation, the DWP has never been great at sharing information, whether that is for legal reasons or whether it is just the way it is. We know that it is very important that information is shared. This is an awkward question for you, because you are looking at the situation from a Scottish Government perspective, but how do you see things panning out when it gets to that stage? The system is very complex and we are dealing with extremely vulnerable people. Both sides have to get it right at this stage. How do you see this going over the next couple of years?

Caroline Gardner: You are right; that is a difficult question for me to answer, because I do not audit the DWP and I have no powers to do that at the moment. That is one of the reasons why we are calling for more detailed planning and more clarity about the timescales for the post-wave 1 benefits in particular, and why the focus on getting that working relationship right all the way up and down is so important. We know that social security systems at a UK level are very complex and have had their problems in the past, and they are going through a lot of change with the roll-out of universal credit and so on. There are risks. At the moment, I cannot say much more than that we have seen good joint working so far. Those risks remain and will become more important as we head toward the bigger pack of post-wave 1 benefits.

Jeremy Balfour (Lothian) (Con): On the issue of data and the sharing of information, clearly the DWP can provide only the data that the Scottish Government wants, in the way that the Government wants it. Are you confident that the Scottish Government has the experience that will enable it to ask the right questions so that the DWP can then provide the answers that we want? Obviously if the approach is too scattered, the DWP will find it difficult to respond. From your perspective, does the Scottish Government have the experience yet to know what information it needs to ask for?

Caroline Gardner: The overall conclusion of the report is that we have seen good early progress in that planning, but I will ask Mark Taylor to talk you through the detail.

Mark Taylor: We know that the Scottish Government has set out to work well with the DWP to understand the data that is available, the systems and what they require, and how things work. There was a series of discovery discussions to understand the needs of the systems and the data needs. Rather than the Scottish Government working out on its own what questions to ask,

asking them and then getting the data, it is very much plugged in with the DWP and exploring the data that is required and how the systems need to plug in with one another.

As colleagues have said, much of the detail of those discovery discussions has been around the wave 1 benefits. Part of the reasoning for that, which we think is sound, is to learn from the process; the purpose is to learn how to do discovery discussions, as much as to find out about that particular set of benefits, and to build on that as we reach the more complicated and challenging benefits, given that the vast bulk of expenditure will come further on in the programme with the post-wave 1 benefits.

From what we have seen, the Scottish Government's approach allows it to understand that process and to engage with the DWP. As colleagues have said, those initial relationships are going well but much of the challenge remains ahead. If that approach continues, I think that that will be part of the solution as the Government gets into those more complicated areas.

Alison Johnstone (Lothian) (Green): In your report, you mention the challenges in ensuring that we have the right people with the right skills to implement the act at a practical level. You say that 110 staff have transferred from the Scottish Government into the social security programme and that that might be putting pressure on other directorates. How do you keep your eye on that situation? How can you ensure that that risk does not become unmanageable or very worrying?

Caroline Gardner: I will give you the context and then ask Mark Taylor to talk about the detail. Obviously, the committee is focusing on social security but, as I said in my opening remarks, the Scotland Acts cover a much wider area including tax-raising powers, borrowing powers and the whole fiscal framework, all of which also require new people and new skills. We are alive to the risk that is involved in ensuring that the people are there to do what is needed with the right skills and that the system is not sucking out the capacity from people who are delivering business as usual or dealing with things such as the UK's withdrawal from the European Union. All that is happening at the same time, which is a big challenge. For this programme, I think that Mark Taylor can give you more of a sense of what is happening, but also of the risks that we think remain.

Mark Taylor: The report illustrates our approach, which is that, as well as looking at the detail of individual programmes—in this case, social security—we are very mindful of the overall implications for the Scottish Government. As the report says, the Scottish Government needs to continue its work, and to build on its work to become much better at some longer-term and

medium-term workforce planning. We are alert to that and we will continue through the range of our work to report on the big picture.

As members know, the initial recruitment exercises have kicked off for social security. We understand that there has been a good response rate, and that work is going ahead to get additional people involved to deliver the social security services. When we looked at the staffing that was required to get things up and running, particularly around some of the specialist finance and IT areas, we found that there was a bit more competition for staff internally within the Scottish Government.

From a social security perspective, we are comfortable that the programme has the people that it needs to get things up and running. We recognise that a big challenge lies ahead in going from the relatively small numbers of staff that are currently involved to the almost 2,000 who will ultimately be involved in the agency. There is a long journey ahead, but we are comfortable that social security has secured the initial skill sets that it requires.

Alison Johnstone: Obviously there are great opportunities and these could be seen as very attractive, meaningful, well-paid and secure jobs, but are there any challenges in specific areas?

Mark Taylor: One of the big things is that there is a good news story about the creation of jobs. Around 2,000 new jobs are being created as a result of the devolution of benefits. That will place challenges on local labour markets and the Government will be competing with others in those labour markets for staff. For some of the required skill sets such as customer service skills and front counter skills, particularly in Dundee and Glasgow, the Government will need to make sure that it has an offer that can attract the number of staff that it needs in those areas. Other employers in those areas will also be on the lookout for those staff. Rather than having any particular concerns about particular skill sets, I think that the Government needs to be alert to the overall scale of the task.

Alison Johnstone: Thank you.

Mark Griffin (Central Scotland) (Lab): One of the recommendations in your report is to

"develop and report more detailed estimates of the costs of implementing the social security powers"

and

"regularly review levels of optimism bias".

Can you say what the risks would be if those things failed to happen?

Caroline Gardner: Absolutely. There are two elements to that that we wanted to draw out in the report. The first relates to the overall cost of

implementing the Scotland Acts, where the Government has not put together the full cost of implementation that it expects to incur or said by how much that will exceed the £200 million contribution from the UK Government. We think that that is important. Clearly, there will be trade-offs in future budgets between implementing the powers and everything else that is a legitimate call on Government.

The second is the specific cost of the social security programme itself, where the best cost estimate that is available at the moment is still the £308 million that was in the financial memorandum to the Social Security (Scotland) Bill. We say in the report that that properly includes quite a significant optimism bias, but, as decisions are taken about where to locate the agency, where the premises will be and how to go about putting in place the IT systems, the Government should be refining its estimates and releasing the optimism bias as it is not required, to make sure that it has a much better picture of what the costs are likely to be and that it covers more financial years than it is currently possible to see through the two-year budgets that we have at the moment.

Mark Griffin: You say that there is a significant optimism bias in the £308 million figure. From the work that you have done, would you expect to see that figure come down? Have you been able to adequately identify whether it is appropriate?

Caroline Gardner: We would expect it to come down over time. It is entirely proper to have the recommended level of optimism bias in at the beginning, particularly for a system that is as dependent on complex IT as this one is. We know the challenges, but it is important, as decisions are made and it is possible to come up with tighter estimates, that optimism bias is released. Mark Taylor can pick up on the detail of that.

Mark Taylor: As the Auditor General says, there is a 200 per cent allowance for optimism bias. Essentially, that means that the Government has done an initial estimate of what the IT is likely to cost and multiplied that by three. The guidance allows it to do that—there is a tendency for everybody in the private and public sectors to be overly optimistic when they cost IT systems. That is the nature of optimism bias. The approach is in line with what was expected.

We found that, although initial discussions have taken place, with more having been decided and people knowing a bit more about some of the early things, there have not been any formal decisions about moving cost from the optimism bias to the actual cost of those new things. Although you would expect the optimism bias to come down over time, one reason why it is there is not that it just disappears and costs a third of the price; it is that, as things are decided and more is

understood about the systems, in general the costs on the other side—the cost of the things that people actually understand—will grow.

The current estimate is £308 million. We are a very early stage of the process. There are some decisions that have been made that should allow the Government to be a bit clearer about the actual IT costs, with some optimism bias still remaining. Our observation in the report is that, as time goes on, it is important that Government is clear about that and that it is able to refine its cost estimates and be transparent about them.

Mark Griffin: Thanks for that.

As a committee and as parliamentarians, we are interested in the Government reporting on those more detailed estimates and on the budget itself. That is one of your recommendations as well: you recommend that it should regularly review and report. How regularly should we, as a committee, expect to see Government updates on its optimism bias and cost estimates?

Caroline Gardner: The first thing that we would like to see is more detail in the Scottish Government's annual budget. In paragraph 66 of the report, we say that the costs of implementing social security are included within a much bigger budget line in the Scottish Government's budget for non-tax implementation costs. Social security is not identified separately, and information is available only for 2017-18 and 2018-19. As the Government moves towards a longer-term approach to its budget, with a medium-term financial strategy due for publication quite soon, getting both a longer-term view and more specific information about how much of the budget is for social security would be a very good first step. Once that is in place, it will obviously be possible to report against that budget in more detail. It is for the committee itself to be clear about how frequently it wants that to be done, but I think that the first step would be simply to break down the budget a bit more than is currently done and to roll it out for more years than just the current one.

Mark Griffin: Thank you.

The Convener: Ruth Maguire has a supplementary question.

09:30

Ruth Maguire: Yes. It is about IT systems. Auditor General, your report states that there is a risk around the case management system for wave 1 benefits—that it will not be able to be used for post-wave 1 benefits. However, your report also states that

"The new CMS is based on an existing multi-benefit system that delivers complex benefits in other countries."

It feels as if those two statements contradict each other a bit. Could you reflect on that and give us some clarification?

Caroline Gardner: Of course. You are referring to exhibit 9, in which we set out what we see as being the key risks to the delivery of the IT systems. It is important that I start by saying that exhibit 9 lists not things that have gone wrong but things that the Government needs to get right if it is going to be able to achieve its plans. We say that the initial design of the case management system carries the risk that you mention. It is at a very early stage, and it is a very small part of what will be a much more complex system that will deliver a wide range of benefits in two or three years' time in comparison with the very limited number of benefits in wave 1. Because of the way in which that is being put together, we think that the risk remains.

The right-hand column in exhibit 9 shows the ways in which the Government is seeking to manage those risks. We recognise that that mitigation is in place but it is my judgment that that risk still remains. It is an area that I think the committee would want to keep an eye on and it is one that we will keep an eye on through our audit work.

Jeremy Balfour: I would like to follow up on that point. Clearly your approach is retrospective. You are looking back, and we are looking at lessons learned. As a committee, we want to make sure that things are happening. Can you clarify for me how quickly you report if you see that an issue around IT or some other area is coming up involving the Scottish Government and the DWP? Do you wait for the annual report or until you are doing one of your reports? If an issue becomes very obvious very quickly, what mechanism is there for you, as Auditor General, to report that to Parliament and to this committee, so that we are not just looking at lessons learned in four or five years' time?

Caroline Gardner: That is a very good question. The report itself is intended to have not only that backward look but a look forward. That is why we have exhibits such as the one that sets out the risks that we think need to be managed. The team engages with colleagues in the Scottish Government pretty regularly to get a sense of what is changing. After the bill was passed last week, we had a session to take stock of what will happen next and what the priorities are, and to look ahead. We will continue to take that approach.

In terms of reporting to Parliament, at the moment I am in a rhythm of two reports a year. The first, like the one that we are discussing, deals with overall implementation of the Scotland Acts and looks ahead, and is produced around springtime. The second opportunity is my annual

report on the Scottish Government's consolidated accounts, which is generally produced around September each year. If there was a very significant issue, I would report on it in that report as well and bring it to Parliament's attention in that way. The aim of the report that we are discussing is to make sure that we are not taken by surprise by something happening, because we have that sense of what the risks are and how they are being managed before we get there.

Jeremy Balfour: Thank you.

Ben Macpherson: I have a couple of questions that are related to your answers my previous questions. First, on IT, we have discussed at the Justice Sub-Committee on Policing your report "Principles for a digital future" and the i6 project in particular. That report talks about the importance of breaking projects into manageable chunks, which I think is one of the key lessons learned from previous IT projects. How is the social security programme doing in terms of that philosophy? Why is that approach so important for delivery?

Caroline Gardner: We say in "Managing the implementation of the Scotland Acts" that the social security programme team has really prioritised learning from experience elsewhere, and we see some learning from our "Principles for a digital future" report in there. Morag Campsie wants to pick that up.

Morag Campsie: There are a lot of examples in how the social security programme is doing things. As exhibit 5 shows, the programme is phasing how the Government will deliver benefits, and, in using components to make up the IT platform, it is delivering in interim bits. Within that, the team is putting in short-term solutions while it figures out what the strategic solution should be. For example, the DWP's payment system will be used over a five-year period while the team works out the strategic solution. There are lots of elements where things are being phased in different ways—that is just an example.

Ben Macpherson: Are you quite reassured by that phasing and the benefits that it provides as an approach to building new IT infrastructure? Are you reassured by how things are being taken forward at present?

Morag Campsie: As we say in the report, the Government is trying to do something that is huge and complex. Doing things by components, phasing all that work and taking that interim approach while it works out the strategic approach has its own risks, because doing it in that way means that there is a lot to manage. However, in that approach of breaking the programme down and in the planning that we have seen so far, we see that the Government has prioritised learning

from previous experience and is putting that in place. It will be difficult to manage, which is why we make a number of recommendations around planning and ensuring that there is enough time for assurance processes, procurement processes and getting the right people in place in time.

Ben Macpherson: My next question is on a related, albeit separate, issue. I was reassured to read in the report that “good early progress” is being made on the social security programme, and that preparations are on track to deliver the wave 1 benefits. What evidence did you see from the programme that gave you that confidence and reassurance?

Caroline Gardner: As I said in response to Mr Balfour, we looked for the things that we expect to see in place now if the programme is going to have the best chance of success over the next two to five years as the benefits come through. For example, we looked at the governance arrangements that are in place, which we set out in exhibit 6, along with our comments on how they meet most of the principles of good practice and have been refined as the programme has moved on. There is also the extent to which, in relation to the IT systems, the Government is learning from good practice and from experience elsewhere.

As Morag Campsie said, the phased approach that is being taken brings more complexity to manage. However, we are able to say that the programme management approach at this stage is fit for purpose, within an overall Prince2 approach. Below that there is the use of agile project management approaches for the individual elements, which includes things that we do not always see, such as training in the agile approach for the staff involved and an agile coach to help them learn as they go. There are some really good examples there.

None of that takes away the risks of managing a big, complex project that will affect some of the most vulnerable people in Scotland, but it helps to mitigate them. That is why we were able to draw that conclusion about “good early progress”, while recognising that there is still an awful lot to be done over a short period of time.

Ben Macpherson: My next question is on a slightly different area—please excuse me if it seems slightly semantic. I was interested in your description, both in the report and again this morning, of this being a “critical point” for the delivery of the new system and the devolved powers. Can you elaborate on that? “Critical point” can be interpreted in different ways. To some, it may sound like a high-risk point. After reading the report, I think that you were trying instead to convey that this is an important point at which concentration and analysis are required. I would welcome some clarity.

Caroline Gardner: Through the report, the team and I are trying to convey, first, that this is a very big and complex programme, as we say. It is one of the biggest that the Government has had to deal with since devolution. Some of the groundwork is in place: the Social Security (Scotland) Bill has been passed; decisions have been made about where the new agency will be located; and there is a programme for the roll-out of the benefits.

The Government has chosen to go for ambitious timescales, for reasons that we all understand, with the first benefit being delivered in summer 2018 and the wave 1 benefits due to be in place by summer 2019. To reach those milestones, there is now a lot to be done: getting the agency up and running, getting the IT system in place for the wave 1 benefits, and being able to engage with people who are in receipt of benefits and with the wider community about how the programme works. There is an awful lot that needs to happen over the next 12 to 18 months to hit those timescales. While we think that that is possible, we also think that there are some key things that need to happen with the IT systems, with workforce planning and recruitment, and with sharing or transferring information between the relatively small group of people who have built the expertise already and the much larger number of people who will need to be involved in future. Mark Taylor wants to add to that.

Mark Taylor: Another consideration is that although all the things that are going on now are of course critical for delivering wave 1 benefits, they are also the foundation for everything else that follows. The “critical point” relates to both the delivery of the first set of benefits and getting in place the foundations on which everything else will be built. If it goes well, that will be a good start for all of that. If the Government runs into problems over the next year, there will be potential delays to the initial benefits. There is no evidence of that at the moment, but that would then raise real question marks about what comes next. That shows the importance of the key starting points that will be put in place over the next year.

Ben Macpherson: Thank you.

George Adam: I had never really thought about it in this way, as this is the biggest thing to happen in Scotland since devolution itself. However, you have mentioned on a number of occasions that for the Scottish Government the new social security system is a major issue, a major project and a major undertaking, whereas it is not such a big undertaking for the DWP. What are the potential risks of DWP complacency about the project? In the DWP’s list of important things to do, it is not going to be near the top, but for us it is the number 1 issue.

Caroline Gardner: It is important for me to be clear that I did not use the word “complacency”. It is much more about the scale of the benefits for the Scottish Government compared to the DWP. As you say, they look very different depending on which end of the telescope you are looking through.

George Adam: I had not even thought about it until you brought it up, but effectively, it is at the top of our to-do list, but to the DWP it is a mañana issue. What is the risk of that kind of approach?

Caroline Gardner: We say in the report that there is a risk that the DWP sees this as a small part of the business that it needs to deliver—and that is the case, from the DWP’s perspective—whereas for the Scottish Government it is a major part of the overall programme for government. That is a risk that simply exists. I think that the same risk applies in relation to the new income tax powers and Her Majesty’s Revenue and Customs. That is a very big issue for the Scottish Government, but a much smaller one for HMRC.

It can be managed only if there are good relationships between the two Governments, from ministerial level down through officials. There also needs to be good, clear planning on the Scottish Government’s side around what it intends to do, when it intends to do it and what it needs—and you have heard from Mark Taylor about the way the discovery process has been helping Scottish Government people to understand what the implications might be of different approaches and different requests for data. Finally, through the governance arrangements, there needs to be clear monitoring of the progress that is being made and, where there are delays, what the impact is and how those delays can be dealt with. The decision to work with the DWP for the next three to five years around some key elements of this brings that interdependency into play, and I think that it needs to be managed by both Governments.

The Convener: As there are no further questions, Auditor General, I thank you and your officials very much for your time. I am sure that we will see you again over the coming months and years, for all the reasons that we have discussed this morning.

Caroline Gardner: Thank you, convener.

The Convener: We will have a short suspension while the witnesses change over.

09:43

Meeting suspended.

09:51

On resuming—

The Convener: Welcome back. Our next panel continues our discussion of “Managing the implementation of the Scotland Acts”. I welcome to the committee Jeane Freeman, Minister for Social Security; Stephen Kerr, director of social security; John Campbell, head of digital risk and security; and James Wallace, head of finance; they are all from the Scottish Government. A very warm welcome to you all. Minister, would you like to make an opening statement?

The Minister for Social Security (Jeane Freeman): Thank you very much, convener, and good morning to you and to the committee members. I am grateful for the opportunity to be with you to discuss Audit Scotland’s recent report, “Managing the implementation of the Scotland Acts”, where, rightly, a key focus was the new social security powers. I thank Audit Scotland for the way it has worked with my officials over the past few months and has continued to do so in the lead-up to the report’s publication. It is a relationship that we each value and one that I believe is working well. Before I say more on that, I want to express again, for the record, my thanks to the convener and to the committee for making the Social Security (Scotland) Bill even stronger and for the committee’s contribution to its unanimous passing last week.

Now our focus rightly turns fully to delivery. As far back as September 2016, when I met the committee to outline our approach to delivery, and repeatedly since, I have been very clear that fundamental to our delivery approach has been the safe and secure transfer of the 11 benefits to make sure that people get the money that they are entitled to in the right amount, on the right day, and to the right account.

I am reassured that the Audit Scotland report recognises the good early progress that we have made on the social security programme. We are where we expected to be at this point. Our plans for delivery of the first wave of benefits and the establishment of the agency are on track.

As I said in my 28 March letter to you, convener,

“I am particularly pleased that Audit Scotland recognises the following key points ... the Programme has made good early progress and is now at an important point as it moves to deliver its first wave of devolved benefits ... Universal Credit Scottish Choices were delivered on time in October 2017”,

and continue to be successfully delivered as universal credit full service rolls out across Scotland. Also,

“Risk management arrangements are well established ... There has been good ongoing engagement with stakeholders ... the Programme has demonstrated good

practice by revising its governance arrangements to reflect the needs of the Programme. The current arrangements will need to be kept under review to ensure they are well understood by staff and remain effective ... the Programme is learning lessons from previous public sector programmes. For example, it has invested in Agile training for staff at all levels”.

That is something that I know Audit Scotland has previously highlighted as important. Also, Audit Scotland recognises that

“The Scottish Government has demonstrated good practice by establishing multi-disciplinary teams in line with Agile delivery”,

which we have talked about before in this committee—

“this structure gives delivery level staff responsibility to progress the Programme, allows quicker decision making, and makes it easier to adapt and learn from day to day experience.”

We are following the advice of Audit Scotland to build incrementally—in systems, in people and in infrastructure. Our costs will be responsive to that approach and will be refined incrementally.

We are working to ensure that we have the resources that we need at the point when we need them, whether those resources are buildings to avoid unnecessary spend on overheads, staff in the programme or in the agency—allowing us to support proper staff induction and training to embed the culture of dignity and respect that is essential—or IT to support a range of benefits being delivered in a phased and controlled way.

There is one area where I disagree with the position that is set out by Audit Scotland in its report, which is in relation to the case management system. We have awarded a contract to IBM, which includes the development of a case management system to deliver the wave 1 benefits. We deliberately procured a multibenefit system that can handle both the wave 1 benefits and the benefits to be devolved later. That system is used by a number of other countries to deliver a wide range of benefits. I do not believe that the Audit Scotland report captures that as accurately as I would have hoped. The report suggests that the case management system may be able to process only the wave 1 benefits. I understand that Audit Scotland’s job is to identify risks—as indeed is mine—but I think that in this area, the evidence that it suggests lies behind the risk is not accurate. I want to reassure the committee that what it suggests about the case management system is not the case.

The report also makes it abundantly clear that the Scottish Government cannot deliver devolution of social security powers in isolation, given the reliance on the DWP for the safe and secure transition of the benefits. The DWP is required both to provide the Scottish Government with

relevant, robust data and to make significant changes to its systems and processes to ensure an overall joined-up experience for people who will deal with both the Scottish Government and the DWP. We require and continue to seek concrete assurance from the DWP that it has a parallel plan in place to match both the content and the pace of ours.

I thank you, convener, for the opportunity to make those remarks and I am happy to take questions.

The Convener: Thank you very much, minister. I would like to open with the same question that I asked the Auditor General. I absolutely understand how important that relationship is between the Scottish Government officials and the DWP and the importance of co-operative working, but the previous example we have in this area is the bedroom tax.

Quite unequivocally, from your letter to this committee and from the cabinet secretary’s letter to the Secretary of State for Work and Pensions, there was a feeling that there was a delay in relation to the bedroom tax, which was a disappointment to the Scottish Government. Yet the Secretary of State, when in front of us, said:

“As I understand it, there has not been a delay”—[*Official Report, Social Security Committee*, 16 April 2018; c 2.]

and that the timescales were hoped for rather than set and that they were ambitious. Given that experience, do you have concerns about how things might progress?

Jeane Freeman: When I was here in September 2016, I said:

“In building our system, we will still rely on the Department for Work and Pensions making parallel changes to its information technology systems, some of which are decades old ... The timetable for that work will be driven partly by the DWP, because we will be able to switch on our services only when the DWP has updated its systems.”—[*Official Report, Social Security Committee*, 29 September 2016; c 2.]

I think that we have always been crystal clear that this has to be a parallel and co-operative operation. I would not want to overstate the difficulties that exist. I watched the Auditor General giving evidence to the committee earlier this morning and I think that she captured it rather well when she talked about looking at the same thing through different ends of the telescope. I believe that it is absolutely the case that our respective officials work well together and work continuously on it.

10:00

I do not think I can overstate how often they are in contact with each other across the whole of the social security directorate—in finance, in IT, in

policy development and delivery and so on. It is true to say that at joint ministerial working group level, those relationships are cordial. Nonetheless, it is fair to say that although we have assurances from DWP ministers that for them, this work is one of their priorities, it is absolutely my job and the cabinet secretary's job to ensure that those assurances are borne out in reality.

The bedroom tax example has given us some concern. Our response to that has been to redouble our efforts to ensure that we continue to press the DWP to ensure that not only do we remain high in its list of priorities—as the commitment that has been given to us says we will—but that the DWP thinks about the impact of anything that it is doing to its own systems in terms of its consequential knock-on effect on us. This whole thing is complex, but there are layers to it that are complex in themselves and we need to keep on top of them.

You will not have received the letter quite yet, but I have written again to you, convener, to explain a delay in the transfer of a code. That in turn has caused us some delay in the delivery of our contract with IBM. It will not cause a delay to our current timetable for the delivery of wave 1 benefits, but it is another example of how what the DWP does internally can have a negative knock-on effect on what we are doing, so we have to keep pressing the DWP on that. I know that the cabinet secretary is very keen that we have more regular, timetabled joint ministerial working group discussions and the cabinet secretary will be putting that proposition to Ms McVey.

The Convener: Thank you very much, minister. We move to questions from committee members.

Mark Griffin: One of the recommendations in the Audit Scotland report is around cost. The recommendation is to

“develop and report more detailed estimates of the costs of implementing the social security powers ... regularly review levels of optimism bias”.

What is the Scottish Government's response to that recommendation?

Jeane Freeman: That is exactly the right recommendation to make and it is exactly what we intend to do. As I said in my opening remarks and have said repeatedly, if we follow Audit Scotland's advice to deliver a large-scale project in manageable chunks—I know you touched on that earlier with the Auditor General—we need to build incrementally. That is what we are doing.

Our overall priority, as you know, is the safe and secure transfer of those 11 benefits, which affect 1.4 million people. We are taking full responsibility for them, benefit by benefit. That allows us to build the system—the IT system, the agency, and so on—incrementally. It allows us to build in time to

learn lessons from delivering the first benefit and apply those lessons to delivering the next benefit and so on and so forth.

You will know—I think that the Auditor General made this point too—that we are starting by delivering an initial set of benefits, which are more of a one-off nature, and working towards the more complex area of benefits such as disability benefits, which are regular payments with a more complex case management system, and an assessment and evidence process that underpins those payments. If we do that incrementally, we can refine and build our costs incrementally.

We were right to start where we did—at that £308 million figure. It contains the right level of optimism bias, as advised by the Treasury in the green book. As we work through this year, building that system incrementally to deliver first of all the increase in carers allowance and then best start and funeral assistance, we will be able to refine down, as I describe it. James Wallace may have a better description, as our finance colleague. I describe it as refining down the costs within that £308 million figure so that we are very specific about what we are spending money on. As the Auditor General said, as you go through that exercise, you begin to release elements of the optimism bias. I will ask James Wallace to add to that.

James Wallace (Scottish Government): I will perhaps describe the approach that we take within the programme to optimism bias. That might be quite helpful for the committee to hear.

As the Audit Scotland report draws out, and as the minister has just said, we use the recommended level of optimism bias as per the Treasury's green book, so we are following the best practice guide in terms of our approach. As a result of following an agile delivery method—where we break up our project into manageable stages or chunks that we deliver incrementally—it is inevitable that in the early days, when we cost out the programme, there are estimates, assumptions, and optimism bias within that overall cost envelope.

Over time—and I think that Audit Scotland gets at this in its report—the journey that we are on allows us to manage out that optimism bias. We understand what we have delivered and we understand better what we still have to deliver. We understand specifically how we will do that—what we will buy, when we will buy it, and how we will buy it—and how the various parts and components and capabilities within the system will fit together. That allows us to manage out the estimates and assumptions to bring down the level of optimism bias and at the same time perhaps to have more clarity on precisely what it will cost.

That is the journey that we will undertake. It will follow the life of the programme. We will generate clearer and more definitive estimates of cost or get real costs as they come in and as we are able to manage out the risk. The current approach to budgets is for the financial memorandum to include the recommended 200 per cent optimism bias for IT costs. The green book recommends 200 per cent, because it has looked across past programmes of a similar scale and generally, that is what people's optimism leads cost overruns to be. We account for it to make sure that there are no cost overruns—to make sure that we have the numbers in there and that this committee and this Parliament know about those numbers up front from the financial memorandum.

Our current approach to annual budgets has been to manage out optimism bias entirely for the year. It is always the case that the closer to today an event is, the more we will know. We can be more definite about costs for 2018-19, for example, than we can be for 2020-21, because we know much more about the forms of assistance that we are delivering today and how we are doing that. We know that for wave 1, it is a low-income benefits procurement; we know that IBM is delivering it; and we know that it is a fixed-price contract of £8.3 million.

In terms of what future delivery will look like for benefits that are much further down the line, we do not have that level of detail yet, so we remain with the estimates. It is a managed process. In my view, it is in line with the green book and it is in line with best practice; it is an inevitable consequence of following an incremental approach to design and build.

Jeane Freeman: James Wallace is, of course, absolutely correct when he says that we do not yet know the same level of detail for benefits that are further down the line as we know for the ones that we are about to deliver. However, although that is absolutely correct, I do not want the committee to think that we are not doing anything about that, because all the discovery work, the discussion and the involvement with the experience panels is under way for all those benefits but is at an earlier stage, inevitably, than the work on the benefits that we are about to start delivering from the end of this summer.

Mark Griffin: Thanks for that, minister.

One of the recommendations that the Auditor General made in our evidence session this morning was that the budget for social security in the annual budget should be separated from the non-tax implementation line, which is where it is set out just now. Does the Government plan to introduce a specific line in the budget for social security in the years ahead?

Jeane Freeman: With respect, that is a question for Mr Mackay, who is our finance secretary. I know that James Wallace will have something to add about the statement that is due quite shortly and how Mr Mackay plans to move ahead in terms of the overall additional powers that have come to us through the Scotland Act 2016. Obviously, I will have discussions with him about that, but that is not a decision for me.

James Wallace: As the minister says, that is a decision for Mr Mackay, through the budget process. Up to this point, our approach has been to rely on the Government's finance and constitution portfolio and the Scotland Act 2016 non-tax implementation budget line. That is a level 4 budget, which Audit Scotland rightly points out does not provide the level of clarity that may be preferred in the future. The approach up until now has given us the flexibility not to ring fence money that we may not need in the year to ensure that the Scottish Government is making the best use of its finite resources. However, I think that that is likely to change in the future.

Mark Griffin: It would be advantageous for us to be able to scrutinise the budget and the cost that is being attributed to the particular parts that the committee has an interest in.

You talked about revising the optimism bias downwards as we get closer to delivery. How regularly do you plan to report to the committee on the revision of the optimism bias and the overall budget?

Jeane Freeman: We should probably use the correct phrase—you used mine, which was not quite right. I think that James Wallace used the phrase “manage it out”, which I suspect is more accurate, so I will stick to that. It is fair to say that, as we move through the delivery of the increase in the carer's allowance, towards the end of this summer, and then into the detail for the delivery of both the best start grant and funeral assistance payments, towards the end of this year and into the spring of next year, we may be able to come back to you with more detail and begin to show in practice what we are talking about just now.

Alison Johnstone: I will ask a couple of questions about how you are implementing the Scotland Acts. There has been a welcome focus on the fact that we can do things differently and on the need to ensure that those who engage with the system feel that they are being treated with dignity and respect. The Auditor General spoke earlier about challenges around staffing and the need to make sure that we have the right people with the right skills in the right place. Is the issue of dignity and respect being taken through all the negotiations and discussions? Do you see IT, having the right staff and so on as being central to making sure that people are treated in that way?

Jeane Freeman: Thank you for that important question. The fact of the matter is that, although we can collectively be pleased about the Social Security (Scotland) Bill, which the Parliament passed last week, and the content and spirit of that legislation, the reality for 1.4 million people is that it will not mean anything to them until they are treated with due respect and receive the support that they are entitled to from the agency.

It is a really important question, and Stephen Kerr may have more to add to what I am about to say. There are undoubtedly challenges in finding certain skill sets. IT is one such area, as there are challenges across all the sectors in Scotland in finding the right level and quality of digital skills for the workforce. Work on that is going on elsewhere, and we will be in competition for those skills along with everyone else.

10:15

There is another way of looking at the challenge that we face in recruiting the right level of staff. We are looking to recruit a total of around 1,900 staff—1,500 based in the Dundee headquarters and in Glasgow as well as around 400 locally based social security staff. That gives us the opportunity to look afresh at how we open up recruitment to engage as diverse a workforce as possible, bringing in people with a range of experience and skills whom we can then, through our induction, training and continuing staff development, develop specifically to be the workforce that we need now and into the future to build the right culture.

We have taken the opportunity of that challenge to engage quite widely with a range of organisations in order to understand how we can make our recruitment process as open as possible in encouraging people to apply and how we can work with the supply chain of organisations in and around the country, but particularly around the Dundee area—not exclusively in the city, but around the Dundee area, around Glasgow and in the surrounding local authorities area—to get people thinking ahead, as we recruit incrementally, about what they might need to do to acquire the skills or experience, or to hone the skills that they already have, so that they stand a good chance if they apply to us for employment.

We are looking not just at what the workforce looks like now but at the supply chain of organisations that work with people who either want to upskill or want to enter the labour market—perhaps returning to the labour market or entering it for the first time—and what we need to do to provide the employment opportunities that we should be offering in flexible working and part-time working, understanding the demands on carers, for example. There are undoubtedly

challenges in recruiting people with the right skill sets in the right place. However, although we are not dismissive of those challenges, we see an opportunity to build into our recruitment the kind of culture that we are looking to deliver and that meets the spirit of the bill.

I do not know whether Stephen Kerr wants to add a bit more about that.

Stephen Kerr (Scottish Government): I have not much to add, minister, but it is worth saying a few things.

When we embarked on this programme and established the directorate, we went about it in quite a different manner. Instead of creating an almost hermetically sealed group of officials working in social security who would then reach out to other parts of Government, we established a directorate that had the core skills built into it from the very beginning. We have dedicated human resources professionals, for example, who were in at the very start of this journey and who have put in place comprehensive materials for induction, learning and development, training and knowledge transfer as and when people move around the directorate.

Those of you with slightly longer memories will remember that we published in March 2016 the Government's first substantive paper on social security, which set out the principles that we would follow. One of those principles was, of course, dignity and respect, which you have mentioned. Those principles have been turned into values within the directorate and across the agency, so that diversity has become a really significant theme of activity within the directorate. All of that has been done to create the best possible offer to people in the Scottish Government, in the UK Government and in the public and private sectors to come and work on the devolution of powers and social security.

The way in which we have approached the recruitment in Dundee has been really innovative. We have done some quite different things for the civil service. We are currently sitting with, I think, eight people for every job that we are looking to fill in Dundee, and many more people are looking to apply in the future.

As the most senior leader in the organisation taking forward social security, I see the principle of dignity and respect as being key to how we will develop the agency and how we will develop the skills that people will need to deploy in the programme over the next few years.

Jeane Freeman: I do not want the committee to think that the directorate is working away and that, when we start the agency, there will be no particular connection. According to the thinking that Stephen Kerr has described, how the

directorates have been formed and how it works have been deliberately determined to feed into what the agency will become. We are not going to create the culture within the agency from a standing start; we are creating it in the directorates, in order to feed it into the agency, which is the right thing to do. It is also particularly advantageous that those who are now charged with establishing the agency, finding the property and beginning the recruitment exercise have come through that culture and that approach. That is what they now bring to how the agency itself will expand and grow.

Stephen Kerr: It is worth clarifying, on the back of that point, that the agency's chief executive continues to be a member of my management team. Therefore, even if he wanted to take a different approach, I would not let him.

Alison Johnstone: That is helpful. Thank you very much. That was a comprehensive response, and I am grateful.

With regard to lessons learned, it is fair to say that universal credit has had a troubled roll-out. It has been a large-scale change. Have you been watching that and learning lessons?

Jeane Freeman: I certainly have. One of the first things that I was given, not long after I was appointed, was a piece of work—I cannot recall the author—that was an analysis of what had happened with universal credit and how it had gone wrong. A large part of the analysis was about the decisions that politicians had taken to speed up the process, setting deadlines and timetables that were more about political advantage or defraying political attack than they were about deliverability.

It was Mr Kerr who gave me that article to read. It stuck with me, and it made a significant difference through our being very clear about the need for the planned incremental, phased approach and that the most important thing is the safe and secure transfer. Although I completely understand why many citizens across Scotland would have wished the process to have moved more quickly, as they see it, to have moved any quicker would have been to risk the delivery. That was a strong lesson.

There are other lessons to be learned in looking at how universal credit has been rolled out. One of those lessons is that the staff who were charged with the delivery of universal credit were not given the time to understand and be trained in delivering one change before another was produced for them. That is why, in our planning, not only is there a break point between the delivery of one benefit and the beginning of delivering another, in order that we can learn any lessons and fix any glitches that have appeared in the delivery of the

first one, but there is time for staff to become confident and familiar with the delivery of one benefit before we ask them to expand their understanding for the delivery of the next one. We build in that time so that people feel confident about what they are doing and how they are handling applications and enquiries, and they can then give the best service to the individuals who come to us for support.

Ben Macpherson: I will pick up on some of the points that I raised with the Auditor General around wave 1 and IT. It is reassuring that the Auditor General's report states that there has been good early progress of the social security programme and that preparations are on track to deliver the wave 1 benefits and the agency. Could you expand on how the Government is ensuring the safe and secure transition of benefits ahead of wave 1? What do you see as being key to continuing good progress in delivering the programme?

Jeane Freeman: One of the strongest aspects of our approach to ensuring safe and secure delivery, following Audit Scotland's advice, is that we are working in manageable chunks, through incremental delivery, learning lessons and applying them. We have had this discussion with the committee before.

There continue to be a number of parallel work streams. The Parliament passed the Social Security (Scotland) Bill last week, and work is going on to prepare the consultation on the first set of draft regulations that will come before you. We will work together on that exercise, benefit by benefit, as all that work progresses. We are also now looking at the construction of the charter to establish the commission. In all of that work, we will be transparent and open with the committee, and we will make sure that you are kept informed.

Behind the scenes, officials continue to ensure that we recruit the first group of staff that we have advertised for, who will be based in the headquarters, in Dundee, and that we get the right number to deliver the increase in the carer's allowance. We will then supplement that with additional recruitment for the best start grant and funeral assistance payments. We also recently advertised for the first batch of local delivery staff. Those 18 posts will work with one or possibly two authorities—it depends on the size of the authority—to add flesh to what the model of local delivery will look like.

All that work is continuing while, at the same time, colleagues in charge of the IT build and the contract with IBM are working to ensure that the systems are in place to deliver the first wave of benefits and that the case management system is capable of both delivering the first wave of benefits and growing for subsequent waves.

Alongside all that, there is continuous discussion with the DWP to understand—as I believe was said in the previous evidence session—its systems and processes and what data it needs as well as, equally, to make it understand what data we need. As we have said here before, it is no great secret that some of the DWP's IT systems are old. A number of them need to work at the same time, on occasion, to give us the data that we need, and that is one of the major risk factors that we are trying to manage. Everything about this programme has a level of risk—it would be a very foolish minister indeed who said that a programme of this scale and size had bits of it that had no risk. Every bit of it has a risk. Our job is not to pretend that risk does not exist but to put in place all the elements that we need to mitigate and manage that risk, and we are doing that.

As we have touched on before, we need greater clarity from the DWP that it is conducting a parallel exercise to match ours, so that we are all working at the same pace and to the same timetable and that, when the DWP faces other pressures from its ministers, any changes that it makes as a consequence of that either do not knock us further down its priority list or are not made without thinking through and discussing with us what the consequences might be for any plan that we have in place with it to deliver something such as the abolition of the bedroom tax at source.

George Adam: You have said on a number of occasions that you hope that parallel processes are in place in the DWP. One of the interesting things that the Auditor General brought up today was the fact that, for us, the programme is the biggest thing since devolution itself—it is a major issue. I had not thought about that until she expressed it today.

We are all excited about delivering these powers, but it is not top of the DWP's to-do list. When you are talking about the DWP having parallel processes, how do you feel? I know that you are chapping at the door to say that the programme is the most important thing, but how do you feel things are going on the other side? You know that the DWP keeps information on multiple platforms. If the programme is not its top priority, how do you see things progressing, apart from you continually battering down its door?

10:30

Jeane Freeman: I would not want us to think that there was no progress, because there undoubtedly is. There is progress with the DWP all the time. I thought that the Auditor General's description of the situation as people looking at the same thing through different ends of the telescope was helpful and is probably accurate. I understand

that the DWP is a very large department. From its perspective, up until now, everything that it has done has been about the UK as a whole and all the nations and regions within it. It now has to start thinking about a significant part of that—it is very significant from our point of view, although in the grand scheme of things it is a relatively small number of benefits for the DWP—being delivered by a Government that it does not work for, and it is now dealing with a set of new officials who have their priorities and direction of travel set by that different Government, and now set by legislation from the Scottish Parliament. It has to think about how that works and how it manages that. A lot of learning needs to happen: not only the learning that we are doing to understand the DWP system, but a bit of parallel learning at the other end about what devolution is about and what it means to have a Scottish Government and a UK Government that have to try to work together. There are powers and there are decisions that are made in the Scottish Parliament, and the DWP needs to find a way of accommodating and working with that.

In the same way, we need to find a way of accommodating and working with the fact that some benefits are being transferred to us, but not all of them. Our system has to be able to work with the DWP's; equally, its system has to work with ours. It is not as straightforward as just lifting up a power and going, "There you go. You do it now". There are consequential changes to its internal IT systems that are essential in order to allow us to do what we need to do. There are transfers of data that are critical for us to be able to continue to make payments: transfers of data about who we pay, to which bank account we make the payment, and what the recipient's national insurance number is. Rather than being a UK department that just deals with the whole of the UK, the DWP has to make sure that that data can be pulled out for Scotland. Until now, it has not had to distinguish the number of people for whom it is working who are based in Scotland rather than somewhere else. That is a new thing to do. I completely understand the challenge that we present to the DWP and the complexity at its end.

Successive secretaries of state—we are now on our fifth—have given us the same assurance. I do not doubt for one minute that it is genuine, but I need that assurance to now be demonstrated in practice and in concrete terms, which is why the cabinet secretary, Angel Constance, wrote about the bedroom tax in the terms that she did. We will continue to mitigate the bedroom tax for citizens in Scotland, but we want to be able to streamline that process so that individuals have the same person-centred experience on the bedroom tax as we intend them to have on the 11 benefits. Individuals in Scotland for whom the bedroom tax is currently

mitigated will not be financially disadvantaged by the delay, but it is indicative that this is of one of the areas that we need to raise at a higher level with the DWP secretary of state. She needs to think through consequential changes to systems that she wants to introduce for the rest of the UK, and she needs to have conversations with us to look at how they can be mitigated and not delay what we are trying to do.

The Convener: My understanding is that it is about £47 million to mitigate the bedroom tax every year.

Jeane Freeman: Yes, that is right.

The Convener: Will that delay impact on the 2018-19 budget, in that we were expecting to have that money for use elsewhere?

Jeane Freeman: No. Instead of being disbursed the way that it is currently disbursed, the money that we currently spend to mitigate the bedroom tax will be paid to the DWP to compensate it. It will abolish bedroom tax at source, inside universal credit, so we will pay it for what it perceives to be a loss.

The Convener: Thank you for that clarification.

Ruth Maguire: In evidence to the House of Commons Work and Pensions Committee last week, Kit Malthouse described the important issue of split payments and ending payments to the one householder as “a bit of a political symbol”. He said that he felt it was a “sideshow”. I am sure you will share my dismay at his lack of knowledge about the impact of financial coercion on victims of domestic abuse.

There was something else he said that I found quite troubling. When talking about splitting payments at source, he said:

“If the Scots decide to introduce this, if they can work their way through the complexities and introduce it and it works well, then we can certainly have a look at it.”

I would be interested to hear your thoughts on that. It appears to me from that comment that Mr Malthouse does not understand that it is the DWP that would need to take action to end the practice at source and ultimately make things better for women survivors of domestic abuse.

Jeane Freeman: Yes. I found Mr Malthouse’s comments about the issue of split payments in universal credit being a “sideshow” deeply disappointing. That is probably the kindest description I can make about how I felt about that. Potentially, for many of those for whom split payments are a very important matter that could make a significant difference to them, it is positively offensive to not understand why it is critically important.

The notion that if we Scots want to try it out and see if it works, then the UK might look at it, shows a significant failure to understand. It is something that has to happen inside universal credit. Therefore, for us to do what we want to do—what we are now legislatively committed to doing—it has to be delivered by the DWP. I wish it were otherwise, because we could then be more assured that we would be able to do it, but universal credit is a reserved benefit and split payments within universal credit have to be delivered by the Government and the agency operating for that Government, which is the DWP. We need to negotiate with the DWP about how split payments can be delivered for those living in Scottish postcodes. As we have discussed before, that is a process of iterative negotiation, as is the case for anything for which the DWP is the deliverer. The DWP, and only the DWP, holds the delivery reins. We need to negotiate with it, and first on the technical requirements. It might start by saying that it is exceptionally complicated and cannot be done, and we would start at the other end, saying, “Yes, it can”.

Those iterative discussions are in a sense what the Auditor General was referring to. It was her colleague, I think, who talked about the discovery phase, and that is essentially what they are. To get to a point where we agree what needs to be done with the existing infrastructure system to introduce the change, we respectively go through our understanding, which is based on expertise in the Scottish Government and the DWP. Then we need to begin the iterative negotiation on how much the DWP believes the change will cost it—how much we should pay. That is exactly what we have done so far in relation to the Scottish choices on universal credit. For the two that we have been able to deliver, we have gone through that process, and we continue to do that on split payments.

It is self-evident that it would be significantly more straightforward if the UK Government agreed that it wanted to have split payments for universal credit as a whole, because that would work for women and others in Scotland. Until it reaches that view, we need to continue with our discussions and negotiations with it, first on what needs to be done to make split payments happen and, secondly, on what the charge is.

Ruth Maguire: Do you believe that it is taking this issue seriously?

Jeane Freeman: There is a difference between how politicians might view the issue and how officials engage with us on what is, in effect, the devolution programme for the benefits. We have talked that through with officials, and they engage with us positively and co-operatively, but their politicians may take a different view on what the

priorities are. Clearly that is Mr Malthouse's view. It may not be the secretary of state's view—I do not know—but so far the UK Government has shown no inclination to introduce default split payments. We, as a Government, have always had a very clear commitment to do that under the third of the universal credit flexibilities that we have power over, but we need the DWP to deliver.

Jeremy Balfour: I have two questions—one for the minister and one for Mr Kerr. I will put my question to Mr Kerr first.

I was interested in your maybe slightly throwaway remark that the chief executive of the agency still sits in your senior management team and, if he or she stepped out of line, you would bring them back in. I am sure that we would all agree on that issue, which you talked about in response to Ms Johnstone's question. However, I am interested to know how you see the relationship between the traditional civil service and the new agency working. What degree of latitude will the new chief executive of the agency have to come up with policies that they believe will work for the agency, rather than necessarily being fed by a Government of whichever colour?

Stephen Kerr: At the moment, David Wallace heads up a division in the directorate. The agency has not yet been formally established. That will happen later this year. At that time, I will become what is called a Fraser figure in the relationship with David Wallace. I will look on from afar, dispensing wisdom and making sure that the agency is delivering to the corporate plan that has been approved and discussed with his team, and also approved and discussed by ministers.

As you probably know, there is a framework document between executive agencies of the Scottish Government and ministers that sets out clearly the roles and responsibilities that people such as David Wallace and his team in the agency will be delivering over the next few years. I will also conduct his performance appraisal, and there are all sorts of informal checks and balances in place in such relationships.

The other point that I should make the committee aware of is that the people who work in the agency will remain Scottish Government civil servants. The agency will not be a non-departmental public body that is separate from Government; it will essentially be part of Government in the same way as the division that David Wallace heads up at present.

10:45

Jeremy Balfour: Thank you for that helpful clarification.

Minister, I asked the previous panel how we, as a committee and a Parliament, will be made aware if things start to go off track or are delayed for whatever reason. Three years today, all of us who choose to stand again will be facing the electorate. I presume that the commitment from the Scottish Government is that all the benefits will be up and running by that time. What mechanism do you see whereby we as a committee will be able to ensure that we do not end up in a situation where, three or four months out, you suddenly have to come and say, "By the way, it's all gone and we are not going to deliver X, Y or Z"? For example, my understanding—I think that my colleague Adam Tomkins raised this last week—is that we have still not seen the minutes of the previous meeting of the ministers. When will they be available?

Secondly, we do not want to overburden you or your officers, but how often will you report to the committee so that, if flags are waving within your department, the concerns come to the committee?

Jeane Freeman: Thank you for that timely reminder that the next Holyrood elections will be three years today. I am sure that that concentrates everyone's minds.

First, I should say that it is entirely for the committee to decide how often it wants me to come and report to it. That is in your hands, and I would always respond positively to those requests. I think that we have demonstrated so far an absolute desire to be as open and transparent as we can be about the progress that we are making and where there are difficult issues that need to be discussed, and I give my absolute commitment to continue to do that.

There are, almost, given milestones on the journey where it would be legitimate for the committee to expect me to at least provide you with a written update and for you to then determine whether you want to see me. The obvious and, I think, most immediate example contains two things—first, that we successfully deliver the increase in the carers allowance supplement, and secondly that the agency is formally up and running. It may be that you would welcome an invitation to visit the agency headquarters to hear from Mr Wallace and his team about what they are doing and how they are progressing and from Mr McClintock, as our chief digital officer, about the important IT infrastructure work. We will happily extend such an invitation to you.

If the committee would find it helpful, I will be happy not only to extend that invitation to you but to give some thought to where I believe there will be key milestones at which I could helpfully provide you with an update on our progress. You will then be able to determine whether you believe that those are right. I will also be happy to advise

you as we go on our progress with the charter. Of course, that is going to be agreed by the Parliament, so it should come back to this committee so that the Parliament can benefit from its views on the content.

I think I have already made a commitment that I will want to have a discussion with or take views from the committee on the skill set and experience that you believe it would be desirable to have before we go ahead and establish the independent commission. We will progress all of that.

On the point about the minutes, they are with the UK Government for it to agree. As I said, the cabinet secretary has made it clear that she wishes to have set in the diary a year's worth of dates for quarterly meetings, and she will put that proposition to the secretary of state. We will then all work our diaries around those so that we do not get into the guddle that we can get into when we try to get a range of busy people to one place at one time. If we can agree to that, you will know when those dates are.

We are very conscious of the time that it can take—or has taken—for finalised, agreed minutes to appear and for you to have sight of them. We will have a discussion with the secretary of state and her colleagues about how we might speed that process up. It might be that we shift the nature of the minutes from verbatim to clear agreements, actions and so on with some context. Verbatim minutes always produce a bit of to-ing and fro-ing about the use of one word as opposed to another, but we need to have that discussion with our counterparts in the UK Government so that we can reach agreement. It is a joint ministerial decision. However, we are very conscious of the matter and we are looking to see what we might do to improve the situation.

Jeremy Balfour: Thank you.

The Convener: Minister, thank you for your kind words regarding the Social Security (Scotland) Bill, but I think that our discussion today has been focused on what you said in the chamber that day—that the hard work starts now and we have a lot of it ahead of us.

Thank you very much for your attendance today. We will be discussing our work programme and I am sure that the committee will be interested in taking up your offers to visit the agency and to work with you. Thank you very much to you and your officials. We will now move into private session.

10:51

Meeting continued in private until 10:56.

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