

The logo for SPICe, consisting of the letters 'SPICe' in a white, sans-serif font on a dark purple background.The text 'The Information Centre' and 'An t-Ionad Fiosrachaidh' in white, sans-serif font on a dark purple background.

Social Justice and Social Security Committee

25th Meeting, 2022 (Session 6), Monday, 3 October

Social Security Programme: Audit Scotland report

Introduction

On 19 May Audit Scotland published [Social Security: Progress on implementing the devolved benefits](#).

The Committee will hear from:

- Stephen Boyle, Auditor General for Scotland
- Kirsty Ridd, Audit Manager, Audit Scotland

The report assessed progress to the end of February 2022. Since then:

- Adult Disability Payment has started.
- A start date for Carer's Assistance has been announced – pilot in winter 2023, national roll-out spring 2024
- In May the Scottish Fiscal Commission forecast a larger gap between the block grant and benefit spending – up from £750m in 2026-27 to £1.3 billion.
- The [Spending Review in May 2022](#) included a decreasing budget for social security administration and development over the next few years. From £404 million this year to £324 million in 2026-27. There was no breakdown of how much of this was day to day running costs and how much was development costs.

The Public Audit Committee took evidence on the report on [23 June](#) and wrote to the Committee on [4 July](#).

Social Security Programme

The Social Security Programme sits within the Scottish Government Social Security Directorate and is charged with developing Scottish social security benefits following the Scotland Act 2016. The Programme is separate from Social Security Scotland which is the executive agency which delivers those benefits. Audit Scotland publishes [annual audit](#) reports on Social Security Scotland.

The cost, scope and timing of the Programme have increased since inception. The very broad-brush costing in the 2017 Financial Memorandum to the Social Security (Scotland) Bill suggested implementation costs of £308 million over four years. By February 2022 the estimate was £685 million over eight years, with a finish date of 2025-26. Updated cost estimates are due to be published by the end of the year in an updated Programme Business Case.

The Scottish social security benefits that have yet to start are in various stages of development in the Programme. The timetable is:

- November 2022: Extension of Scottish Child Payment to under 16's
- February 2023: Low Income Winter Heating Assistance replacing Cold Weather Payments.
- Winter 2023: Pilot Scottish Carer's Assistance (national roll-out spring 2024) replacing Carer's Allowance
- Winter 2024: Pension Age Winter Heating Assistance replacing Winter Fuel Payment
- No date: Employment Injury Assistance replacing industrial injuries benefits
- No date: Pension Age Disability Payment replacing for Attendance Allowance

A Scottish disability living allowance is also needed in order that older people currently getting DLA can transfer to Social Security Scotland.

Report findings and recommendations

Audit Scotland is publishing a series of reports over the lifetime of the Programme. So far, it has published two - a [report in May 2019](#) and the report being discussed today – published in in [May 2022](#).

The 2022 report concluded that good progress has been made, but there is a lot left to do. Stephen Boyle told the Public Audit Committee in June that while the Scottish Government is preparing well and managing the programme effectively the timescales set are challenging and there are substantial remaining risks. These include:

- Putting in place longer term digital solutions

- Getting operational staffing in place

He also highlighted the scale of the Programme and the need to manage the long-term financial sustainability of social security.

The report found good preparations for the **Scottish Child Payment extension** but that meeting the timescales will be “very challenging”. There is agreement with DWP about provision of data. The DWP system is under development so Social Security Scotland cannot fully test design plans until late in the process. “The programme is clearly aware of this risk and is focused on managing it” (report para 33 – 35).

The report found that the Scottish Government is well-prepared for delivering **Adult Disability Payment** and recognises the scale of the challenge (para 27).

Recommendations

The report made eight recommendations. In summary these were:

The Scottish Government should:

- Announce delivery timelines for the remaining benefits. (The Scottish Government has since announced an indicative timescale for Carer’s Assistance).
- Publish an updated programme business case. (The Scottish Government has since announced that this will be published before the end of the year).
- Detail more clearly the intended impact of social security.

Social Security Scotland should:

- Ensure its operational needs are appropriately considered in the Programme
- Review and update workforce planning

They both should:

- Ensure suitable data gathering and reporting so that the impact of benefits can be evaluated.
- Ensure sufficient time for system testing.
- Ensure knowledge from contractors is transferred to permanent staff.

Suggested themes for discussion

The following five themes are suggested:

- **Theme 1: Transparency and accountability**
- **Theme 2: Agile approach**

- **Theme 3: Workforce**
- **Theme 4: Implementation costs**
- **Theme 5: Remaining work – key risks.**

THEME 1: TRANSPARENCY AND ACCOUNTABILITY

The overall judgement seems to be that the project is going well, and while there are risks, these are being managed well – overall a positive report.

The report makes a number of points related to transparency and the ability of others to scrutinise progress. In particular:

- **Updates to the Programme Business Case** – setting out total implementation costs – have not been published regularly. (The Scottish Government has since said it will publish an update at the end of this year)
- **Evaluations and links to outcomes:** a number of one-off evaluations have been published (including an interim evaluation of the Scottish Child Payment). Audit Scotland comment on the “limited, only general, coverage of outcomes” and that the evaluation strategy doesn’t yet cover all the benefits (para 69).
- **Routinely capturing required data.** Audit Scotland notes that the Charter Measurement Framework does not “include a range of measurable metrics” (para 68) and that: “it is important that the Scottish Government identifies information needs early enough to ensure that the data required is routinely and robustly capture” (para 70).

(Ensuring systems are designed to allow for data capture is discussed in Theme 2 under ‘agile approach’.)

Members may wish to discuss:

1. **What contacts has the audit team had with Social Security Scotland and the Programme since February – have you seen anything that would alter the judgements made in this report?**
2. **How frequently should implementation costs be reported on publicly?**
3. **What level of detail do you expect to see in the revised business case?**
4. **Can you expand on how data reporting needs to improve? What are the challenges for improving these?**
5. **When does Audit Scotland next plan to report on the Programme and on Social Security Scotland?**

THEME 2: AGILE APPROACH

The report explains that the Agile approach means focusing on ‘must-haves’ and that:

“not all systems or features identified during the design phase will be developed as part of a benefit launch, instead being held aside for future development. Short-term solutions may be used to support the pace of delivery, which then need to be revisited in the longer term” (report para 42)

The total implementation costs for the Programme do not include the cost of some of those components ‘set aside’ under the Agile approach.

The report states that the Agile approach is being managed well and Stephen Boyle told the Public Audit Committee that Agile:

“looks to have been the right choice by the Scottish Government for the roll-out of this system.” ([Public Audit Committee Official Report, 23 June 2022, col 37](#))

Trade-offs have more often affected internal operational needs as the interface with clients has been prioritised. For example, in the Child Disability Payment pilot:

“some aspects were not fully automated, namely identity verification, notifications and real-time management information. Management information had to be prepared manually by Social Security Scotland staff during the pilot as the data collection system was still being developed.” (report para 16)

The Scottish Fiscal Commission published their ‘[Statement of Data Needs](#)’ in August. This highlighted data gaps, particularly for the new disability payments. Partly, this relates to the way the system is designed.

“the new systems used by Social Security Scotland are currently not designed in a way that meets or prioritises our, and other users’ data needs for the new Scottish disability payments” (SFC, Statement of Data Needs para 2.7)

Data gaps will lead to less accurate forecasting which in turn will impact on the Scottish budget. The SFC note that:

“We are not receiving the same level of detail in the data provided by Social Security Scotland as we did from DWP. We require these data to produce our forecasts”

SFC recommend that: “Social Security Scotland receive sufficient resources to enable them to produce the necessary data.”

Members may wish to discuss:

- 6. The Agile approach leads to some issues being ‘fixed’ later. Can you explain the scale of this – and what impact that could have on future costs?**
- 7. Are some system developments being left until later in order to limit implementation costs?**

8. The focus has been on systems that ‘matter most to the client’. What is the state of functionality in systems that have not been prioritised?
9. The Scottish Fiscal Commission is concerned about data gaps. Does Audit Scotland have any concerns about whether systems are being designed in ways which take account of the need to produce data to inform the Scottish budget?

THEME 3: WORKFORCE

Staffing requirements are higher than anticipated in both Social Security Scotland and the Programme. The latest workforce statistics were due to be published on 13 September.

Programme workforce

In the Programme, the workforce has increased from 460 staff in 2019 to 780 in March 2022 (report para 61). Around 47% of Programme staff are contractors. This is:

“driven mainly by the ongoing challenges with recruiting staff with the relevant skills and experience.” (para 62)

The Programme: “wants to ensure knowledge transfer from contractor staff” but, partly due to COVID-19, this “is yet to be put into action in a structured way.” (para 63).

Social Security Scotland workforce

In Social Security Scotland the workforce requirement increased from 1,900 to over 3,500. Audit Scotland report that: “Social Security Scotland is managing the challenge of the scale and pace of recruitment well so far” (rpara 65).

The report finds that final staffing requirements are uncertain:

“It is difficult for Social Security Scotland to have certainty about the numbers and mix of staff it will need to administer Adult Disability Payment.” [...] “The resource implications of how Adult Disability Payment is administered will only become clear once it is fully rolled out with case transfers under way” (para 31)

For SCP:

“Staffing needs are uncertain, for example it’s unclear the extent to which manual processing is required” (para 38).

Members may wish to discuss:

10. There is a very high number of contractors in the Programme. Can you expand on the risks and benefits of this?
11. To what extent do you expect the number of Programme staff to fall as the remaining benefits are launched and transfer is completed? (Taking

into account the continuing need for development work for issues ‘set aside’ under the Agile approach).

12. The report notes uncertainty around the final workforce requirements in Social Security Scotland, particularly for ADP and SCP. Do you expect the picture should be clearer now that ADP is fully rolled out?

THEME 4: IMPLEMENTATION COSTS

The estimated total implementation cost has risen from £308 million to £685 million. Further updates are due later this year.

Stephen Boyle told the Public Audit Committee that:

“It is very clear that this is not a case of costs spiralling out of control. It is much more an example of the scale and scope of the project changing as the understanding of what is required has changed.” [Public Audit Committee Official Report Col 40, 23rd June.](#)

Exhibit five in the report, reproduced below, shows how implementation cost estimates have changed.

Table 1: Implementation Cost Estimates 2017 – 2021. £m

	Financial Memorandum (2017)	Programme Business Case (2020)	Programme revised estimates (2021)
Staff	104	350	349
Estates	14	11	40
IT	190	212	286
Other	-	78	10
Total	308	651	685
Benefits	11 benefits devolved	4 benefits added	No additions
Length of programme	4 years 2018-19 to 2021-22	7 years 2018-19 to 2024-25	8 years 2018-29 to 2025-26

The four benefits added were: Scottish Child Payment, Child Winter Heating Assistance, Job Start Payment and Young Carer Grant.

Table 1 looks at the total cost of developing and implementing the Programme over a number of years. It does not include Social Security Scotland operating costs and is part of the ‘Advice, policy and programme’ line in the Scottish Budget (See table 5.3 of the [2020 business case](#) for annual breakdown).

The annual budget for social security administration set out in the Scottish Budget includes both development costs and day to day operating costs.

The [Spending Review in May 2022](#) set out a decreasing annual budget for social security administration and development over the next few years. Plans are to decrease from £404 million this year to £324 million in 2026-27. There was no breakdown of how much of this was day to day running costs and how much was development costs.

Members may wish to discuss:

- 13. The total implementation costs were first set out in the 2017 financial memorandum. Even at the time the Scottish Government was clear that the costs would change significantly. Looking back, how useful was that 2017 estimate?**
- 14. Why did the estimate for implementation costs increase from £651 million to £685 million between 2020 and 2021?** (No new benefits were added but the Programme length increased from 7 to 8 years).
- 15. In light of what remains to be done in the Programme, do you have any comment on the social security administration indicative budget set out in the spending review?**

THEME 5: REMAINING WORK: KEY RISKS

The report notes that a lot remains to be done. In particular, the plans to replace Attendance Allowance and Industrial Injuries Disablement Benefits are at a very early stage – with no start dates yet announced.

Learning from Experience

The report notes that there is a positive culture of learning lessons from one benefit launch and applying these to subsequent launches. For example, review activity carried out by the Scottish Government’s Digital Assurance Office identified that it would be beneficial to pause to embed learning before moving on to the next phase of delivery (para 19).

There are: “dedicated teams are being established to provide additional staff to address outstanding areas of system and digital development.” (para 44)

However: “finding protected time to improve and enhance systems between these large-scale launches has been challenging” (para 45)

DWP Payment System

The report notes that there are longer-term system developments which need to be addressed as it moves towards a steady state position. One of these is the need to develop a payment system:

“When Social Security Scotland was established in 2018, the Scottish Government agreed the short-term use of the DWP’s payment platform to allow it to make benefit payments, as no suitable system existed in Scotland. The initial agreement covered the period to spring 2023 and the Scottish Government has now negotiated an extension of this through to autumn 2024. This is a critical aspect of Social Security Scotland’s digital infrastructure, and a long-term solution will need to be put in place to provide suitable payments functionality for Social Security Scotland beyond this point.” (report para 47).

As Social Security Scotland starts to do ‘live-running’ at an ever-larger scale, its relationship with the Programme changes. The report states:

“as Social Security Scotland becomes more established and gains operational learning it is becoming better placed to understand and articulate its needs. It is important that it continues to strengthen its voice in this process” (para 43)

Uncertainty around new benefits

There is still a lot of uncertainty about the scale of work required for new benefits. For example, the report, written before ADP was fully rolled out, stated that:

“There are a lot of unknowns in relation to case volumes for new applications and how long it will take in practice to administer cases at each stage of the process.” (report para 31)

(The ‘fieldwork’ for the report was in February, ADP started at the end of August).

Members may wish to discuss:

- 16. What are the key risks in developing the remaining aspects of the Programme?**
- 17. The Scottish Government’s digital assurance office identified the need for a pause to embed learning before moving to the next phase of delivery. To what extent does the current delivery timetable allow for such pauses to happen?**
- 18. What plans are in place for Social Security Scotland to develop its own payment system rather than relying on DWP?**
- 19. The report states that: “It is important that [Social Security Scotland] continues to strengthen its voice” in decisions around outstanding development needs. Can you expand on the relationship between Programme and Social Security Scotland in this regard?**

Camilla Kidner
SPICe
6 September 2022