

Social security

Progress on implementing the devolved benefits



AUDITOR GENERAL 

Prepared by Audit Scotland
May 2022

Key messages

The Scottish Government has continued to successfully deliver new and complex social security benefits in challenging circumstances. This is a significant achievement. There is a conscious focus on the needs of service users, building on the principles of dignity, fairness, and respect. People are positive about their experiences of engaging with Social Security Scotland.

- 1 There is a lot still to be delivered and progress has been delayed by the Covid-19 pandemic.** It will be some time before the devolved benefits are fully administered within Scotland. Timescales are challenging and substantial risks remain, including accessing data, putting in place longer-term digital solutions and getting operational staffing in place. The Scottish Government is preparing well for the next stages of delivery and is managing the complex programme of work effectively.
- 2 The Agile approach to systems development has trade-offs.** It supports fast, user-focused and adaptable delivery by focusing on 'must-have' features to allow benefits to be launched in an acceptable way. For Social Security Scotland to operate efficiently and effectively, resources will be needed over the longer term to continue systems development and replace temporary and manual processes. The scale of this is not fully known and will need to be planned for alongside other government priorities, such as developing the proposed National Care Service.
- 3 The Scottish Government currently estimates that the work to implement the devolved benefits will cost around £685 million.** Work is ongoing to update this estimate as replanning activity continues. Implementation costs have not been routinely reported on publicly, making it difficult for those in scrutiny roles to track costs over time. The scale of staffing required to implement and administer the benefits is much larger than the Scottish Government initially estimated.
- 4 By 2026/27 benefit expenditure in Scotland is forecast to be £760 million higher per year than the corresponding funding received through the block grant adjustment.** This is a result of policy choices by the Scottish Government. The Scottish Government needs to plan for how it manages the long-term sustainability of this expenditure and be clearer about how it will improve outcomes for Scottish people.

Recommendations

The Scottish Government should:

- Conclude replanning activity and publicly set out delivery timelines for the remaining devolved benefits.
- Publish an updated programme business case including refreshed implementation cost estimates. To support transparency, this should include a clear breakdown of core cost areas, explanations of where estimates have changed and what assumptions have been used. It should also clearly set out the longer-term resource implications of the Agile approach to system development.
- Detail more clearly the intended impact of the Scottish social security system on outcomes for the people of Scotland, linking directly to the National Performance Framework. This is central to being able to evaluate value for money and inform decisions about future social security interventions.

Social Security Scotland should:

- Strengthen its role in the prioritisation of development activity to ensure its operational needs are appropriately considered and that it has the systems and processes in place to administer benefits in the way intended.
- Continue to review and update its workforce planning to build the capacity and capabilities needed for its growing remit. This should draw on learning from live administration of benefits, such as processing times and service user behaviours, and the impact of further system developments including the automation of processes.

Recommendations

The Scottish Government and Social Security Scotland should:

- Plan for how they will measure the impact of the benefits being introduced, and how they will evaluate and report on progress against outcomes. In doing so they should ensure that suitable data gathering, and reporting processes are established.
- Use the learning from previous benefit launches to ensure that future delivery timelines include sufficient time for system testing ahead of launches. They should also agree periods of protected time for system development and improvement, to build stability and resilience in the digital infrastructure.
- Plan for how the significant investment in staffing for this programme of work, and the skills, knowledge and experience gained, can be best used to support areas of future service development. This should include robust approaches to support knowledge transfer from contractors to permanent staff.

Background

1. The Scottish Government is in the process of implementing and delivering a range of social security benefits and powers, devolved to Scotland through the Scotland Act 2016. This is a complex programme of work which involves the design, delivery and operation of services which impact directly on people's lives. The benefits fall into two main categories: financial support for low-income households, and disability and carer-related benefits. The package of devolved powers enables the Scottish Parliament to introduce new benefits in these areas and to introduce mechanisms to top up reserved benefits (except for pensions).

2. The Scottish Government set up a social security implementation programme (the programme), within its social security directorate, to manage the implementation of the devolved benefits. The programme is responsible for designing and implementing the benefits and the supporting systems and processes needed to administer them. Social Security Scotland is an executive agency of the Scottish Government. It is responsible for administering the devolved benefits in Scotland. Social Security Scotland depends on the programme for most of the processes

and digital systems it needs to administer benefits and operate in the way intended by the Scottish Government.

3. Legislative competency was devolved through the Scotland Act 2016, allowing the Scottish Government to establish necessary legislation for the Scottish benefits. To support a safe and secure transition, the Scottish and UK Governments agreed a phased approach to the devolution of executive competency, which transfers administrative responsibility and financial accountability of the benefits. This allowed the Scottish Government to take over responsibility as it built the necessary systems and processes. Executive competence for all the devolved benefits has now been transferred. Agency agreements are in place to allow the Department for Work and Pensions (DWP) to continue to deliver some benefits on the Scottish Government's behalf.

4. Our last performance audit report on the implementation programme was published in May 2019. We also report on Social Security Scotland through our annual audit process, with the most recent report in October 2021. All our reports can be found on our [website](#).

About this report

5. This report looks at the progress the Scottish Government has made on implementing the devolved benefits and how well placed it is to deliver the remaining benefits and a social security system which meets its wider policy aspirations. The audit assessed progress to the end of February 2022, while acknowledging there is substantial ongoing activity.

The audit team consisted of Pauline Gillen, Kirsty Ridd, Kirstin Scott, Kerry Macleod and Tracy Jones, with support from other colleagues and under the direction of Carole Grant, Audit Director.

The Scottish Government has implemented complex benefits under challenging circumstances

The Covid-19 pandemic has significantly affected the implementation of the devolved social security benefits and the wider policy context

6. The Scottish Government's social security implementation programme (the programme) and Social Security Scotland have responded well to the challenges presented by the Covid-19 pandemic. Both were able to adapt their ways of working quickly, including supporting the move to homeworking, while keeping a focus on staff wellbeing. There were substantial impacts on staff capacity, through sickness absence, the impact of caring responsibilities and the redeployment of staff to priority Covid-19 response areas. The impact of the pandemic on staff absence, home working and caring responsibilities continues to be felt in both the programme and Social Security Scotland.

7. The pandemic has significantly affected the delivery plans of the programme. The delivery timetable is being fully replanned in response to the pandemic. This is a substantial undertaking which has resulted in the prioritisation of some benefits and delays to others.

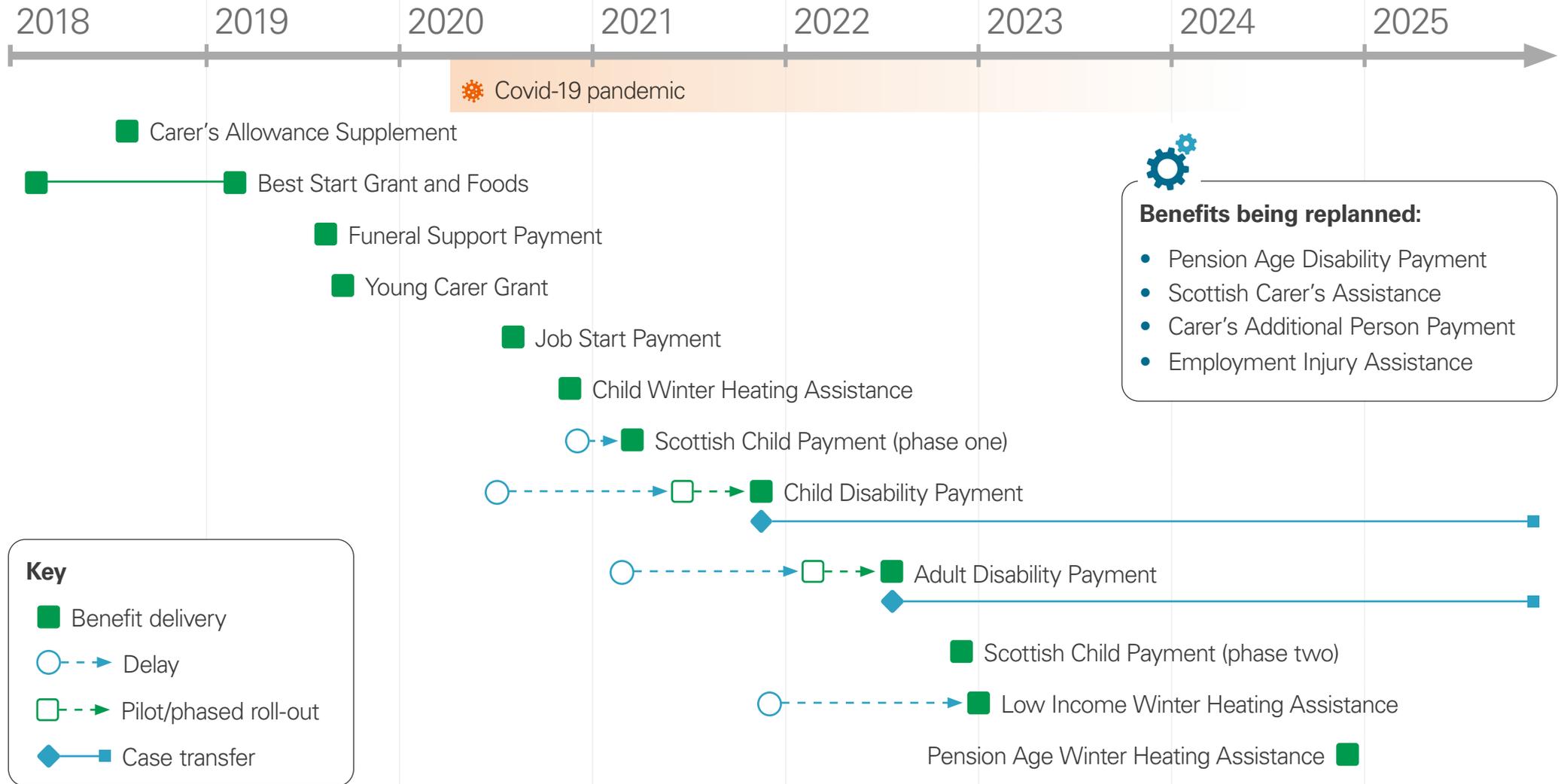
For some benefits, including the Scottish replacements for Attendance Allowance and Carer's Allowance, new delivery timelines have not yet been announced. [Exhibit 1 \(page 7\)](#) sets out the current timeline for delivery.

8. Despite the challenges of the pandemic, complex new benefits – including Scottish Child Payment and Child Disability Payment – have been delivered. This is a significant achievement.

9. The Covid-19 pandemic has affected the wider policy context around social security. The pandemic has brought greater awareness and a sharper focus on inequalities and poverty. Social security can play a key role in helping to address poverty and mitigate its effects on people. In June 2021 the Scottish Government set out a 'national mission' to tackle poverty, in addition to its existing statutory child poverty reduction targets.

Exhibit 1.

The timeline for delivering the devolved benefits



Note: Executive competence for Severe Disablement Allowance was transferred to the Scottish Government in April 2020. This will still be administered by DWP. Scottish Child Payment (phase 1) opened for applications in November 2020, ahead of the benefit starting on 15 February 2021.

Source: Audit Scotland, using information from the Scottish Government

The Scottish Government has prioritised the delivery of the first phase of its new Scottish Child Payment to support low-income families

The Scottish Fiscal Commission estimates that 107,000 children were in receipt of Scottish Child Payment for children under six during 2021–22, of an eligible 134,000.¹

10. The Scottish Government announced its commitment to introducing a new Scottish benefit, **Scottish Child Payment**, in June 2019. It is implementing the benefit in two phases: first, payments for children under the age of six were made before the end of the Parliamentary term in March 2021; second, payments for children aged 6–15 will be made by the end of 2022. The Scottish Government initially planned to make first payments to families by Christmas 2020 but launch of the benefit was delayed slightly because of the pandemic.

11. Social Security Scotland opened the application process for households with children under the age of six in November 2020. This allowed the submission of applications over a three-month period before benefit payments were due to start. This extended initial application window was designed to allow Social Security Scotland to better plan for and manage the anticipated peak in applications at the start of the benefit launch. First payments were made from February 2021. The Scottish Government made a one-off payment in December 2020 to families in receipt of free school meals to mitigate, in part, the delay in launching Scottish Child Payment. It has also put in place a temporary bridging payment for households with school age children in receipt of free school meals. This will remain in place until the second phase of implementing Scottish Child Payment, at the end of 2022.



The business case for Scottish Child Payment for children under six sets out three key factors that are considered critical for its success:

- 1** It will help to reduce child poverty by at least three percentage points when rolled out, ensuring that social security will make a substantial contribution to reducing poverty, while also being clear it cannot be the only solution.
- 2** It will help to reduce the depth of poverty and provide support to those who need it most, ensuring that people across the lower deciles of the income distribution are supported, rather than simply getting those closest to the poverty line over the threshold.
- 3** It will help to support a sustainable and lasting reduction in poverty for families with children, ensuring outcomes beyond redistribution and supporting people to access wider services and support.

¹ [Scotland's Economic and Fiscal Forecasts](#), Scottish Fiscal Commission, December 2021.

12. The implementation of Scottish Child Payment for children under the age of six was achieved as anticipated and all aspects of systems and digital functionality that had been identified as required for the launch were delivered as planned. Achieving this was a substantial undertaking. Given the time pressures there was no capacity to deliver anything over and above the agreed core requirements. Additional improvements were made after the benefit launch, through ongoing continuous improvement work, for which there is a dedicated team. Prioritising delivery of the agreed scope is a reasonable approach for an Agile programme of this scale.

13. The Scottish Government established Scottish Child Payment to provide additional financial support to families on low incomes, to help with the costs of caring for a child and to support the aim of reducing child poverty in the longer term. It is too early to assess the impact of Scottish Child Payment, but the Scottish Government regards this as a central intervention in supporting its wider commitment to tackle child poverty and meet the statutory reduction targets set out in the Child Poverty (Scotland) Act 2017. The Scottish Government has commissioned research to inform its interim evaluation of Scottish Child Payment for children under the age of six. This work is due to be published in the summer of 2022. A wider review will take place once the benefit is fully rolled out.

The first of the devolved disability benefits, Child Disability Payment, was successfully launched following delays caused by the pandemic

Child Disability Payment replaces Disability Living Allowance for children in Scotland. It is intended to support disabled children and young people by providing financial assistance to help meet the additional costs associated with their care and mobility needs.

14. The Scottish Government launched **Child Disability Payment** in July 2021, a year later than originally planned because of the Covid-19 pandemic and prioritisation of the launch of Scottish Child Payment. The aim of the pilot was to test the core systems and gather feedback from clients for future improvements. It ran in three local authority areas – Dundee City, Perth and Kinross, and Na h-Eileanan an Iar – covering urban, rural, and remote rural settings. National roll-out started in November 2021.

15. The programme used the pause in activity owing to the Covid-19 pandemic to increase the system functionality for Child Disability Payment. Although this enhanced the administration of the benefit, the programme found it challenging to track the multiple requests for changes from teams and implement them before the revised launch date. New processes have been put in place to stop change requests four weeks in advance of a launch, recognising that the pilot and national roll-out were both very pressured and relied heavily on the dedication of staff. This will also provide more dedicated time for quality assurance activities.

16. The pilot provided limited opportunities to test some aspects of the benefit including change of circumstances, Short-term Assistance, appeals and re-determinations. Reflecting the Agile approach to delivery, Social Security Scotland did not launch fully developed systems to deal with all aspects of benefit administration, and 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. It is important that the programme and Social Security Scotland learn from this experience and design the system and approaches to data collection to support future performance reporting.

17. The Scottish Government is making changes to how disability benefits are administered ([Exhibit 3, page 16](#)). An individual can challenge a decision made by Social Security Scotland on their application for a benefit by requesting a re-determination. Social Security Scotland will look again at an application and decide whether the decision was right. Following the re-determination, if the client is still unhappy or if it has taken longer than allowed, the individual will have a right to appeal to the Social Security Chamber of the First-tier Tribunal for Scotland. Short-term Assistance is a new temporary payment which can be claimed by a Scottish client while a disability benefit is being challenged. Child Winter Heating Assistance is a new Scottish benefit for families with disabled children in receipt of the highest rate of the care component of Child Disability Payment. It is intended to help with winter heating costs and was launched as planned in November 2020. Eligibility was based on existing awards of Disability Living Allowance for children and Personal Independence Payments.

Case transfer refers to the movement of clients from DWP systems to Social Security Scotland and is needed when there is to be a direct Scottish replacement for an existing UK benefit. There will be no break in entitlement or payment for case transfers. In agreeing the approach to case transfer, the Scottish Government and the DWP made a clear commitment to a safe and secure process, recognising the risk to people's financial support if this is not achieved. Social Security Scotland can vary the rate of cases being transferred in response to operational demands and resource availability. The current ambition is to transfer all cases by 2025.

18. Transferring payments for around 47,000 existing clients alongside the launch of new benefits adds an extra layer of complexity and risk to delivery. The **case transfer process** started in October 2021 for Child Disability Payment. Terminally ill children and those aged 15 and a half to 18 years old were prioritised as a result of changes in eligibility (removal of the six-month time limit for terminally ill and the increase in eligibility from age 16 to 18). Some initial applications for Child Disability Payment came from people already receiving Disability Living Allowance for children, so the Scottish Government made public messaging about case transfer clearer. It also learned lessons about client behaviour and used this to inform planning for the national roll-out of both Child Disability Payment and Adult Disability Payment.

19. The programme and Social Security Scotland have a positive culture of learning lessons. A dedicated team has been established by the programme and it ran tailored sessions with staff from across the programme, Social Security Scotland, and Chief Digital Office following the pilot to gather feedback and implement change. Learning following the pilot and national roll-out has been valued by the staff involved and used to inform the launch of future benefits. Based on this learning the programme has made several improvements, including agreeing earlier in the process the final list of systems and functions that are to be delivered as part of a launch, and more clearly defining roles and responsibilities across the teams. 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.

The Scottish Government has introduced significant new approaches to the social security system in Scotland

20. New aspects of the devolved social security system include **local delivery**, advocacy, and multiple channels for accepting applications. Local delivery services were launched as part of the Child Disability Payment pilot. Because of the pandemic, the approach to this service had to be rethought and the NHS Near Me platform was adopted to enable the use of video appointments.

The local delivery service will provide face-to-face support to people applying for Scottish benefits at a time and place that suits them. People will be able to meet client advisers in their local community or at their home. The service will be available in every local authority area.

21. Independent advocacy was made a legal right for disabled people under Section 10 of the Social Security (Scotland) Act 2018. The Scottish Government launched this service in June 2021, helping to make social security support accessible and fair for disabled people. The Scottish Government awarded VoiceAbility a four-year contract worth £20.4 million to provide advocacy services. [VoiceAbility](#) is a UK-based charity which has committed to improving long-term employment prospects through the creation of 100 new jobs and recruiting 75 per cent of its staff from long-term unemployed or economically inactive candidates.

An independent advocate will help clients to have their voices heard, express their views, and feel understood. Advocates will not give advice, speak for you if you're able to do so yourself, unless you ask them to, or give their own views or opinions.

22. The launch of Child Disability Payment saw Social Security Scotland begin accepting applications through multiple channels: telephone, online, post and in person through the local delivery service. Over 80 per cent of Child Disability Payment clients chose to apply online, an option not available for the benefit it replaces. Social Security Scotland has used client feedback during the pilot to identify improvements to the application process, including the need to clarify requests for supporting information at the time of completing an application.

23. The design and delivery of the devolved social security benefits and the Scottish social security system continues to be driven by the principles of dignity, fairness and respect for those using the system. The programme continues to learn from existing benefit recipients through user experience panels and engagement with targeted client groups to inform its design decisions.

24. Social Security Scotland has an Insights and Analysis team that gathers the views of clients and partner organisations. It has also established an insights research programme to gather feedback from people who have applied for benefits or contacted Social Security Scotland through its helpline. The feedback gathered to date shows that people are positive about their experiences of engaging with Social Security Scotland and indicates that staff follow the principles of dignity, fairness, and respect. From this feedback, Social Security Scotland also recognises that it should provide more frequent updates to clients throughout the application process, and it plans to deal with this in future improvement activity.



The Social Security Scotland Client Survey 2018–2021 found:

- respondents made positive comments about the ease, accuracy, or timing of payments
- eighty nine per cent felt they had a good choice of communication channels
- ninety four per cent agreed they were treated with kindness.

The Scottish Government is well placed for the next stages of implementation but a lot remains to be done

Delivery to date has been a significant achievement but a lot remains to be done to fully implement and embed the devolved benefits

25. The Scottish Government has made significant progress on its programme of implementation. Low-income benefits, Young Carer Grant, Job Start Payment, the first phase of Scottish Child Payment, Child Disability Payment and Child Winter Heating Assistance are all now being administered by Social Security Scotland.

26. There is still a lot to be done to implement the remaining devolved benefits and embed the Scottish social security system. [Exhibit 1 \(page 7\)](#) outlines the delivery timeline. The next phase of implementation involves national delivery of Adult Disability Payment and the extension of Scottish Child Payment, both of which are challenging, high-volume benefits. The scale of activity undertaken by Social Security Scotland will increase greatly over the next few years ([Exhibit 2, page 14](#)). And there are longer-term system developments which need to be addressed as it moves towards a steady state position.

Exhibit 2.

The scale of activity undertaken by Social Security Scotland will increase hugely over the next few years

Staff



In **December 2021**, Social Security Scotland had around 1,800 full-time equivalent staff



By **March 2023**, it expects to have in excess of 3,500 full-time equivalent staff

Expenditure



In **2022/23**, 19% of devolved social security expenditure will be directly administered by Social Security Scotland, with the remainder administered by the DWP on its behalf

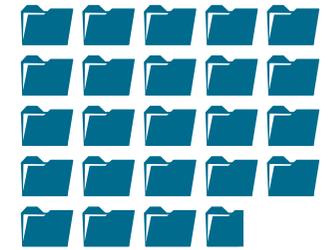


By **2025/26**, it is estimated that Social Security Scotland will be directly administering 73% of devolved social security expenditure¹

Caseload



In **2022/23**, the Adult Disability Payment caseload is forecast to be 20,000



By **2026/27**, the Adult Disability Payment caseload is forecast to increase to 475,000

Note 1: The Scottish Fiscal Commission forecasts are based on confirmed policy at the time of publication, as such it expects that this percentage will increase in future forecasts when policy is set for the Scottish Government's replacement payments for Carer's Allowance, Attendance Allowance, Industrial Injuries Disablement Scheme, and Winter Fuel Payments.

Source: Audit Scotland, using data from Scottish Fiscal Commission and Social Security Scotland

The Scottish Government is well prepared for delivering Adult Disability Payment and recognises the scale of the challenge

27. Adult Disability Payment will be one of the most challenging and complex benefits for the Scottish Government to implement. This is a benefit with a high caseload, and which involves making complex eligibility determinations which may change over time. The planned delivery of Adult Disability Payment was delayed in response to the Covid-19 pandemic. The Scottish Government had previously planned to launch Adult Disability Payment for new Scottish applications in early 2021. This was revised to a phased roll-out in spring 2022 followed by a national roll-out in summer 2022. The phased roll-out of Adult Disability Payment is for new Scottish applications only.

Adult Disability Payment replaces Personal Independence Payment and Disability Living Allowance for people of working age in Scotland. It is intended to support people with disabilities or long-term health conditions, by providing financial assistance to help meet the additional costs associated with care and mobility needs.

28. The phased roll-out of Adult Disability Payment began on 21 March 2022. Based on the experience of implementing Child Disability Payment, the launch of Adult Disability Payment was changed to a phased roll-out rather than a pilot approach. This allows the roll-out to be more flexible and responsive to learning and case volumes. The same local authority areas were chosen for the first phase of roll-out as were used for Child Disability Payment pilot, providing a mix of rural and urban areas. The national roll-out of the benefit is due to take place in August 2022.

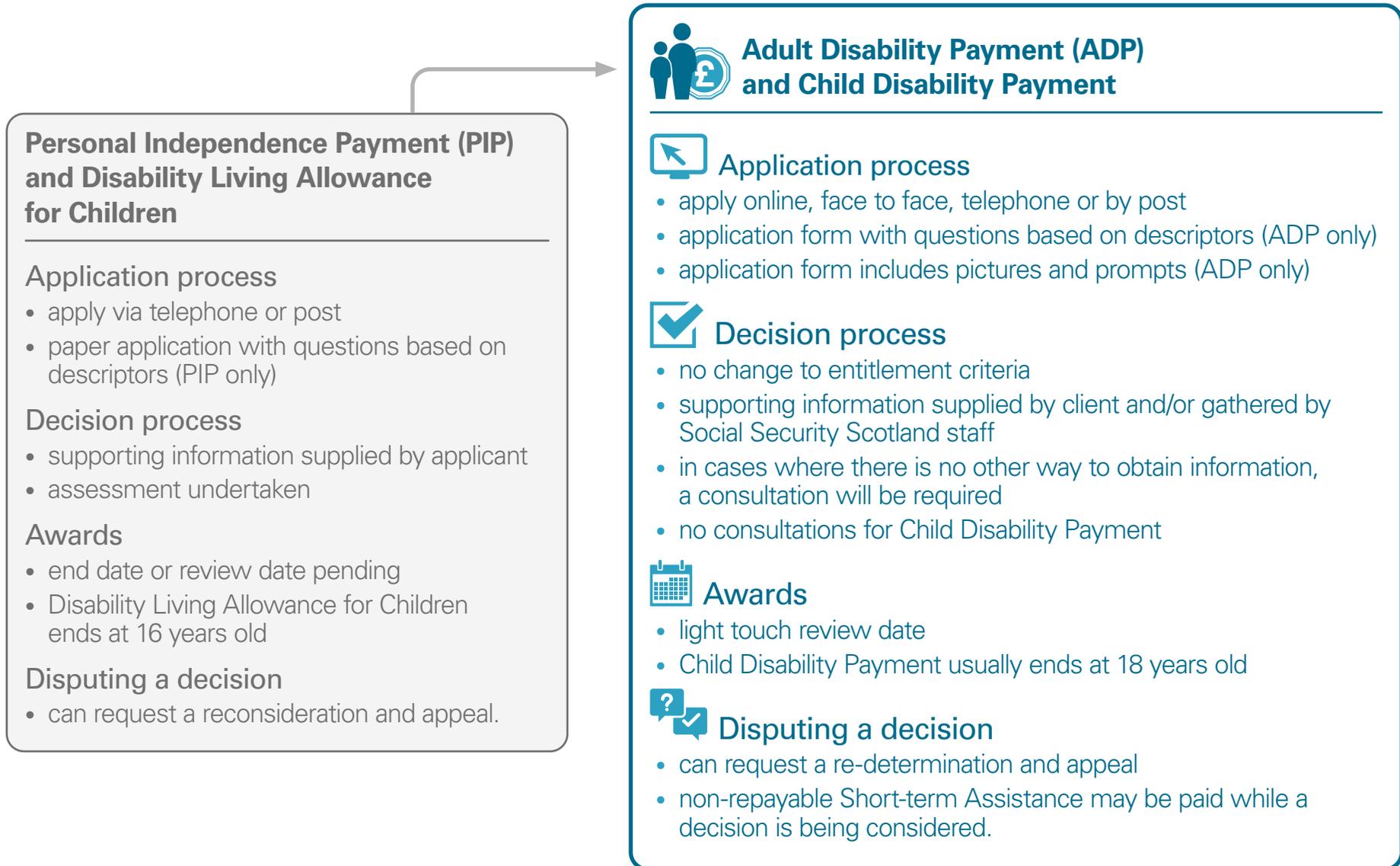
29. Scottish recipients of **Personal Independence Payment** and **Disability Living Allowance** will be transferred to the Adult Disability Payment system, administered by Social Security Scotland once national roll-out has started. In their approach to case transfer the Scottish Government and DWP have prioritised the safe and secure transfer of cases, recognising the risk to people's financial support if this is not achieved. Case transfers are planned to be completed in 2025.

There are over 300,000 recipients of Personal Independence Payment and around 40,000 recipients of working-age Disability Living Allowance in Scotland whose cases will need to be transferred to Social Security Scotland.

30. For case transfers triggered by a scheduled Personal Independence Payment review, the client will be notified by Social Security Scotland in advance of their review date that they are to be transferred to Adult Disability Payment. On transfer, awards will be made based on their existing Personal Independence Payment decision and a new light touch review date will be set by Social Security Scotland. This approach has been adopted to ensure the commitment to safe and secure transfer is met.

Exhibit 3.

The Scottish Government is changing how disability benefits will be administered in Scotland



Source: Audit Scotland

31. 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. This is due to the complexity of the benefit, the ongoing design and development work which will affect operational processes, and uncertainties in client behaviour. 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. Social Security Scotland has carried out modelling to plan for the staff numbers and skills mix required under different scenarios and acknowledges it will need to adapt staffing levels. 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.

32. To ensure the commitment to safe and secure delivery is met, the criteria for entitlement to Adult Disability Payment will remain the same as Personal Independence Payment. This is important to ensure clients continue to receive access to benefits and top-up payments, such as the disability element of Universal Credit, which are reserved to the UK Government. The Scottish Government has introduced changes to some aspects of how Adult Disability Payment is administered compared to the benefit it replaces ([Exhibit 3, page 16](#)). The Scottish Government has committed to a review of Adult Disability Payment in 2023. It is not anticipated that any changes to the eligibility criteria will be made until all cases have been transferred and are administered by Social Security Scotland.

The Scottish Government is preparing well for the extension of Scottish Child Payment

33. The programme is preparing well for the extension of Scottish Child Payment for children aged 6–15, but meeting the timescales set will be very challenging. Many aspects of the existing structures and processes in place for phase one of Scottish Child Payment will support the extension of the benefit. There has been extensive engagement between the programme and the DWP to resolve a crucial aspect of digital infrastructure, necessary for allowing relevant data for the extension of the benefit to be shared with Social Security Scotland.

34. A solution to enable the relevant data to be shared has now been agreed. This approach carries significant risks though, as it means the planned timescales for extending Scottish Child Payment by the end of 2022 are critically dependent on the DWP successfully building and testing a new digital system within a tight timescale. While development of the DWP system is ongoing, the programme must base its own development activity on design plans that it will not be able to fully test until late in the process.

35. The programme is clearly aware of this risk and is focused on managing it, and there are appropriate arrangements in place to escalate concerns if needed. The programme and the DWP have weekly meetings to monitor progress and ensure that plans are on track for delivery, alongside monthly senior level check-ins and agreed routes to consult at ministerial level if required.

36. The programme and Social Security Scotland continue to show a commitment to learning. A series of lessons-learned sessions were held to review the launch of Scottish Child Payment for children under six. Formal learning was documented and actions were agreed on to highlight successes, create improvements, and resolve issues raised. A common area identified for improvement was the need to plan and protect suitable time for system testing prior to launches. This can be difficult within tight delivery timescales, but it is important to ensure that systems are operating as expected and guidance for operational staff is as accurate and complete as possible. There are examples of development cut-off dates now being set ahead of launches, after which no further changes to systems will be made, to help address this learning point.

37. There is evidence of this learning informing plans for the extension of Scottish Child Payment. For example, the extended application window used for phase one created additional risks because testing carried out before the application window became invalid, as system changes were still being made after this point in preparation for the launch of payments. The extended application window also led to misunderstanding among clients, which resulted in some duplicate applications, despite Social Security Scotland's public messaging about the process. This approach will not be repeated for the extension of Scottish Child Payment for children under 16.

38. Social Security Scotland has been working to determine the staffing levels and skills required for the extension of Scottish Child Payment. A range of complex factors feed into its modelling of staffing requirements. For example, resourcing needs are largely driven by the design of systems, caseload forecasts and a dependency on the delivery of digital interfaces with data providers including Her Majesty's Revenue and Customs and DWP to enable the automation of Scottish Child Payment application processing. These factors will determine

the degree of manual processing needed for Scottish Child Payment applications and will therefore impact on resourcing. Staffing needs are, therefore, uncertain. Modelling is ongoing to establish and refine potential ranges and to evaluate the impact of design decisions on workforce requirements. Social Security Scotland acknowledges that it will need to adapt its workforce to respond effectively to any changes in its modelling assumptions.

39. In response to the increased focus on child poverty during the pandemic and significant lobbying by stakeholder groups, the Scottish Government announced that it would double Scottish Child Payment to £20 per week per child from April 2022. The Scottish Government recognised that owing to the pandemic and wider pressures on household incomes, a higher-value payment would be required to better support the original ambitions for Scottish Child Payment and its child poverty reduction targets. In its latest [Tackling Child Poverty Delivery Plan \(2022–2026\)](#), the Scottish Government has committed to further increasing the value of the benefit, to £25 per week per child by the end of 2022. These changes will not affect programme implementation costs or require any substantial additional design or development work.

40. The caseload for Scottish Child Payment is expected to increase by over 200,000 children from late 2022, following the expansion of the benefit to children aged 6–15. The total caseload for Scottish Child Payment is forecast to reach 333,000 children in 2023/24.²

² [Scotland's Economic and Fiscal Forecasts](#), Scottish Fiscal Commission, December 2021.



Modelling carried out by stakeholders, including the Institute for Public Policy Research and Scottish Parliament Information Centre, shows that the policy decision to double Scottish Child Payment could reduce child poverty by between two and five percentage points, once the benefit has been fully extended to include all children under 16.³

Modelling suggests that this is equivalent to lifting between 20,000 and 50,000 children out of poverty.

The Agile approach to systems development will require long-term resources and investment

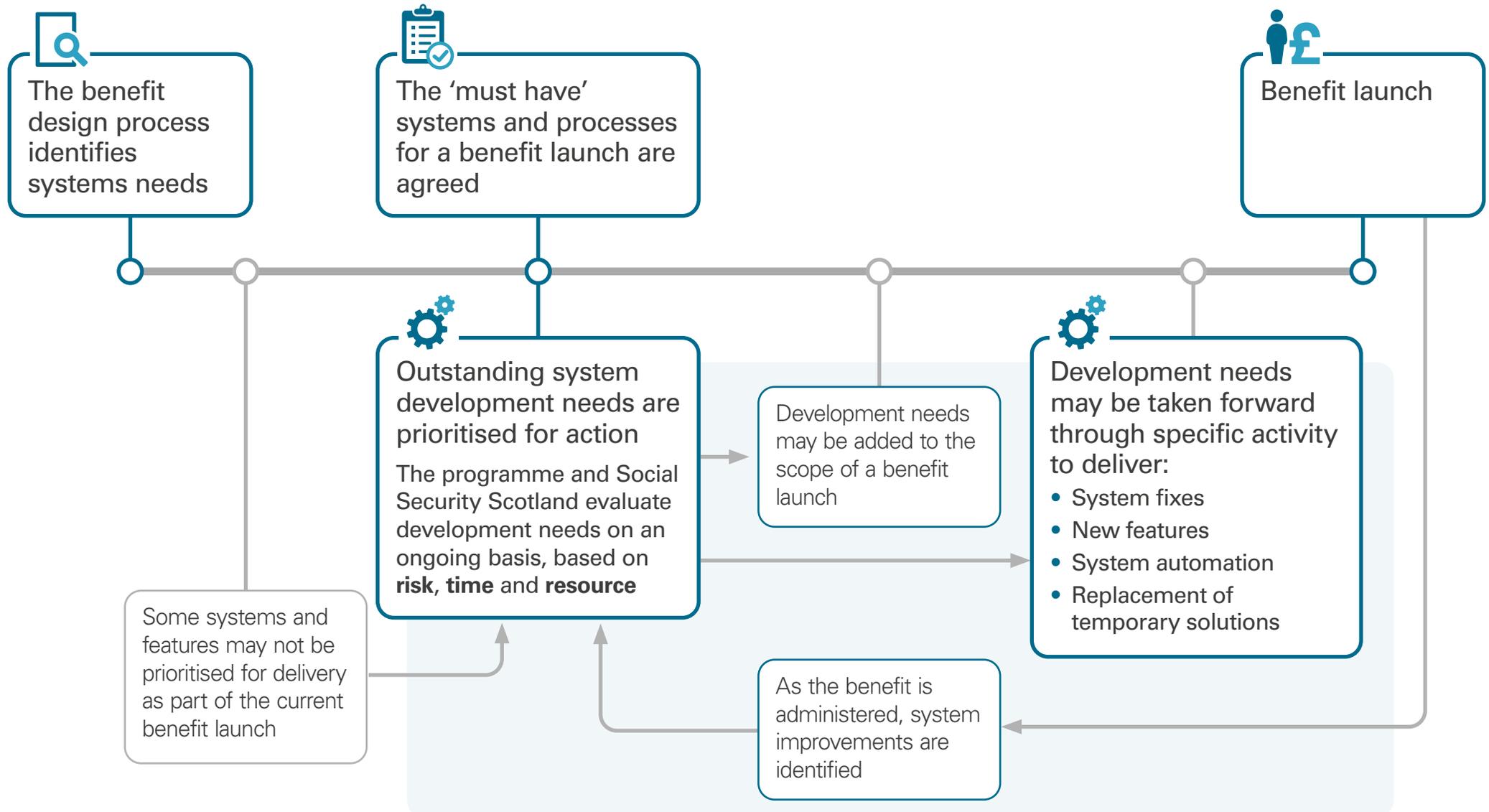
41. The Agile approach to implementing the social security powers is being well managed by the programme. Systems, processes and staff expertise have been established to support the scale and complexity of development activity. The Agile approach is supporting fast-paced delivery, with real-time learning and improvement. But by its nature it creates a legacy of further system development needs.

42. The fast pace of Agile development is achieved by focusing on the core 'must-have' system functionality identified to allow a benefit to be launched in an acceptable way. This means 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. There has been a deliberate focus on the systems and functions which matter most for service-user experience, with trade-offs more often affecting internal operational needs. The range and scale of future development needs is also added to once benefits are launched and systems become live, as system improvements and defects are identified ([Exhibit 4, page 20](#)).

³ Based on a range of modelling from: The Institute for Public Policy Research, Poverty & Inequality Commission, Joseph Rowntree Foundation, Fraser of Allander Institute and SPICe.

Exhibit 4.

Agile delivery involves ongoing identification and prioritisation of development needs



Source: Audit Scotland

43. Agile delivery involves the ongoing identification and prioritisation of system development needs. The programme and Social Security Scotland have strengthened their processes and approaches for managing this aspect of the Agile approach and a shared understanding of the implications of the approach is developing. There is joint decision-making on what aspects of systems and digital solutions are included in the scope of a benefit launch and processes have been established to control and agree changes. Approaches are being established for prioritising the outstanding areas of development needs. These processes have previously been driven mainly by the programme but 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.

44. The prioritisation of outstanding development needs is shaped by time, resource and risk considerations. Within both the programme and Social Security Scotland, dedicated teams are being established to provide additional staff to address outstanding areas of system and digital development. The move of the Chief Digital Officer's team from the programme into Social Security Scotland has increased its capacity for this activity.

45. The ability to address outstanding development activity is constrained by the available time between benefit launches. The focus of development activity to date has understandably been on supporting benefit launches. Given the pace of delivery, finding protected time to improve and enhance systems between these large-scale launches has been challenging. This activity is important for ensuring system stability and resilience and supporting the efficient and effective operation of Social Security Scotland.

46. It is difficult to quantify the development activity which will be required, both in terms of the time and investment needed to address it. It is likely that the need for development activity will last longer than the current expected lifespan of the implementation programme. Not all identified development options, whether system improvements or new features, will be delivered. Decisions will need to be taken about the costs and benefits of doing so. The Scottish Government will need to weigh up the investment needed for these against other priorities, such as delivering the proposed National Care Service.

47. 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.

Programme implementation costs are now estimated at £685 million to 2025/26, but greater transparency is required to support scrutiny

48. The Scottish Government's current estimate for overall programme implementation costs is £685 million to 2025/26. The initial estimate for implementation costs was £308 million over the life of the programme as set out in the 2017 Financial Memorandum. This figure came with a number of caveats, and the programme scope has since been increased. The revised implementation figure is £34 million more than that given in the 2020 Programme Business Case, which set out programme implementation costs to 2024/25. The estimate for programme implementation costs does not include any recharges to the DWP for the development work it undertakes to support implementation of the devolved benefits. This is being negotiated on an ongoing basis as the scale of the activity needed becomes clearer.

49. The Scottish Government acknowledged that the 2017 estimates were based on high-level assumptions and could change materially as the programme developed. Its understanding of the work needed to implement the devolved benefits has developed significantly since then. Key reasons given for the programme's increased scope and costs between 2017 and 2020 are the introduction of new Scottish-specific benefits, a better understanding of the costs associated with delivering Scottish replacement benefits and top-up forms of assistance, as well as the need to integrate digital infrastructure with DWP systems. In addition, the 2020 Programme Business Case was also the first time costs for the case transfer process were included in the overall implementation forecasts. Changes to the scope have also increased the life of the programme and the subsequent staff costs required for delivery ([Exhibit 5, page 23](#)).

50. The changes resulting from recent replanning work following the pandemic, have been set out within internal documentation. Work is ongoing within the social security programme to update the 2020 Programme Business Case, which is expected to be completed over the course of 2022. The Scottish Government plans to publish the revised Programme Business Case once it has received ministerial approval, in keeping with its previous commitment to make this information publicly available.

51. The Agile nature of delivery has resulted in changes to the programme scope, timescales and how cost areas are categorised within the overall implementation figure. For example, the Chief Digital Office and estates are now identified as distinct Social Security Scotland costs within the programme's revised estimates. Internal programme documentation goes some way to explaining these changes, but as overall implementation costs have not been routinely reported on publicly, it is difficult for those in scrutiny roles to track and compare over time. More regular public reporting on implementation costs is required to better support transparency and scrutiny.

Exhibit 5.

Implementation costs have increased as the scope and length of the programme have changed

	Financial Memorandum (2017)	Programme Business Case (2020)	Programme's revised estimates (2021)
Cost breakdown (£m):			
Staff	104	350	349
Estates	14	11	40
Information Technology	190	212	286
Other	–	78	10
Total Implementation Investment (Programme & Agency)	308	651	685
Expansion of programme delivery & timescales:			
Benefits	Devolution of 11 UK benefits to Scotland	Addition of new Scottish benefits ¹ and expansion of existing support	No new additions
Length of programme	4 years 2018/19 – 2021/22	7 years 2018/19 – 2024/25	8 years 2018/19 – 2025/26

Note 1: Scottish Child Payment, Young Carer Grant, Job Support Payment, Child Winter Heating Assistance

Source: Audit Scotland using information from: Social Security (Scotland) Bill, Financial Memorandum, Scottish Parliament, 2017; Social Security Programme Business Case, Scottish Government, 2020; and Social Security Programme revised estimates, 2021 (internal workings)

Robust processes are in place for in-year financial monitoring and longer-term plans have been developed

52. The programme maintained its financial monitoring and reporting processes throughout the pandemic, including monthly financial cycles and reporting to the Finance and Programme Board. Financial monitoring and reporting processes within the programme have been strengthened and there is now more certainty about in-year costs. A range of factors has contributed to these improvements, including stronger financial governance arrangements and greater certainty about what the programme will deliver during its lifespan, resulting in more accurate cost estimates. The programme has also implemented additional financial controls to mitigate budget pressures.

53. Robust processes are in place for scrutinising the revised programme implementation costs. Financial governance arrangements for the programme focus primarily on in-year costs relating to the Advice, Policy and Programme budget line, for which implementation costs are a subcategory. Longer-term costs are scrutinised by the Director's Finance Board, which is not involved in programme governance but has oversight of spending across the Social Security Directorate. The Agency implementation cost budget line (which feeds into overarching programme implementation costs) is scrutinised separately by Social Security Scotland through monthly budget delegation reporting.

54. Both the Scottish Government's social security programme and Social Security Scotland have set out long-term financial plans within internal documentation. The programme's revised estimates for implementation costs set out projected spending to 2025/26. Social Security Scotland has developed a five-year financial plan providing forecasts for key areas of spending to 2026/27. This is supported by detailed expenditure forecasts and projected year-on-year changes to 2030/31. There is a shared understanding within the programme and Social Security Scotland that longer-term financial planning for an Agile programme of this scale is challenging and brings increased uncertainty the further into the future costs are projected.

55. Evidence shows that both the programme and Social Security Scotland align their financial and workforce planning. For example, they model staff costs and requirements alongside projected implementation costs to 2025/26, and financial controls are in place for any decisions that will affect in-year staff costs. In addition, financial planning and governance processes are well aligned between the programme and Social Security Scotland.

Annual benefit expenditure in Scotland is forecast to be substantially higher than the corresponding funding received

Social security expenditure is a demand-led area of the Scottish Budget. Any spending above the funding received from the UK Government, through the block grant adjustment for corresponding UK benefits, must be met by the wider Scottish Budget. In practice, this means increased spending on areas of social security above the block grant adjustment may result in less funding being available for other parts of the Scottish Budget.

56. [The Scottish Fiscal Commission's latest forecasts](#), from December 2021, project that annual benefit expenditure in Scotland will be £760 million higher by 2026/27, than the corresponding funding received through the block grant adjustment. This will be driven mainly by the impact of changes to the way disability benefits are to be administered in Scotland ([Exhibit 3, page 16](#)).

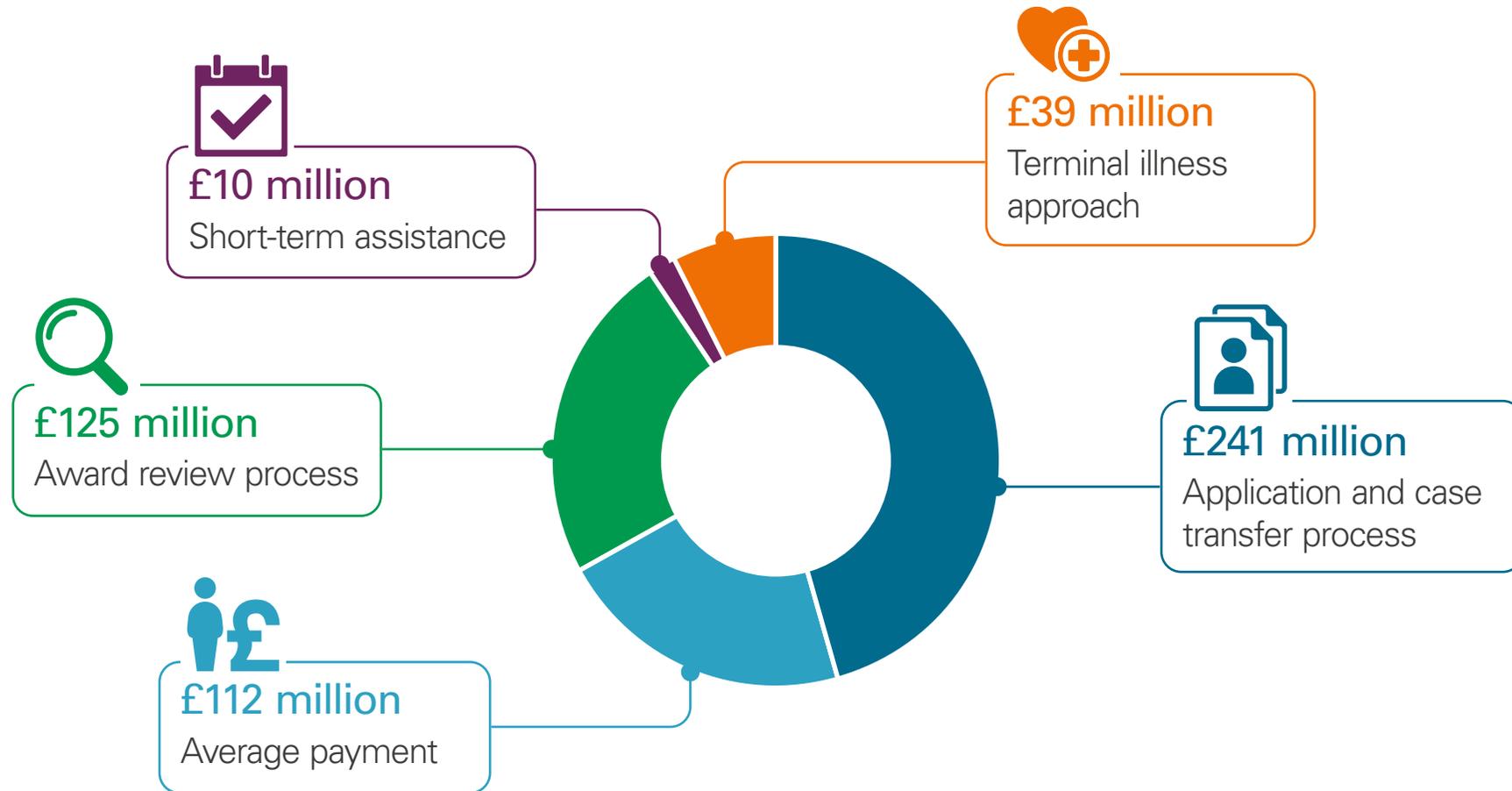
57. In December 2021, the Scottish Fiscal Commission forecast that by 2026/27 the planned changes to how Adult Disability Payment will be administered will result in the direct expenditure on this benefit being £527 million higher than the equivalent expenditure for Personal Independence Payments ([Exhibit 6, page 26](#)). Additionally, the forecast increase in Adult Disability Payment cases is expected to increase eligibility for Carer's Allowance, increasing expenditure on this benefit by £40 million. The Scottish Fiscal Commission acknowledges that there is a high degree of uncertainty in its forecasts for Adult Disability Payment, but these still provide a clear indication of the impact that administrative changes can have on benefit expenditure.

58. Scottish Child Payment is a new Scotland specific benefit and is therefore funded entirely by the Scottish Budget. Following the doubling of Scottish Child Payment in April 2022 and the planned roll-out to households with children aged 6–15 at the end of 2022, expenditure will be around £360 million by 2023/24. This forecast does not reflect the Scottish Government's commitment to increase the Scottish Child Payment value to £25 per week, made in March 2022.

59. Fiscal and economic forecasts contain uncertainties and can be volatile. The UK Office for Budgetary Responsibility produced its most recent economic and fiscal outlook in March 2022, which indicates an increase in the social security related block grant adjustment for Scotland compared to previous forecasts. Since the December 2021 forecasts, the Scottish Government has also made additional social security policy commitments which will affect future expenditure forecasts, including the increase to Scottish Child Payment. The Scottish Fiscal Commission is due to publish its updated fiscal and economic forecasts for Scotland on 31 May 2022.

Exhibit 6.

By 2026/27, direct benefit expenditure on Adult Disability Payment is forecast to be £527m higher than the benefit it replaces because of changes to how it is administered



Source: Audit Scotland using information from [Scotland's Economic and Fiscal Forecasts](#), Scottish Fiscal Commission, December 2021

The scale of staffing needed to implement and administer the devolved benefits is much larger than anticipated

60. Since 2019 the programme has carried out a range of activity to ensure that it has the staff numbers and skills that it needs. It has strengthened its leadership capacity and adapted its staffing structures to reflect the stage of the implementation programme. It now has a more structured approach for identifying and planning for the staffing numbers and skills it needs. This has improved the overall capacity and resilience of the programme and, at a programme level, the previously high-rated workforce risk has been reduced.

61. The scale of programme staffing has continued to increase and is now substantially higher than previously anticipated. When we reported in 2019, there were around 460 full-time equivalent staff working on implementation, including Chief Digital Office staff. As of December 2021, this has increased to 649 full-time equivalent staff, with Chief Digital Office staff having now transferred to Social Security Scotland. The programme expected its full-time equivalent staffing to rise to around 780 by the end of March 2022.

62. This growth reflects the programme's greater appreciation of the range and scale of activity required to implement the benefits but also that in some areas staff have been needed for longer after benefits are launched than was anticipated. Therefore, reducing the transfer of staff onto development work for future benefits. There is a high, and increased, reliance on contractor staff. When we reported in 2019, around 23 per cent of all staff working on implementation were contractors, including more than half of all Chief Digital Office staff. In 2022 the programme-wide level of contractor staff has been around 47 per cent. The high level of contractors is driven mainly by ongoing challenges with recruiting staff with the relevant skills and experience needed.

63. Using contractors can be a good way of accessing specific skills and experience, especially where these are needed for a short or defined period. However, it brings increased costs and risks the organisation not developing its own skills base. The programme is clear that it wants to ensure knowledge transfer from contractor staff to permanent employees and for this to support growth of their own staffing in specialist areas. The challenging delivery environment owing to the Covid-19 pandemic has made this more difficult and it is yet to be put into action in a structured way. Given the significant investment in staffing for this programme and the experience and skills being developed, there is a risk that the Scottish Government does not actively plan for how it makes best use of this to support areas of future service development.

64. The Scottish Government had initially set out that Social Security Scotland would employ at least 1,900 staff, across central and local delivery functions. In October 2021 it announced that a further 2,000 jobs would be created in Social Security Scotland. As of December 2021, Social Security Scotland had just over 1,800 full-time equivalent staff in post. Its workforce planning indicates that it will have in excess of 3,500 full-time equivalent staff by spring 2023. We have highlighted above the challenges for Social Security Scotland around identifying precise staffing needs until benefits are being administered and service user preferences are better understood. Long-term staffing levels will be directly affected by whether development activity is carried out to replace manual processes with automated systems. Social Security Scotland recognises that it will need to adapt and flex its staffing levels over time.

65. Social Security Scotland is managing the challenge of the scale and pace of recruitment well so far, putting in place in-house arrangements to support the central Scottish Government recruitment and human resources functions. But this is a significant undertaking and will need close ongoing management. There will be operational challenges to bringing on board this volume of new staff. Developing and maintaining the desired organisational cultures will need to be given focus; a challenge made more complex due to hybrid working arrangements.

66. The Scottish Government has committed to ensuring that Social Security Scotland has staff with appropriate health and social care expertise to support eligibility determinations for disability-related benefits. Recruitment to Social Security Scotland's Health and Social Care Operations Division has started. Its modelling has identified that around 300 practitioners will be needed to support both Child and Adult Disability Payment. Recruitment is being undertaken in a phased way to allow staff levels to grow in line with service demands and to build in learning from the pilot and phased roll-out activity. As at February 2022, just over 20 staff were in post, including senior officers and practitioners to support Child Disability Payment. Recruitment is under way in preparation for the phased roll-out of Adult Disability Payment. Social Security Scotland is aware of the wider challenges in the health and social care labour markets, exacerbated by the Covid-19 pandemic, but as yet its recruitment plans have not been affected.

Clarity about the intended impact of the investment in social security on outcomes for the people of Scotland will be needed to assess value for money

67. Evaluating and demonstrating the value for money of the social security system is important. Value for money is a principle in the [Social Security Charter](#), recognising that this is an investment of public money. The Scottish Government is clearly committed to establishing a social security system that operates on the basis of dignity, fairness and respect for people, and is establishing processes to collect and measure user feedback. Understanding how those who use the system feel about it is crucial. But to evaluate and demonstrate value for money, the Scottish Government needs to link performance measurement more clearly to the impact on outcomes for people and to the investment made to achieve these outcomes.

[Social Security Charter, Principle 8: the Scottish social security system is to be efficient and deliver value for money](#)

68. The Scottish Government has done a lot of work to establish and produce, along with Social Security Scotland, performance-measurement frameworks. The Programme Business Case outlines that performance will be reviewed through three strands - policy evaluation, measurable improvements and the Charter Measurement Framework. The Charter Measurement Framework was co-produced with those who have lived experience of the social security system and stakeholders. It focuses on how the Scottish system will operate and on people's experience of it, using about 70, mainly qualitative, measures. The framework does not, however, include a range of measurable metrics, which would support robust analysis over time, or clear links to the Scottish Government's [National Performance Framework](#).

69. The Scottish Government has set out a policy evaluation strategy that covers the initial low-income benefits, and a number of one-off evaluations have been carried out. The focus is mainly on how a benefit has been administered and the experiences of those who are in receipt, with limited, only general, coverage of outcomes. The Scottish Government has not yet set out a strategy for evaluating other benefits. This gives the Scottish Government the opportunity to set out more clearly how impacts on outcomes will be evaluated, with more specific reference to the National Performance Framework.

The Scottish Government established the National Performance Framework to measure progress on its ambition for a more successful country through giving opportunities to all people living in Scotland and increasing their wellbeing through sustainable and inclusive growth. The framework sets out 11 national outcomes, with aligned national performance indicators to measure progress toward these.

70. In continuing to develop performance measurement frameworks, it is important that the Scottish Government identifies information needs early enough to ensure that the data required is routinely and robustly captured. To do this, it is important that the Scottish Government is clear about the outcomes it intends the Scottish social security system, and specific benefits, to achieve.

Social security

Progress on implementing the devolved benefits

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