



Social Security Scotland  
Tèarainteachd Shòisealta Alba

# Annual Report and Accounts

for the seven months to 31 March 2019

Dignity,  
fairness,  
respect.

Laid before the Scottish Parliament by the Scottish Ministers  
under Public Finance and Accountability (Scotland) Act 2000  
s22(5) and Social Security (Scotland) Act 2018 s20(1)(a)

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## Performance Report

### Chief Executive's Foreword

This document tells the story of the first seven months of Social Security Scotland's existence. It is, as these things always are, a snapshot in time. We are a new agency and a young organisation, working all the while to deliver a new, devolved social security system for Scotland. We have gone through a period of intensive and rapid growth, just to get to where we are now – and we have further and even more significant change to come.

I believe this Annual Report shows that we have made a good start. We have performed well against expectations, the feedback from our clients' experience of our services has been exceptionally positive and all the indications are that people are satisfied with the support they have received.

Our purpose as an organisation is to administrate the Scottish social security system in accordance with the principles in section one of the Social Security (Scotland) Act 2018 and our Social Security Charter. Both of these documents have important things to say about the design and delivery of our services. Living up to these principles and the expectations people have of us is a core part of our work.

In relation to our Charter – this important document takes the principles set out in section one of the Act and explains what they should mean in practice. I believe we have already taken steps towards ensuring that our clients' experience reflects our Charter's aspirations.

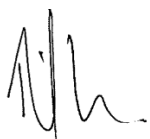
For example, we have involved people with diverse lived experiences of social security, and the organisations that represent them, in helping to train members of our teams and we have engaged with an extensive range of different stakeholders, at both national and local levels, to learn from their expertise as we develop our services.

This Autumn we will publish a separate document called, "Measuring the Charter", which sets out the framework by which we will assess our services in the future, to ensure that they live up to our Charter's requirements.

Later this year, we will also publish our Equality Strategy, which will be a key document in helping us progress towards the second of our four Strategic Objectives – to promote equality and tackle poverty. And underpinning this are our efforts to make sure that we communicate in ways which are accessible and easy for everyone to understand.

We won't succeed in making progress towards our aims and objectives unless we ensure that we always see and centre the person at the heart of all that we do. Our work on equalities, inclusive communication and delivering against the requirements of our Charter helps us maintain this focus and deliver the right services for everyone.

If we get this right, I'm confident that other things, including continuing the positive levels of client satisfaction and expectation-beating performance, will follow. I look forward to being able to report more progress, this time next year.



David Wallace  
Chief Executive & Accountable Officer  
17 September 2019

## Overview

**Social Security Scotland was set up to ensure that Scottish social security payments are managed correctly and fairly.**

The way we administer these payments is directed by the principles in the [Social Security \(Scotland\) Act 2018](#) and [our Charter](#). The graphic below illustrates why we are doing this, what we aim to achieve, and how we plan to do so. This is also explained, in more detail, in [our interim 2018-20 Corporate Plan](#).



This performance report is based on information, including official statistics, much of which has already been placed in the public domain. It covers the period 1 September 2018 to 31 March 2019 (which is referred to as the 'reporting period') rather than a full year. This is because Social Security Scotland was established on 1 September 2018, during the typical financial year. The statistics and data provided in this report are taken from Social Security Scotland's Analytical Performance Report, 2018-2019 which is published online<sup>1</sup> and provides more detailed information on the statistics and data.

<sup>1</sup> <https://www2.gov.scot/Topics/Statistics/Browse/Social-Welfare/SocialSecurityforScotland/APRMarch2019>

As of 31 March 2019, Social Security Scotland employed 363 staff directly and 39 staff on an interim basis. The majority of these (58%) are based at our Headquarters in Dundee and the rest at our second location in Glasgow and our local delivery outlets. We expect that the number of people we employ will, at least, double over the year to come.

During this reporting period, Social Security Scotland has been responsible for paying two new Scottish Social Security benefits – the **Carer's Allowance Supplement** and the **Best Start Grant: Pregnancy and Baby Payment**.

**Carer's Allowance Supplement** is paid to people in Scotland who receive **Carer's Allowance** - which is a separate, pre-existing benefit administered by the Scottish Government through an Agency Agreement with the UK Department for Work and Pensions while a replacement benefit is being developed.

**Best Start Grant: Pregnancy and Baby Payment** is paid to families who are in receipt of certain benefits or tax credits and who are expecting or have a child six months' old or under.

The amount of money we have spent against our operating budget, and the spend on these two benefits is shown in the Accountability section of this report. Overall, we underspent on our operating budget by £3,200,000. This was a managed underspend that we intended to utilise to fund additional expenditure on the **Best Start Grant**. An underspend arose late in the year on **Carer's Allowance** and this was utilised to fund additional expenditure over budget on the **Best Start Grant** and **Carer's Allowance Supplement**, meaning our managed underspend was not required. As this is the first set of accounts produced by Social Security Scotland, we can't compare this period against last. Our total assets are £16,124,000.

As well as the **Carer's Allowance Supplement** and the **Best Start Grant**, the Scottish Government also has overall responsibility for the payment of **Carer's Allowance** to clients in Scotland. For the time being, **Carer's Allowance** is delivered by the UK Department of Work and Pensions under the terms of an agency agreement. **Carer's Allowance** benefit spend is detailed in the Accountability section of this report.

Social Security Scotland meets a wide range of other obligations, some of which are required by law. This report describes what we have been doing in order to ensure that we are meeting these obligations. It refers to the potential measures of success which we published in our interim Corporate Plan, which we expect to use in order to measure our performance and assess any improvements.

Measuring performance effectively requires a baseline – a measurement of performance in the past, that present and future performance can be judged against. Our updated Corporate Plan, which is due to be published early next year, as well as our report on "Measuring the Charter", will explain how we will use the information in this report to set that baseline and next year's Annual Report will look back at this one and assess how the organisation has improved.

We will also be regularly publishing information over the course of the next year on the Scottish Government website. This will include, for example, statistical information about the payments we have made. These publications will increase in number and frequency as time goes on.

We have also added more information to our corporate website – [SocialSecurity.gov.scot](https://socialsecurity.gov.scot) to make it easy for people to find out more about what we do.

## Our Strategic Objectives

Our Strategic Objectives are aligned with the Scottish Government [National Performance Framework](#). Specifically, our rights-based approach supports progress of the [human rights outcome](#). If we fulfil our strategic objectives, we will help to build a fairer Scotland and a service which redefines the way in which people engage with social security.

### Dignity, fairness and respect

Delivering a service with dignity, fairness and respect at its core.

If we succeed, people applying for or in receipt of our benefits will be treated with dignity, fairness and respect. We are committed to supporting people throughout the application assessment process to ensure that their experience is positive and that they receive help and advice when claiming benefits they are entitled to.

### Equality and tackling poverty

Promoting equality and tackling poverty.

If we succeed, our benefit payments will target the right people, which will contribute towards a reduction in poverty and inequality. This will help to make a positive difference in client's lives, as it will increase an individual's sense of control and empowerment, giving them an increased sense of confidence and security.

### Efficiency and alignment

Ensuring efficiency and aligning our activities with wider public sector for the benefit of the people we serve.

If we succeed in meeting this objective, we will be an easily accessible, user friendly service. In doing so, we will align ourselves as effectively as possible with other services in order to ensure everyone gets the support they need.

### Economy, society and environment

Contributing to our economy, society and protection of our environment.

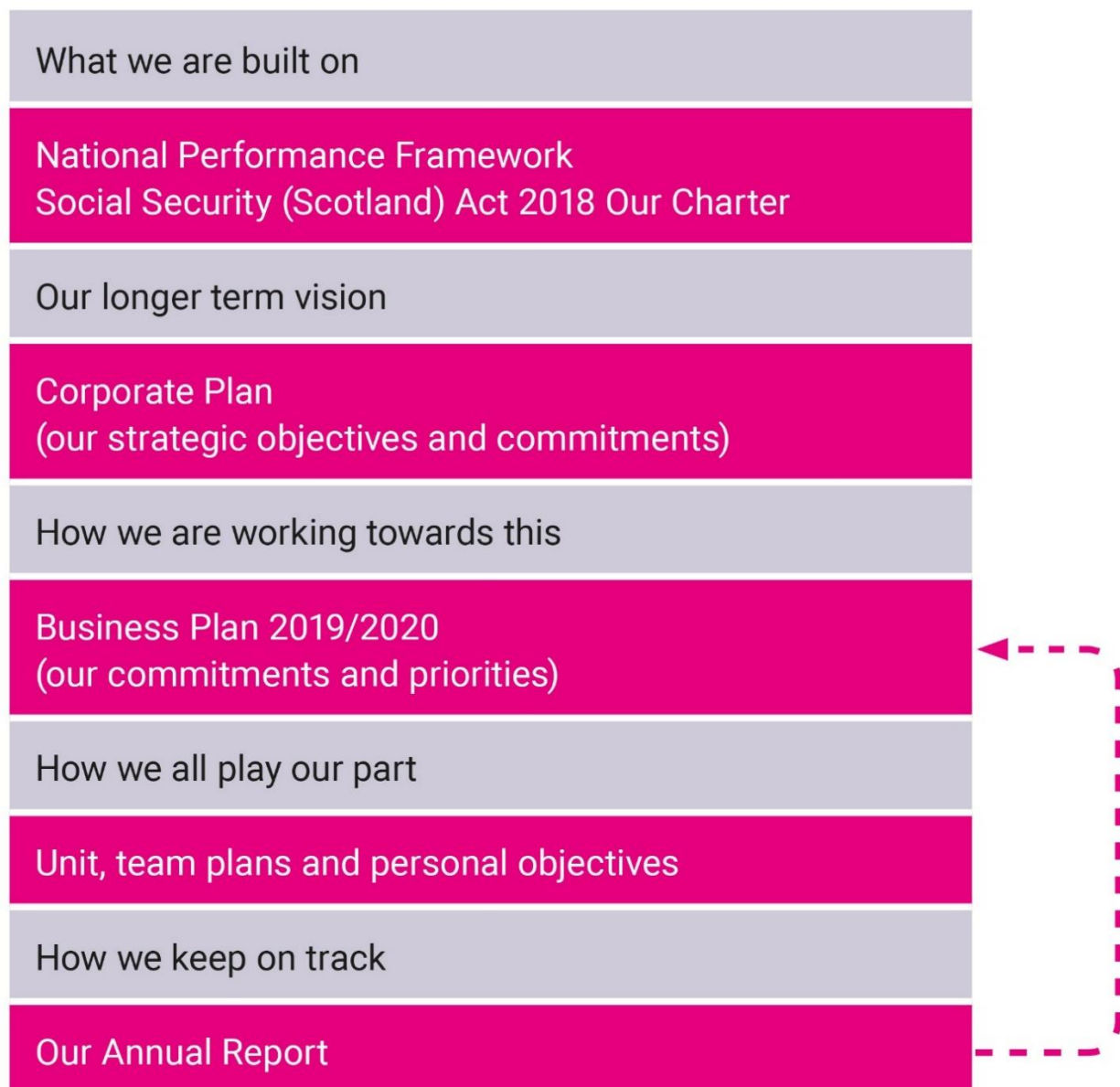
If we succeed in meeting this objective, we will change the interpretation and stigma surrounding the receipt of benefits and help people to see Scottish benefits as an investment in the people of Scotland. We will help to alleviate pressure on other public and third sector services, enabling them to function better.



The diagram below shows how our Strategic Objectives and the commitments which we have set out in our interim 2018 - 2020 Corporate Plan support progress towards the National Outcomes in the Scottish Government's [National Performance Framework](#).

The diagram also shows how our Annual Business Plan for each year is derived from our Strategic Objectives and the Corporate Plan and how the objectives which Unit Heads agree each year with their Units and individual teams flow from our Business Plan.

All this comes together in the work that everyone in Social Security Scotland is doing to achieve our Purpose and Objectives.



## Our Charter

The Social Security (Scotland) Act 2018 required the Scottish Government to create our Charter, a document which was approved by the Social Security Committee of the Scottish Parliament on 31 January 2019.

Our Charter explains: how we will uphold the Principles which are set out in the first section of the Act, how we will make sure that we are taking a human rights based approach to our work, and how we will demonstrate dignity, fairness and respect in all that we do.

Our Charter has 4 parts which are:

**A People's Service,  
Processes that work,  
A Learning system, and  
A Better future.**

In the autumn of 2019, Social Security Scotland, in partnership with the Scottish Government, will publish a report, "Measuring the Charter".

This separate publication will include details of the Charter Measurement Framework which we will use to monitor and report on our performance against the commitments in our Charter in a way that supports learning and the continuous improvement of our services.

In future years, these two publications will be combined and our Annual Report will include a section which reports on performance in relation to our Charter.

We have also been carrying out other activities which will help to ensure that the commitments in our Charter are embedded in everything we do. This work has included the following:

### General

- We ensured that our staff are aware of our Charter and its paramount role in helping to establish a Scottish social security system that meets the needs and ambitions of our clients, with dignity, fairness and respect at its heart,
- We built our Charter into our 2019-20 Business Plan and worked with staff across the organisation, to ensure that it is reflected in team and unit planning for the future,
- We made our Charter available to our staff and clients in a range of accessible formats – e.g. audio, video British Sign Language, easy read, large print,
- We ensured that there is detailed operational guidance for Social Security staff on what to do if asked for copies of our Charter, or about its contents,
- We included the leaflet version of our Charter with every decision letter we sent,
- We ensured there is a process in place should someone ask for the detailed charter document to be sent to them,
- We ensured that our Charter is explained and available to clients on our website, and



- We publicised our Charter at the Gathering (the largest, free Third Sector event in the UK), which took place on 20/21 February 2019.

## Learning and Development

To deliver on the commitment in our Charter to involve people with diverse lived experiences of social security and the organisations that represent them in training staff:

- With the support of external and third-sector partners in accessing the lived experience of clients and incorporating their perspectives into our training delivery, we have broadened the scope of our learning and development practice, targeting input that corresponds with the benefits as they come online,
- We arranged for one of our learning partners to attend training with Simpsons Memory Box Appeal, a charity which supports those affected by the loss of a baby, and this has informed the development of our learning packages,
- We arranged for learning sessions to be delivered by the following external stakeholder groups and organisations:
  - YoungScot
  - Deafblind Scotland
  - Home Energy Scotland
  - Carers Trust
  - MECOPP
  - Dementia Friends
  - One Parent Families Scotland
- We utilised the power of this learning as we develop a broader understanding of our learning needs through live delivery, taking a structured approach to how we access the most appropriate input to meet identified learning needs. This input will be evaluated as part of our learning evaluation strategy, and
- We also used data from the user research that has been carried out as part of the design of future benefits to understand the learning needs identified in the experiences of people who access the benefits system.

## Working with other organisations

To deliver on the commitment in our Charter to work with other organisations to ensure services and policy are joined up to provide the best possible help and support:

- We engaged with an extensive range of stakeholders at both national and local levels to raise awareness of our Charter and Social Security Scotland, learn from their expertise as we develop our service and developed partnerships that improve the level of support our clients receive,
- We held roadshows across Scotland to help to prepare partner organisations ahead of the introduction of each new benefit, and

- We supported organisations and their clients in the introduction of these benefits, by developing stakeholder toolkits which will provide a range of information about each benefit and links to a range of promotional materials,

Third sector organisations which we have engaged with include:

- Citizens Advice Scotland and the Citizens Advice Bureaux network
- A range of third sector advice service providers
- Registered Social Landlords
- Carers organisations
- The National Rural Mental Health Forum
- Third Sector Interfaces
- A range of equality organisations
- A range of veterans organisations

We also established our Operations Reference Group, which brings together local government, health and third sector organisations, to help shape our approach to delivery. Members of this group include Macmillan, Inclusion Scotland, The Alliance, Citizens Advice Scotland, COSLA and NHS Scotland.

### **Communicating to suit peoples' needs**

To deliver on the commitment in our Charter to adapt processes and ways of communicating as much as we reasonably can to meet client needs and preferences:

- We worked to provide people with the information they need in a format that is accessible to them. This includes providing letters, information and guidance in braille and large print,
- We made many of our leaflets and guidance available in Easy Read format and ensured our online content is compatible with screen reader software,
- We engaged with a group of stakeholders to identify what more can be done to support people and ensure we communicate with people in an accessible and inclusive way,
- We held workshops with equality organisations (Including LGBT Youth Scotland, Scottish Ethnic Minority Older People Forum, CEMVO, Engender, Age Scotland and carers and disability groups) to learn from their collective expertise, and
- We used the outcomes from these sessions to inform the development of Social Security Scotland's Corporate Plan and Equalities Strategy.

## **Our People**

### **Recruitment**

There has been significant activity to recruit the team members we need to meet our stated aim of developing a workforce that is reflective of Scottish society. To help achieve this, recruitment teams in Dundee and Glasgow have:

- Engaged with a variety of stakeholders and partners to better understand the barriers people experience when applying for Civil Service posts and identifying steps that can be put in place to breakdown or minimise these barriers and make Civil Service jobs more accessible,
- Delivered workshops to stakeholder and partner staff teams to explain our application process and what information we are looking for which allows them to better support their clients in completing applications for jobs in Social Security Scotland,
- Reviewed the wording and content of job adverts following consultation with stakeholders and partners to make them accessible to different groups,
- Attended jobs fairs and job workshops to speak directly with potential applicants about the jobs Social Security Scotland has, the skills and knowledge required to do these and to provide tips and advice on the application process, and
- Advertised jobs across stakeholders' social media networks to ensure they reach as wide a group of potential candidates as possible.

This work is ongoing and we will continue to engage with groups representing and supporting people from a variety of backgrounds, in different parts of Scottish society to encourage applications and build a diverse workforce.

### **Learning and Development**

Our recruitment activity has been mirrored by our work on learning and development because all new team members joining us require learning support to become established in their posts. Learning teams in Dundee and Glasgow have:

- Developed a comprehensive induction and initial training process to properly introduce new team members to Social Security Scotland and embed our values of Dignity, Fairness and Respect, and the Social Security Charter,
- Designed and delivered appropriate and effective training programmes to ensure Client Advisors have the skills and knowledge required to enable them to effectively administer benefits as they are introduced,
- Engaged with stakeholders and partners to access their specialist knowledge and experience to aid the development of learning content and make it accessible to different groups,
- Involved stakeholders and partners in the delivery of learning programmes to provide specialist input and give learners access to their experience and expertise, and

- Introduced learning programmes to support new managers across Social Security Scotland.

We will continue to engage with stakeholders and partners as part of the delivery of learning to support the introduction of new benefits. We will also continue to develop accessible learning content in a number of formats to meet individual learner needs and ensure our people have access to effective skills development routes when they need them.

## Engagement with Trades Unions

Social Security Scotland has built strong initial relationships with the Council of Scottish Government Unions (CSGU) consisting of: the Public and Commercial Services Union (PCS), Prospect and the FDA. Currently PCS have the highest number of members across our staff group.

This relationship is primarily realised through quarterly meetings of the Social Security Scotland Partnership Working Forum which consists of members of Agency senior leadership and representatives of CSGU. There are also additional ad-hoc meetings between representatives to discuss progress and gain inputs on specific topics and areas of interest.

PCS have also established local representatives in Dundee and a local partnership committee is being set up to manage local interests. There are plans for a similar committee in Glasgow which should be in place in the near future.

Social Security Scotland recognises and values the relationship with the CSGU and is committed to developing this as we grow.

## Forward Look

Social Security Scotland's next reporting period is the year, 1 April 2019 – 31 March 2020. We have published a [Business Plan](#) on our corporate website which sets out the work that we will deliver over this coming year.

In the next 12 months, our services will expand from the four payments that we offer at the moment. Our main focus will be on activities which will help us to expand and continually improve the services that we already deliver, and to build capacity in preparation for the introduction of the Scottish Child Payment and the launch of a range of disability benefits, which will become the major part of our operation in the future.

Building capacity does not simply mean recruiting more people, although this will be important – it means putting in place broad, deep and well embedded structures that will ensure that we are well-organised, that we communicate well with everyone inside and outside our organisation and that we manage our work in a way that delivers value for money and keeps us within our budget.

We will continue to engage fully with our colleagues in the Scottish Government Social Security Directorate, supporting their work to develop our operations and put our core delivery services in place. We will have a key role in helping them to understand what we will need to successfully administer this new system.

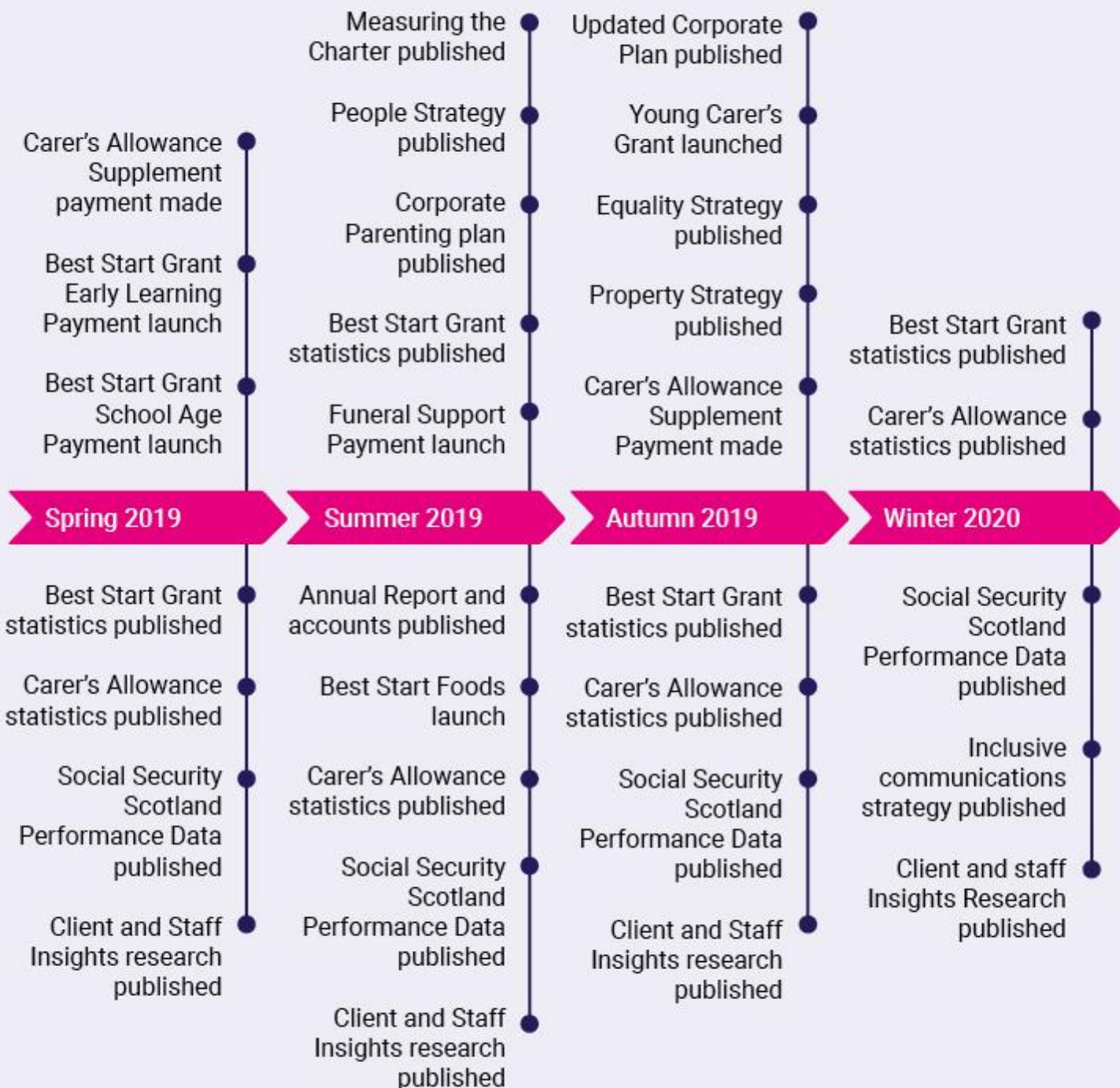
We will also be working to significantly increase the number of staff we have involved in local delivery who will provide face-to-face pre-application support – for example, when required, the ability to deliver face-to-face assessments at locations that suit the individual being assessed.

In the course of 2019-2020, Social Security Scotland will launch a further three benefits. These will be:

- Best Start: Foods (new claims from August 2019)
- Funeral Support Payment (Summer 2019)
- Young Carers Grant (Autumn 2019)

## Timeline for 2019-2020

The timeline below sets out the key events for Social Security Scotland over the next year:





## Dignity, Fairness, Respect.

This section of the Performance Report, and each section that follows, link to one of our four Strategic Objectives.

This section covers our first objective which is, **‘to deliver a service with dignity, fairness and respect at its core’**. In our interim Corporate Plan, we said that we would measure progress against this Objective by looking at the following indicators:

- Peoples’ experience of our services (whether it was positive or negative),
- The number of re-determinations which were carried out and the number which were upheld, and
- The number of appeals against our decisions which were applied for and the number which were upheld

As we explained in the introduction to this report, measuring future performance against this objective requires a baseline – a measurement of past performance. Our updated Corporate Plan, which is due to be published early next year, as well as our report on “Measuring the Charter”, will explain how we will use the measures reported on here as part of our work to establish a baseline for this objective.

### Peoples’ experience of our services

Information about peoples’ experience of our services comes from our Client Insights research. This research involves the collection of routine management information and directly asking clients and staff about their experiences. Further details about this research can be found in the [Client and Staff Insights report](#), which was published on 17 June 2019.

The findings of this research, to date, have been exceptionally positive with the majority of people who have had contact with Social Security Scotland, and who left a rating, rating the service positively or reporting that their experience was either ‘Very Good’ or ‘Good’.

We believe that these results show that, during this reporting period, Social Security Scotland has made good, initial progress against its objective to **“deliver a service with dignity, fairness and respect at its core”**.

### Telephone contact

From September 2018 to 31 March 2019, Social Security Scotland received over **37,800** contacts by phone. Of these, approximately **17,300** were in relation to **Best Start Grant**, **18,600** were in relation to Carers Allowance Supplement and **1,900** were general enquiries. We continually review our telephony response, in order to identify opportunities for improvement.

After any phone call with a client advisor, clients were able to stay on the line and answer a series of three questions about their experience with Social Security Scotland. Of those who left a rating:

- **89%** said their call had been answered quickly,
- **80%** felt they got everything they needed from the call, and
- **86%** rated the service positively overall.

## Satisfaction following applications

Social Security Scotland launched the **Best Start Grant Pregnancy and Baby Payment** on 10th December 2018, the first application-based payment to be made by the organisation. Following both online and telephony applications, a questionnaire offered applicants the opportunity to leave ratings on how the experience had been for them.

Of those online applicants who left a rating between December 2018 and March 2019:

- **97%** rated the service as 'Very Good' or 'Good'.

For telephony applicants:

- **100%** of those who left a rating rated the service as 'Very Good' or 'Good'.

## Re-determinations and appeals

During this reporting period, the overwhelming majority of our decisions (**98.1%**) were not subject to any re-determination or appeal, and appeals were only requested in relation to **1.9%** of the total number of decisions. When people have disagreed with our decision, they were able to challenge those decisions in an open, fair and transparent way.

**345** re-determinations were requested before 31 March 2019. Of those closed by 31 March 2019, 98% were closed within the deadline of 16 working days from receiving the re-determination request. Where re-determinations were closed after the deadline of 16 working days, extensions were agreed with the client and the re-determinations were closed within the 20 working day deadline.

Of these 345 re-determination requests, 300 were decided with the following outcomes:

- In **50%** of cases (150), the original decision was not changed,
- In **39%** of cases (115), the original decision was changed, and
- In **11%** of cases (35), the request for a re-determination was withdrawn by the client.

In all cases where the original decision was not changed, this was because the client did not meet the eligibility criteria set out in the regulations. In cases where the re-determination changed the original decision, this was because the client provided further evidence or came into receipt of a qualifying benefit and this was backdated to include the date of their claim.

The remaining **45** re-determination requests (13% of the 345 received) were pending an outcome at 31 March 2019.

During the reporting period around five appeals were received but no hearings had yet taken place. Information about appeals hearings and outcomes will be provided in future analytical performance reports.

## Equality and Tackling Poverty

This section covers Social Security Scotland's second Strategic Objective which is to, **"Promote equality and tackle poverty"**.

In our interim Corporate Plan, we said that we would measure progress against this objective by looking at the following indicators:

- The number of benefits awards made and the totals of benefits paid,
- The number of applications for benefit payments received and the number that have been processed,
- Plans to increase the take-up of Scottish benefits,
- Ways in which we have demonstrated our commitment to inclusive communication, and
- Ways in which we have demonstrated that equality is at the centre of all that we do.

During this reporting period, Social Security Scotland has actively contributed to tackling poverty in Scotland – as both of the benefits we have delivered represent clear gains to clients when compared with their previous, UK Government equivalents.

The **Carer's Allowance Supplement** has increased the amount paid to carers in Scotland in 2018-2019 by two additional payments of £221 and the **Best Start Grant: Pregnancy and Baby Payment** represents both an increase in the amount paid (£600 for a first child, compared to £500 under the UK Sure Start Grant) as well as a widening of entitlement for the payment with no limit on the number of children that are supported.

### Number of awards and totals paid

During this reporting period, we made payments in relation to the **Carer's Allowance Supplement** and the **Best Start Grant: Pregnancy and Baby Payment** (from 10 December 2018).

### Carer's Allowance Supplement

**Carer's Allowance Supplement** payments are made twice a year. In 2018-19 each payment was £221. This rises to £226.20 for 2019-20. Payments for those eligible for **Carer's Allowance Supplement** on the 16 April 2018 eligibility date began in September 2018. These were the first payments made by Social Security Scotland.

Since September 2018:

- 153,380 **Carer's Allowance Supplement** payments were made to 83,000 carers who were eligible in either or both of the eligibility dates in 2018 – costing £33,900,000<sup>2</sup>,
  - 77,620 were made to carers who were eligible in April 2018 – costing £17,200,000, and

<sup>2</sup> The financial statements show a total spend of £34.9 million because of claims that will be paid in 2019-20 but which relate to 2018-19

- 75,760 were made to carers who were eligible in October 2018, giving a total expenditure of £16.7 million.

## Best Start Grant: Pregnancy and Baby

**Best Start Grant: Pregnancy and Baby Payment** is a cash payment for the parents, or carers, of a baby. It is paid to help cover some of the costs of having children. **Best Start Grant: Pregnancy and Baby Payment** provides eligible families with £600 on the birth of their first pregnancy or child and £300 for any subsequent pregnancies or children.

There is an additional payment of £300 to help with the costs of having more than one baby, such as twins or triplets and there is no limit on the number of children that are supported.

Social Security Scotland began taking applications for the **Best Start Grant: Pregnancy and Baby Payment** on Monday 10 December 2018. The response to the launch was exceptional, with more than 4,000 applications received on the first day alone.

Since the introduction of the **Best Start Grant: Pregnancy and Baby Payment**, Social Security Scotland has gone on to launch two further **Best Start Grant** payments – the Early Learning Payment and the School Age Payment. Both of these benefits went live after the end of this reporting period and will be covered in the 2019-20 Annual Report.

From 10 December 2018 to 31 March 2019:

- 19,465 applications for **Best Start Grant: Pregnancy and Baby Payment** were received,
- 89% (17,350) of those applications were made online. The remaining 2,120 applications were through other channels such as phone or paper application form,
- 92% (17,950) of those applications had been processed by 31 March 2019. Of these, 64% (11,505) were authorised, 34% (6,090) were denied (for example, because the person applying did not live in Scotland), and 2% (350) were withdrawn,
- £4,200,000 of **Best Start Grant** payments were issued to clients by 31 March 2019<sup>3</sup>.

More payments were made for subsequent births than first births. By 31 March 2019, 57% (9,935) authorised applications were for subsequent births (i.e. to clients that already had children under 16 that lived with them and that they were responsible for), whereas 43% (7,645) were for first births.

## Working to increase take-up

Overall responsibility for benefit take-up policy lies with the Scottish Government and it will publish a strategy document later in 2019. During this reporting period Social Security Scotland has carried out work to help increase the take-up of social security benefits in Scotland, including the following specific activities:

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<sup>3</sup> The financial statements show a cost of £4.3 million which includes payments made in March 2019.

- We ran a targeted marketing campaign to accompany the launch of **Best Start Grant**, to raise awareness of the payment and to encourage applications for it,
- We planned further media campaigns, which have since been delivered, for the **Best Start Grant Early Learning and School Age Payments**,
- We held 10 roadshows across the country, to prepare stakeholders for the launch of the **Best Start Grant: Pregnancy and Baby Payment**, with an additional teleconference taking place for those living in remote areas,
- We made almost 1500 stakeholder contacts from over 600 different organisations at national and local levels including advice providers, children and families support organisations, health professionals, local authorities and social landlords, and
- We continued work to extend the reach of our engagement activity at both national and local level.

Work has also been ongoing during this reporting period to build our local delivery capacity and our stakeholders have been a great help in raising awareness, promoting our approach and further encouraging the uptake of our new benefits. We are extremely grateful for their continued support.

### Inclusive Communication

Social Security Scotland is committed to developing its services in close partnership with people with different communication support needs, and the stakeholder groups that help to support them, to help us improve the services we provide.

We began an extensive piece of stakeholder engagement work to help us develop our approach to inclusive communications. An initial workshop took place prior to our formation, in July 2018, and we are now working closely with a wide number of organisations to develop practical ways in which we can ensure that we communicate in an inclusive way.

Work undertaken in this reporting period has included the following specific activities:

- We worked with a group of stakeholders to help develop our job descriptions and adverts to ensure they are accessible, inclusive and appealing,
- We received presentations from a number of stakeholders as part of our staff training and development programme,
- We held a range of stakeholder workshops on topics such as how we best work with the advice sector, inclusive communications, development of our equalities strategy, how we manage fraud and error and development of our recruitment processes. These workshops have directly informed the development of our policies and processes,
- We developed a relationship management approach with a number of organisations who we feel can bring particular expertise to support the development of our service,
- We went on learning exchanges with a range of organisations including the Independent Living Fund, Skills Development Scotland, Home Energy Scotland, advice providers and local authorities, and

- We worked with a wide variety of local stakeholders to help us with the early design work for our future nationwide face to face service.

We have also adopted the Model Publication Scheme recommended by the Scottish Information Commissioner to ensure that we provide information to members of the public appropriately and in the spirit of openness and transparency.

## Putting equality at the centre of what we do

Under the Equality Act 2010, Social Security Scotland has a range of statutory obligations, which are followed by specific equality related obligations within the Social Security (Scotland) Act 2018.

Our approach to fulfilling these obligations has been to develop an Equality Strategy. This strategy will set specific mainstreaming equality outcomes for us while making links to the Scottish Government equality outcomes.

Work undertaken in this reporting period has included the following specific activities:

- Undertaking a baselining exercise identifying what activities relating to equality are ongoing within Social Security Scotland,
- Considering 'what best looks like' and how this could be measured,
- Holding an initial stakeholder workshop and meetings,
- Meeting with the Equality and Human Rights Commission, and
- Reviewing evidence and feedback from stakeholders to inform draft outcomes.

A public consultation on five draft Mainstreaming Equality outcomes will be carried out later in 2019. In developing these five draft outcomes, we have reflected on practice to date by other public bodies and guidance from the Equality and Human Rights Commission.

Our staff diversity information is shown later in this report in the Accountability – Staff & Remuneration report.

## Client diversity

We are working to understand the diversity of our client group and the inequalities issues which affect them. This work is still at an early stage so, while we are already collecting client diversity data, we are also working with equalities organisations to identify ways in which we can promote the voluntary submission of equalities information, to support our research and continuously improve our processes.

Evidence we have gathered during this reporting period shows that:

- 69% (52,245) of **Carer's Allowance Supplement** payments were made to female carers and 31% (23,460) were to male carers,
- 44% (33,610) of these payments were made to carers aged over 50, 12% (8,735) were to those aged under 30, 1% (770) were to carers over 65 and 0.3% (255) were to carers under 18.



## Efficiency and Alignment

This section covers Social Security Scotland's third Strategic Objective which is to, **"Ensure efficiency and to align our activities with wider public sector for the benefit of the people we serve"**.

In our interim Corporate Plan, we said that we would measure progress against this Objective by looking at the following indicators:

- Our average application processing time,
- The number of complaints and compliments we have received,
- The number of complaints which have been progressed to Scottish Public Service Ombudsman, and
- Ways in which we have demonstrated our commitment to minimise fraud.

### Processing applications

It is important to us that applications are processed efficiently and that peoples' pathways to accessing the benefit payments and support that they need are as short and obstacle free as possible – our overriding priority is to ensure that clients' experience of our services is positive and helpful.

We are pleased that the significant majority (79%) of applications for the **Best Start Grant: Pregnancy and Baby Payment** made to 31 March 2019 were processed within 15 working days. Further details on average processing times are set out below.

At the same time, feedback on these services has been overwhelmingly positive - of those who applied online and left a rating between December 2018 and March 2019, 97% rated the service as either 'Very Good' or 'Good' - while 100% of telephone applicants who left a rating rated the service as either 'Very Good' or 'Good'.

In the period up to 31 March 2019:

- 55% (9,785) of applications were processed within 10 working days,
- 79% (13,945) were processed within 15 working days, and
- 14% (e.g. cases where we had to ask for further evidence from the client) took 21 days or more to be processed.

### Call volumes

From September 2018 to 31 March 2019, we received over 37,800 telephone calls. Of these, approximately 17,300 were in relation to **Best Start Grant**, 18,600 were in relation to **Carer's Allowance Supplement** and 1,900 were general enquiries.

### Feedback: Compliments and complaints

We welcome and encourage feedback from everyone who engages with us or uses our services – and our clients have been able to provide feedback since the introduction of the **Carer's**

**Allowance Supplement.** We have made use of the feedback we have gathered to drive improvements to our processes. As an example we have made the residency criteria on the application form for **Best Start Grant** payments clearer.

## Complaints

Complaints made to Social Security Scotland are treated in accordance with the Scottish Public Services Ombudsman's (SPSO) complaints handling procedure.

This sets out a two stage internal complaints process. Frontline resolution – stage 1, allows 5 working days to respond to the client's complaint. Where a client remains unhappy with this response they can proceed to investigation – stage 2, which allows 20 working days to investigate and provide a response. If the client remains unhappy they can choose to take their complaint to the SPSO.

75 complaints were received by 31 March 2019, including 45 for **Carer's Allowance Supplement** and 30 for **Best Start Grant**.

If we compare this with the numbers of people who received payments (45 complaints compared to 86,305 carers and 30 complaints compared to 19,465 people applying for **Best Start Grant**) this indicates a high level of satisfaction.

For **Carer's Allowance Supplement**, the majority of complaints were not upheld (64%), while for **Best Start Grant** the majority were upheld (72%).

Overall, **22%** of complaints reached stage 2 (either progressing from stage 1 to stage 2, or being received at stage 2). A higher proportion of **Carer's Allowance Supplement** complaints reached Stage 2 (**24%**) than for **Best Start Grant** (**19%**).

This may be due to **Carer's Allowance Supplement** being live since September 2018, while **Best Start Grant** has only been live since December 2018.

The most common reason for complaints was 'Inadequate standard of service' (45, 57%). This is where we did not provide the level of service the client should have expected, for example, we said we would call back but did not call back within the agreed timescale.

All complaints were dealt with within the appropriate timescales. The average time taken to process complaints was:

- For stage 1 complaints - **zero days** (meaning that on average complaints were decided on the same day they were received), and
- For stage 2 complaints - **17 days**.

## Complaints progressed to Scottish Public Services Ombudsman

There were no cases referred to the Scottish Public Services Ombudsman during this reporting period.

## Compliments and Suggestions

Across both benefits, we received a total of **60** compliments, including 35 (55%) for **Carer's Allowance Supplement**, 15 (22%) for **Best Start Grant** and 15 (23%) that were not specific to a benefit.

The most common compliment was 'Thank you for being so helpful' (**25** compliments making up 43% of the total), followed by 'Thank you for getting it right' (**20** compliments, making up 33% of the total).

Across both benefits, we received a total of 5 suggestions, mostly on 'improving information available'.

## Lessons Learned

Outcomes and learning from client feedback has been shared and discussed with relevant people across the organisation. There is a monthly cross agency meeting to discuss client feedback, ongoing operational and practical issues, consistency of policy and legislative application and lessons learned. We have also been working closely with Scottish Government policy and programme colleagues to develop improvements to our services.

This is how we have specifically responded to feedback during the reporting period:

You said	We did
Web pages were unclear and difficult to understand	Updated the web pages
Our response times were too long	Revised our timescales for replies to emails
Our guidance wasn't clear	Updated guidance
Our re-determination guidance was unclear	Clarified guidance

## Economy and Environment

This section covers Social Security Scotland's fourth Strategic Objective which is to, **"Contribute to our economy, society and protection of our environment"**.

In our interim 2018-20 Corporate Plan, we said that we would measure progress against this objective by looking at the following indicators:

- Administration budget outturn against forecast,
- Fraud cases identified,
- Ways in which we have demonstrated our commitment to minimise errors and reduce debt, and
- Recycle levels and reduction of waste to landfill Carbon emissions as a result of staff travel.

## Financial

The Accountability report shows our outturn on our budget. It also provides information on fraud, debt and error. As stated on page 42, Social Security Scotland takes a zero tolerance towards fraud, bribery and corruption and we operate the Scottish Government's whistleblowing policy.

The financial statements for the period ended 31 March 2019 show a net liabilities position of £14,765,000. This has arisen as a result of the requirement to account for our activities on an accruals basis, whilst recording funding from the Scottish Government on a cash basis. Net liabilities will be funded by the Scottish Government as they arise.

## Sustainability

### Business Travel

Social Security Scotland is a new organisation growing in size and committed to delivering a national service across Scotland. We are committed to meeting our obligations under the Climate Change (Scotland) Act 2009, which requires us to report on corporate operational emissions across activities, such as office energy usage and business travel.

We have adopted the Scottish Government's travel management policy and, in turn our actions will contribute to the Scottish Government's overall sustainability targets.

### Emission levels

During this reporting period, we have been assessing our overall travel requirement. To meet immediate needs, we have introduced a small fleet of hybrid vehicles to support staff based in our Dundee and Glasgow offices. The hybrid model was chosen because the infrastructure to support a fully electric fleet is still at an early stage of development across Scotland. As we expand our fleet it will, in time, grow to consist of a combination of hybrid, plug-in hybrid and fully electric vehicles. These vehicles can be used by all staff as a sustainable alternative if they are unable to use public transport. Our ultimate aim is to have a fleet of ultra-low emission vehicles that emit 75 kg carbon and below.

Our emissions for business travel during this reporting period was **21.36 tonnes of CO<sub>2</sub>e<sup>4</sup>**. This will be used to assess our baseline going forward although we will need to take into account increases in staff numbers. During this reporting period, we have:

- Aimed to minimise non-essential business travel as we design and improve our service,
- Implemented guidance which gives a clear preference to travel by train rather than by air. A central team has been introduced to monitor current air travel and work with teams to offer alternatives where practical,
- Worked to increase and improve the existing technology options available for remote meetings, such as telephone, Skype and video conferencing particularly to connect our main offices with our people based across Scotland.

## Estates

As a new public service, Social Security Scotland is committed to providing buildings which are accessible and welcoming to all of our clients and to the wider public. Our estate is being designed and developed in the same way as our services have been, with the input of the people who will visit and use our buildings.

Prior to our establishment, it was agreed that our Headquarters would be located in Dundee. Following a market search and options appraisal, initial interim accommodation was acquired in Dundee House, Dundee and at 220 High Street, Glasgow, to allow delivery of the first wave of benefits.

In line with the commitments in our interim 2018 – 2020 Corporate Plan and our Charter, our overall approach to our buildings and estates is to:

- Provide secure, accessible buildings and facilities which are effective and functional for both our people and the public, while demonstrating effective use of public money,
- Ensure that our Headquarters and other offices are connected via direct transport routes,
- Provide resilience, business continuity and enough movement of staff to share a common culture,
- Establish and maintain a long term property strategy to provide public buildings which are open and welcoming to clients and the wider public and which reflect a service that is designed by, and belongs to, the people that use it,
- Locate our central buildings in areas that are well serviced by public transport and within easy access of the communities we serve, and
- Contribute to a Local Delivery network and be located in places where clients would readily and ideally already visit.

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<sup>4</sup> Carbon dioxide equivalent

We are committed to promoting excellence in health and safety as we continue to expand the size of our organisation. We are fully compliant with all legal and other obligations regarding the health and wellbeing of our staff and others who come into contact with our organisation.

We will continuously improve our health and safety management systems in line with our vision, strategy and objectives by adopting Scottish Government health and safety systems and pursuing best practice.

During this reporting period, we have:

- leased interim space within Caledonian House, Dundee, providing flexibility for the future as we continue to grow, and
- increased our office space within 220 High Street, from January 2019 onwards.



## Risk Management

In accordance with best practice, Social Security Scotland has implemented a risk management strategy, which has been published on our corporate website. This is required because the delivery of our Strategic Objectives, which we measure our progress against, is surrounded by uncertainty which poses threats to success. Risk is defined as this uncertainty of outcome.

Risk is assessed in respect of the combination of the likelihood of something happening, and the impact which arises if it does actually happen. Our risk management strategy sets out how we do this and explains how risks are identified, assessed and managed across the organisation.

The strategy integrates the management of risk so that different levels of activity (e.g. cross-Agency/strategic level and business unit level) support each other. The strategy is led from the top and embedded in our working routines and activities.

A programme of risk awareness training has been rolled-out to support our people in the management of risk and to ensure that everyone is aware of the relevance of risk to the achievement of their objectives.

The principal tool for managing cross-Agency strategic risk is our strategic risk register which helps us to make sure that risks do not keep us from achieving our Strategic Objectives. Risk is also linked to our performance indicators, insofar as it may slow down the pace at which we improve performance.

Once we have the necessary 'baseline' measurements of past performance, we will use the strategic risk register to link risks to relevant, base-lined performance indicators, in order to ensure that risk is managed in such a way that it does not act as a barrier.

Risks in the strategic risk register are organised into 10 categories. Tolerance levels – an estimate of our appetite for risk in each category – have been agreed by the Senior Leadership Team and the Audit and Assurance Committee.

Every risk in the strategic risk register is assigned to a member of the Senior Leadership Team as 'owner' and each risk owner has nominated an 'action owner', who leads on activities to assess and manage that risk.

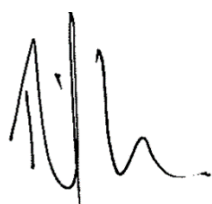
The table below shows the different categories of risk in the strategic risk register:

Category	Description
<b>Programme</b>	Risks that arise as a result of activity in the Social Security Programme or in relation to our relationship with and dependencies on the Programme
<b>Operational Delivery</b>	Risks that arise as a result of, or which will have a significant impact on, our operational activities
<b>Communications</b>	Risks that arise as a result of our communications activity or which will have a significant impact on Agency communications
<b>Compliance</b>	Risks that arise as a result of requirements on us to comply with our statutory obligations
<b>Policy</b>	Risks that arise as a result of activity in the policy or political space
<b>Governance</b>	Risks that arise as a result of activity in our governance space

<b>Resource</b>	Risks associated with, or which will have a significant impact on Agency non-financial resources
<b>Financial</b>	Risks associated with the management of, or which will have a significant impact on, Agency finances
<b>Security</b>	Risks that arise as a result of requirements on us to ensure that our people and other assets are kept safe and secure
<b>Technology</b>	Risks that arise as a result of changes to, or failures of technology which impact on the delivery of Agency services

During this reporting period, the key risks being managed by Social Security Scotland were in the following areas:

- **Technology** - the risk that IT systems may not be ready or sufficiently robust for benefit launch dates,
- **Financial** - risks around the monitoring of expenditure against budgets,
- **Compliance** – the risk that we may be found to not be acting in accordance with our corporate responsibilities or complying with statutory regulations, and
- **Resource** – the risk that our estate may not be procured to the required standard or that it may be unable to house all our people.



David Wallace  
Chief Executive and Accountable Officer  
17 September 2019

## Accountability Report

### Director's Report

David Wallace is the Chief Executive and Accountable Officer for Social Security Scotland. He is supported by his Senior Leadership Team:

Miriam Craven – Head of Local Delivery & Client Experience  
Ally Macphail – Head of Corporate Services  
Tracy McIntyre – Head of Operations  
Mo Rooney – Head of Governance & Strategy  
James Wallace – Head of Finance

The following non-executive members are on our Executive Advisory Body and/or the Audit and Assurance Committee:

Laura Brennan Whitefield – Executive Advisory Body  
Jessica Burns – Executive Advisory Body & Audit and Assurance Committee  
Chris Creegan – Executive Advisory Body  
Ewan Gurr – Executive Advisory Body  
Douglas Hutchens – Executive Advisory Body & Audit and Assurance Committee  
Elaine Noad – Executive Advisory Body & Audit and Assurance Committee  
Russell Frith – Audit and Assurance Committee (Chair)

A register of interests is maintained for all members and, at meetings, attendees are required to disclose any conflict of interest.

## Governance Statement

This first Governance Statement aims to provide a clear understanding of Social Security Scotland's developing internal control structure and the management of our resources. As Social Security Scotland is new, and will continue to grow as we administer further benefits, it takes account of this context, while outlining and evaluating what we have put in place to gain assurance about performance and risk, and how we are responding to weaknesses in these areas.

### Scope of responsibility

As Accountable Officer for Social Security Scotland, I have responsibility for maintaining a sound system of risk management and internal control. This system supports the achievement of the aims and objectives set out in our Interim Corporate Plan and Framework Agreement with Scottish Ministers. This is balanced with my role to safeguard those public funds and assets which have been assigned to me, and for which I am personally responsible in terms of section 15 of the Public Finance and Accountability (Scotland) Act 2000.

I confirm that, as far as I am aware, there is no relevant information of which our auditors are unaware, and that, in my role as Accountable Officer, I have taken all necessary steps to make myself aware of any relevant information and to establish that our auditors are aware of that information.

As Accountable Officer I can confirm that the annual report and accounts are fair, balanced and understandable and I take personal responsibility for the judgments required for determining that it meets the criteria described.

### Social Security Scotland Governance Framework

Social Security Scotland's Governance Framework comprises the systems, processes and values within which we operate. Our system of internal control and assurances are in line with the Scottish Public Finance Manual and seek to identify the principal risks to the achievement of our policies, aims and objectives. Our Framework Document can be found on our website<sup>5</sup>.

The Scottish Public Finance Manual issued by the Scottish Ministers, provides guidance to the Scottish Government and other relevant bodies on the handling and reporting of public funds. It emphasises the need for efficiency, effectiveness and economy, whilst promoting good practice and high standards of propriety and our governance arrangements ensure that we comply with the requirements of the Scottish Public Finance Manual.

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<sup>5</sup> <https://dgxmvz0tqkndr.cloudfront.net/production/images/general/Social-Security-Scotland-Framework-Document.pdf>

## Senior Leadership Team

I am supported in my role as Accountable Officer by my Senior Leadership Team (shown in the Director's Report) which is responsible for shaping the systems and structures required to deliver the benefits that we pay, develop strategies and plans and the day to day management of the organisation.

## Executive Advisory Body

I am also supported by our Executive Advisory Body, which I Chair and includes six Non-Executive Members (shown in the Director's report). The Executive Advisory Body considers the overarching strategy, direction, and governance of Social Security Scotland, and acts as a critical friend by providing constructive challenge.

Since 1 September 2018 they have met four times. It discussed a range of strategic issues while also undertaking a comprehensive induction programme to introduce members to their new role.

At all meetings, two members of staff can attend as observers and the agenda, minutes and action tracker of all meetings are publicly available on our website.

## Audit and Assurance Committee

Our Audit and Assurance Committee is chaired by an Independent Non-Executive Member and includes three other Non-Executive Members. It provides independent scrutiny of our strategic approach to risk, control and governance, accounting policies and accounts, and audit plans and results. This Committee met twice, agreeing its Terms of Reference and advising on our financial policies and Risk Management Strategy.

As Accountable Officer I routinely attend the Audit and Assurance Committee with other key personnel from across Social Security Scotland.

Internal and external auditors also attend and their work helps inform the assessment of our risk management, control and governance processes.

Similar to the Executive Advisory Body, the agenda, minutes and action tracker from all meetings are published on our website.

## Portfolio Sponsor ('Fraser Figure')

In addition to the above we have meetings with Social Security Scotland's Portfolio Sponsor, the Scottish Government Director for Social Security, who is responsible for the wider Social Security Policy and Programme within the Scottish Government. Minutes of these meetings are available on our website.

## Relationship with Social Security Programme Governance

Social Security Scotland is also fully aligned with the governance of the Social Security Programme. Our planning work follows programme standards and we report into its

governance structures on progress as it relates to successful delivery of the programme. As Chief Executive, I am a member of the Programme Board and Social Security Scotland is represented on all major programme governance forums, including its Delivery Board, Business Design Authority, Change Control Board and Risk Review Board.

## Risk

All bodies to which the Scottish Public Finance Manual is directly applicable must operate a risk management strategy in accordance with relevant guidance.

In 2018, we developed our Risk Management Strategy in order to provide the necessary assurance to myself as Accountable Officer that the appropriate structures are being put in place, as we expand, to manage risk effectively. Both the Executive Advisory Body and Audit and Assurance Committee provided advice on this and the strategy is currently being rolled-out and embedded throughout the organisation. .

We maintain a Strategic Risk Register that sits within our Senior Leadership Team and is a standing agenda item at each of our meetings. Any risk on the Strategic Risk Register is agreed by the Senior Leadership Team, who then agree action owners. The Strategic Risk Register is 'fed' by local-level and project risk logs from across Social Security Scotland. We also have links in place with the Social Security Programme and Chief Digital Office, to manage risks which have cross-cutting dimensions. These links, and associated processes, are reflected in both ours and the Programme's risk strategy documents.

Our Risk Management Function conducts regular reviews of existing risks and scores them in collaboration with relevant stakeholders, they also meet with risk owners to discuss and agree mitigating action. Our risk appetite has been assessed, in accordance with the Scottish Government Risk Guide. Our initial risk appetite scorings have been tested with our Audit and Assurance Committee and will be reviewed regularly to support effective reporting.

The Risk Management Function, in agreement with the Senior Leadership Team, Executive Advisory Body and Audit and Assurance Committee, will focus on ten risk categories. The categories are:

- communication
- compliance
- financial
- governance
- operations
- policy
- programme
- resource
- security
- technology.



## Internal Audit

Internal Audit provides independent assurance on the adequacy and effectiveness of the systems of governance, controls and financial management. An Internal Audit Plan was agreed for 2018-19, covering quarters three and four, and in total seven Internal Audit Reviews were undertaken.

- Governance - Reasonable assurance
- Recruitment - Reasonable assurance
- Fleet management - Substantial assurance
- Reporting and assurance – Limited assurance
- Business planning - Reasonable assurance
- Strategic narrative and key messages - Substantial assurance
- Development of key performance indicators - Reasonable assurance

There was also a range of advisory work undertaken and we were part of a Scottish Government cross cutting review on Data Loss Prevention.

Internal Audit have provided me, as Accountable Officer, with an overall assurance assessment of 'Reasonable' for this period.

## External Audit

The financial statements for 2018-19 are audited by auditors appointed by the Auditor General for Scotland. Audit Scotland carried out this audit and the fee for this service was £111,050 which related solely to the provision of the statutory audit service. There were no payments made for non-audit work in the period.

## Assessment of Corporate Governance Arrangements

Establishing effective corporate governance arrangements has been critical in establishing Social Security Scotland as an exemplar public body. An internal audit has been undertaken on Governance and an assurance rating of reasonable was provided and I am pleased to note that all recommendations were accepted and the majority implemented by 31 March 2019. As we grow we will continually review how our arrangements are meeting our needs.

## Data Protection

Social Security Scotland follows the Scottish Government policy on Information Security and has a designated Senior Information Risk Owner.

Data Protection obligations and registration are set at legal entity level and as such Social Security Scotland's registration with the Information Commissioner sits under Scottish Ministers. The legal entity obligation to appoint a Data Protection Officer sits at Scottish Government level. In recognising that Social Security Scotland carries out its functions at arm's length from central government, a Memorandum of Understanding has been put in place. This sets out the terms of agreement in relation to compliance with

data protection laws and provides a structure for establishing co-ordinated procedures in relation to the Scottish Ministers' data protection obligations.

In 2018, a Data Protection Framework was established which forms the mechanism for ensuring Social Security Scotland can evidence how it meets its legislative and regulatory requirements as set out in General Data Protection Regulation, Data Protection Act 2018, and related legislation, and deliver on its obligations set out in the Memorandum of Understanding.

A Memorandum of Understanding (The Memorandum) between the Scottish Ministers and Department of Work & Pensions covering the implementation of the devolved Scottish social security system, which captures over-arching agreements in relation to information sharing, was signed in January 2019. Individual Data Sharing Agreements sit as Annexes to the Memorandum. These Data Sharing Agreements will evolve over the lifespan of the transition from reserved to devolved social security services, and in the on-going operational interaction between reserved and devolved functions and services. The Memorandum will be reviewed and revised as necessary over the period of implementation i.e. new Annexes may be added.

In addition to ensuring we meet General Data Protection Regulations, we have appointed a Data Protection Team, including a Data Protection and Information Governance Lead for Social Security Scotland.

All our people are required to complete mandatory online training covering both data protection and information management on an annual basis. In addition we have developed and delivered bespoke training for our operational people.

During this period we had no data losses and no reports were submitted to the Information Commissioner's Office.

We recorded 13 data breaches. One was rated 'major' and this was a human resource incident where personal information was shared with another candidate. Six were due to dual occupancy in the Dundee post room and a workshop identified the root causes and remedial work was undertaken to further mitigate this risk.

In addition we recorded 13 data incidents. Incidents are due to a process failure which did not result in a data breach. The majority of these were where documents from two different clients were scanned to one client file, however this was identified by our quality assurance process and rectified.

## **Business Continuity**

We have an Interim Business Continuity Plan in place, and incident management arrangements have been tested with the Senior Leadership Team. Our main operations are delivered from both our Dundee and Glasgow offices. As detailed in the Outline Business Case for the Agency, this two-site model enables processing and client support to be delivered from either site should an incident occur. To develop our plans more fully we are securing specific business continuity resource.

Social Security Scotland uses a number of key systems that are managed by Scottish Government where assurance is provided including continuity of operation.

## Counter Fraud

Although overpayments due to fraud are expected to represent under one percent of total benefit expenditure, tackling benefit fraud is inherently difficult because, as with all social security systems we rely heavily on information supplied by clients. This increases the risk of fraud and error. We have put in place processes to respond to internal and external fraud. We have developed and deployed processes to receive, record and respond to all referrals of suspected fraud, which align with the approach outlined in the Scottish Government Fraud Response Plan. We are also developing a Fraud Response Plan tailored specifically to our fraud risk profile. By reflecting on cases where fraud and both client and official error have been identified, we continually strive to improve our system and processes to ensure the integrity of our benefits.

Our fraud detection provision is in development subject to the laying of the Fraud Regulations and the Code of Practice for Investigations, which will allow us to deploy a wider range of measures to proactively and reactively respond to fraud. An investigation team is in place to undertake this work and to provide advice and guidance as recognised counter fraud subject matter experts.

## Assurance from Department for Work and Pensions

The Department for Work and Pensions undertake a number of functions for us in respect of **Carer's Allowance** and **Best Start Grant** under the terms of Agency Agreements. A Memorandum of Understanding between the Scottish Ministers and Department of Work & Pensions covering the implementation of the devolved Scottish social security system, which captures over-arching agreements in relation to various relevant matters, including information sharing, was also signed in January 2019.

The Agreements state that "Department of Work & Pensions and the Scottish Ministers will abide by the principles of audit and accountability as set out in the jointly agreed document Scottish Devolution: A Framework for Audit and Accountability. Department of Work & Pensions and the Scottish Ministers remain subject to their overall existing accountability".

My staff ensure that these agreements are working correctly, but I have also been given assurance from the Department of Work & Pension Accounting Officer in respect of the management and control of **Carer's Allowance** payments as well as the services they provide to enable us to make payments for **Carer's Allowance Supplement** and the **Best Start Grant**.

An assessment of risk has been undertaken and I am satisfied with the work Department of Work & Pension have undertaken in respect of this. Two areas that Department of Work & Pension have highlighted are:

- *Department of Work & Pension's current measurement of the level of fraud and error in Carer's Allowance is based on UK-wide data recorded in 1996-97 when*

*the monetary value of Carer's Allowance fraud and error was found to be 5.5%. This figure is still used by Department of Work & Pensions to estimate the amount of Carer's Allowance that has been overpaid.*

- *the risk that there is a catastrophic loss of IT systems or loss of customer data."*

We note these areas where Department of Work & Pensions limit their assurance and we look forward to the results of the work planned by them to mitigate and address the issues and will continue to liaise with them in respect of these.

We will continue to work with Department of Work & Pensions in respect of assurance and how we meet our responsibilities and gain effective assurance together with ensuring that our Agency Agreements are fit for purpose.

## **Independent Assurance Reviews**

### **Gateway Review – Health Check**

We had a Gateway Review – Health Check in February 2019. Gateway Reviews are independent reviews overseen by the Scottish Government's Programme and Project Management Centre of Expertise. This was an integrated review, where the Social Security Programme was also examined, although reported on separately.

### **Review of the Effectiveness of Internal control**

As Accountable Officer, I have responsibility for reviewing the effectiveness of Social Security Scotland's governance framework, including the system of internal control. The system is designed to manage rather than eliminate the risk of failure to achieve our policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. My review is informed by:

- Regular review and discussion of internal controls at the Senior Leadership Team and Audit and Assurance Committee Meetings,
- Executive Advisory Body,
- Formal assurances from each member of the Senior Leadership Team and the Department for Work and Pensions,
- The work of the Internal Audit Directorate, who submit reports to the Audit and Assurance Committee,
- Reports from independent assurance providers,
- The work and reports of external auditors,
- Information from our Risk Management Function,
- Assurances provided by the Chair of the Audit and Assurance Committee.

Assurances on the maintenance of and review of internal control systems were provided by each of the Senior Leadership Team who submitted a certificate of assurance covering their areas. The following areas were raised as potential issues:

## **Risk of Error and Fraud**

Fraud is a known risk in the benefits system and we have worked with Programme colleagues to ensure that our systems and procedures mitigate this risk as much as possible. We rely on accurate benefit information from Department of Work and Pensions as part of our eligibility criteria. Counter-fraud controls have been built into their processes but there remains a risk of passported benefit fraud due to the level of fraud and error in the caseload.

Staff are trained to be vigilant when processing applications in order to identify and counter potentially fraudulent or erroneous passported benefit awards. There is an agreed gateway to share this information with Department of Work and Pensions to enable them to review potential cases as appropriate. The case management system that is used to make our benefit payments is still undergoing 'agile' development. During the reporting period we have worked with our Programme and Chief Digital Office colleagues to continue to improve the functionality of the case management system.

## **Client Information**

We are conscious of our responsibilities to protect client data and, where necessary, we have put in place appropriate solutions to do this until our case management system is fully developed.

## Statement of Chief Executive's Responsibilities

In accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, the Scottish Ministers have directed Social Security Scotland to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction. The Accounts Direction is reproduced at Annex A to these financial statements.

The accounts are prepared on an accruals basis and must show a true and fair view of Social Security Scotland's state of affairs at the period end and of its income and expenditure, changes in taxpayers' equity and cash flows for the period.

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the accounts direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state where applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that Social Security Scotland will continue in operation.

The Principal Accountable Officer for the Scottish Administration has designated the Chief Executive of Social Security Scotland as the Accountable Officer for Social Security Scotland. The Accountable Officer's relevant responsibilities include the propriety and regularity of the public finances for which he is accountable, keeping proper records and safeguarding our assets, as set out in the Memorandum to Accountable Officers issued by the Scottish Government.

The Accountable Officer has taken all the necessary steps to make himself aware of any relevant audit information and to establish that the body's auditors are aware of that information. There is no relevant audit information of which the body's auditors are unaware.

The annual report and accounts as a whole are fair, balanced and understandable and the Accountable Officer takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.



## Staff and Remuneration (Information subject to audit)

For the seven months to the end of March 2019 we spent £6.6 million<sup>6</sup> on the salaries of our people, which included those with both permanent and temporary Civil Service contracts, interim workers and the fees of the non-executive members of our Executive Advisory Body and Audit and Assurance Committee.

We have been working hard on recruiting<sup>7</sup> our diverse workforce on a permanent basis. Where we have recruited interim workers this has been through existing Scottish Government frameworks. We had the following numbers of people working with us at 31 March 2019:

People	Number	Full Time Equivalent
Permanent	357	345
Temporary	6	6
<b>Civil Service Contracts</b>	<b>363</b>	<b>351</b>
Interim workers	39	39
<b>Total</b>	<b>402</b>	<b>390</b>

Our Senior Leadership Team, including the Chief Executive, comprises 3 males and 3 females. Our Chief Executive, who is the only current member of the Senior Civil Service within Social Security Scotland, is male.

Information on our staffing diversity is as follows:

	%
<b>Female</b>	56.5
<b>Ethnic minorities</b>	3.3
<b>Declared disability</b>	8.0
<b>Lesbian, Gay, Bisexual or Other</b>	5.2
<b>Religion</b>	
Christian	27.2
Other	2.8
<b>Age</b>	
16-19	3.9
20-29	20.7
30-39	29.5
40-49	26.4
50-59	17.6
60-64	*
65 and over	*

\* Numbers are suppressed to prevent identification of individuals.

<sup>6</sup> Note 2 of the Annual Accounts gives a breakdown of these costs.

<sup>7</sup> The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made. Further information at [www.civilservicecommission.org.co.uk](http://www.civilservicecommission.org.co.uk)

We are pleased to be currently supporting 13 Modern Apprentices.

Our staff policies are the same as those of the Scottish Government. Their aim is to make staff feel comfortable, valued and free to contribute to the best of their ability. We are an equal opportunities employer with policies in place to guard against bullying, harassment or discrimination and to ensure against barriers to employment or advancement. We are also committed to meeting our duties under the Equality Act 2010, ensuring that all staff are treated equally irrespective of their sex, marital/civil partnership status, maternity/paternity status, age, race, ethnic origin, sexual orientation, disability, religion or belief, working pattern, employment status, gender identity (transgender), caring responsibility, or trade union membership. We have explained our engagement with the trades union in the performance report.

The welfare of our people is important to us and we promote the highest standards of health and safety for our people, visitors, contractors and others who could be affected by our acts or omissions. We seek to promote a positive health and safety climate and culture and seek continuous improvement through relevant and compulsory training and e-learning, with the support of the Health & Safety Advisor. Our policy is in alignment with Scottish Government Occupational Health & Safety strategies.

In 2018-19 an average of 7.0 working days per staff year were lost due to sickness absence in Social Security Scotland. This was below the 7.4 days for Scottish Government.

The salaries of all our staff, except the Chief Executive who was a Senior Civil Servant (pay band 1) during the reporting period, are determined by Scottish Government pay policy which is informed by UK Government pay policy, public sector spending controls and the need to recruit, retain and motivate staff.

The Scottish Government's Remuneration Group<sup>8</sup> makes recommendations to Scottish Ministers on Senior Civil Servants' annual pay and guidelines for flat rate increases for board members.

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<sup>8</sup> The Remuneration Group has six members two of whom are Non-Executives and it reports at least annually to the Scottish Government's Strategic Board

The Chief Executive, who is the Accountable Officer, is supported by a Senior Leadership Team whose annual salaries and pension details<sup>9</sup> are as follows (no bonus payments or benefits in kind have been made):

	Salary £'000s		Pension £'000s					
	7 month costs 2018-19	Annual Salary	Accrued pension	Pension benefits	Real increase	CETV		
						At 31 March 2019	At 1 Sept 2018	Real increase <sup>10</sup>
David Wallace, Chief Executive	45 – 50	75 - 80	25 - 30	14	0 – 2.5	484	425	6
Miriam Craven, Head Local Delivery & Client Experience	40 – 45	75 – 80 <sup>11</sup>	15 - 20	20	0 – 2.5	232	191	10
Ally Macphail, Head Corporate Services	45 – 50	75 – 80	15 - 20	21	0 - 2.5	243	203	9
Tracy McIntyre, Head Operations	40 – 45	65 – 70	15 - 20	19	0 – 2.5	221	191	11
Mo Rooney, Head Governance and Strategy	40 – 45	65 – 70	15- 20	28	0 – 2.5	225	179	14
James Wallace, Head Finance	45 – 50	65 – 70	15 - 20	14	0 – 2.5	174	140	5

All members of the Senior Leadership Team, other than the Chief Executive, were at the same pay range in Scottish Government Band C during the reporting period. These salaries include an excess fares allowance which needs to be included to conform with disclosure requirements but those individuals have to meet additional travel costs from this. Other members of the Senior Leadership Team's travel to 'non-home' Agency locations are covered by the Scottish Government's Travel & Subsistence policies.

The pension entitlements relate to membership of the scheme and not just service in the senior capacity to which disclosure applies. Accrued pension represents the individual's total future entitlement to benefits payable from the Civil Service pension schemes based on reckonable service at 31 March 2019. The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil

<sup>9</sup> More information on the pension disclosures is shown at <https://www.civilservicepensionscheme.org.uk/employers/employer-pension-guide/resource-accounts-disclosure-2018-19/>

<sup>10</sup> A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

The real increase in CETV is the element of the increase that is funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister. It is worked out using common market valuation factors for the start and end of the period.

Social Security Scotland's contributions to the scheme in respect of the Senior Leadership Team amounted to £49,461 for the period to 31 March 2019.

From 2015-16, the majority of staff within the civil service pension scheme changed from the PCSP to the Alpha scheme. Consequently, the figures included above, provided by MyCSP, contain figures for both schemes.

The Executive Advisory Body (EAB) and Audit and Assurance Committee (AAC) non-Executive members are entitled to receive fees (£232 per day) and expenses for their attendance at meetings.

The following fees (non-pensionable) were paid in the period to 31 March 2019:

	£'000
Laura Brennan-Whitefield (EAB)	0 – 5
Jessica Burns (EAB & AAC)	0 – 5
Christopher Creegan (EAB)	0 – 5
Ewan Gurr (EAB)	0 – 5
Douglas Hutchens (EAB & AAC)	0 – 5
Elaine Noad (EAB & AAC)	0 – 5
Russell Frith (AAC)	0 – 5

## Fair pay disclosure

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in the organisation and the median remuneration of the organisation's workforce.

The annual salaries as at March 2019 have been used for this purpose rather than using the 7 month costs. The remuneration of the Chief Executive was in the range £75,000 to £80,000. This is 3.6 times the median remuneration of the workforce, which was £21,793.

Remuneration across Social Security Scotland ranged from £18,000 - £80,000.

## Civil Service and other Compensation Scheme

Most officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. There were no departures under the Civil Service Compensation Scheme rules in the reporting period.

No members of staff retired on ill health grounds in the reporting period.

## Parliamentary Accountability

We underspent against our operating budget by £3.2 million because we did not incur some of the costs that had been originally planned in this period:

	Budget £m	Expenditure £m	Under spend £m
Operating Budget	16.0	12.8	(3.2)

There was an overall underspend of £2.0 million on benefit expenditure:

Social Security Assistance	Budget £m	Expenditure £m	(Under)/Over spend £m
<b>Delivered by Social Security Scotland</b>			
Carer's Allowance Supplement	34.1	34.9	0.8
Best Start Grant - Pregnancy & Baby	1.5	4.3	2.8
	<b>35.6</b>	<b>39.2</b>	<b>3.6</b>
<b>Delivered through Agency Agreement with Department of Work &amp; Pensions</b>			
Carer's Allowance	157.3	151.7	(5.6)
<b>Total</b>	<b>192.9</b>	<b>190.9</b>	<b>(2.0)</b>

Budgets for Social Security assistance are initially forecast by the Scottish Fiscal Commission which then informs the budgets that are set by Scottish Parliament.

**Carer's Allowance Supplement** - The original budget of £35.0 million was reduced in the Spring Budget Revision to £34.1 million to more closely reflect actual costs (£34.0 million) following payment of the second instalment in October 2018. £0.9 million of backdated claims (due to appeals and backlog in carer's allowance claims) were paid in June 2019 when the first 2019-20 instalment was paid and this increased expenditure to £34.9 million.

**Best Start Grant** – The budget of £1.5 million was forecast by the Scottish Fiscal Commission. Expenditure of £4.3 million resulted in an overspend of £2.8 million. The Scottish Fiscal Commission has reported on this in its Forecast Evaluation Report of September 2019. It states that this was because of take up by claimants whose children were born before the December launch of the new benefit, many of whom they think were encouraged by publicity and social media campaigns to wait to claim this benefit instead of its predecessor, Sure Start Maternity Grant. The Commission has noted that it has taken this into account in future forecasts.

**Carer's Allowance** – There is an underspend of £5.6 million. The 2020-21 block grant adjustment to Scotland from HM Treasury will be reduced by this amount.

We do not raise any significant income through fees and charges. No gifts were made in the period. There are no remote contingent liabilities to report.

More information is provided in the Financial Statements.

## Regularity of Expenditure

The expenditure in the financial statements, except for the possible effects of the matter described in the independent auditor's report, was incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year, sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000 and Social Security (Scotland) Act 2018. The Social Security Contributions and Benefits Act 1992 applies to Carer's Allowance which is administered by DWP under an Agency Agreement.

The sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

Social Security Scotland has zero tolerance towards fraud, bribery and corruption and we operate the Scottish Government's whistleblowing policy. We have clear policies regarding acceptable level of gifts and hospitality, both given and received. We ensure all staff are aware of their obligations under the Civil Service Code and their conditions of employment. No instances of internal fraud or whistleblowing relating to internal fraud, bribery or corruption were discovered or reported during this period.

Fraud is a known risk to the social security system and we have our Counter Fraud Strategy in place that outlines the key objectives and tactics that will support effective fraud risk management. Fraud risks are identified, recorded and monitored on an ongoing basis.

Over the period since we formed we have been working on:

- **Estimating Fraud in the Benefit Caseload** – working with Scottish Government analytical colleagues to develop methods to estimate the monetary value and incidence of fraud in the part of the Social Security system for which we are responsible.
- **Counter Fraud Operations** – we focus on fraud prevention and intelligence handling and have resources in place to undertake fraud detection in line with the Code of Practice for Investigations.
- **Fraud Prevention** – our staff have been made aware of the fraud risk we face and are given tailored advice on a case by case basis. Staff have been given role-specific fraud awareness training and we have a network of counter fraud champions in Social Security Scotland. This has extended counter fraud expertise and enables rapid dissemination of intelligence on emerging fraud trends to ensure our staff are equipped to respond.
- **Intelligence Handling** – we have a fraud reporting hotline available to the public which is manned during Agency operational hours and has a voicemail provision in place outside of these times. Calls to this line are not recorded, voicemails are not retained, and the public are able to provide information anonymously. We are signposting callers to the National Benefit Fraud Hotline where we identify that the subject of the referral is not a Scottish resident. In addition, we have agreements and



processes in place to support sharing of intelligence with partners such as Department of Work & Pensions where it is appropriate to do so.

## Errors

We aim to prevent errors and to learn from them where they do occur. An Error Control Strategy is in place outlining the key objectives and tactics to control the risk of errors. We identify, record and monitor errors that we identify on an ongoing basis.

Errors can either be made by clients or officials. Clients may unintentionally cause an error when applying for assistance or not keeping their claim up to date. Staff may cause official errors when administering claims for assistance. Official errors could be due to human error by our staff, technical issues with our IT systems, or erroneous data shared with us by another government department.

For the benefits delivered by Social Security Scotland the following errors occurred in this period:

	<b>Number of Cases</b>	<b>7 months to 31 March 2019 £000</b>
Overpayment of benefit – Agency error	10	4
Compensation for administrative errors	2	1
	<b>12</b>	<b>5</b>

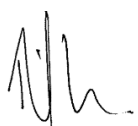
Over the period since we formed we have maintained a focus on error prevention. Prior to commencement of benefit delivery, we anticipate areas where the risk of official error occurring could be heightened. Special measures to mitigate any risks identified are taken in the early days of delivering our services, and following the subsequent introduction of each new benefit. For the launch of the **Best Start Grant**, these special measures included 100% checks prior to payment, to help ensure that our decisions were correct.

We identify error trends and share this intelligence across Social Security Scotland to help shape improvements to systems and guidance. We have also been proactively reviewing operational instructions to ensure that guidance is clear and provides sufficient detail to make correct decisions, particularly for more complex claims.

For **Carer's Allowance** which is delivered by Department of Work & Pensions through an Agency Agreement, £717,035 of overpayments were written off during this period of which £499,000 (70%) were official errors.

## Debt Management

We are developing our debt management policy and it, together with the associated strategy for delivery, will be published in due course.



David Wallace  
 Chief Executive & Accountable Officer  
 17 September 2019

## **Independent auditor's report to Social Security Scotland, the Auditor General for Scotland and the Scottish Parliament**

### **Report on the audit of the financial statements**

#### **Opinion on financial statements**

I have audited the financial statements in the annual report and accounts of Social Security Scotland for the seven months ended 31 March 2019 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2018/19 Government Financial Reporting Manual (the 2018/19 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2019 and of its net operating costs for the seven months then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

#### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 28 January 2019. This is the first year of my appointment. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Conclusions relating to going concern basis of accounting**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Risks of material misstatement**

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

### **Responsibilities of the Accountable Officer for the financial statements**

As explained more fully in the Statement of Chief Executive's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for using the going concern basis of accounting unless deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## **Other information in the annual report and accounts**

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Staff and Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **Report on regularity of expenditure and income**

### **Qualified opinion on regularity**

In my opinion except for the possible effects of the matter described in the basis for qualified opinion on regularity paragraph, in all material respects:

- the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

### **Basis for qualified opinion on regularity**

The Statement of Comprehensive Net Expenditure includes Carer's Allowance benefit expenditure of £151.7 million. The basis of entitlement to this benefit is set out in Section 70 of the Social Security Contributions and Benefits Act 1992, and it was administered by the Department of Work and Pensions (DWP) under an agency agreement with the Scottish Ministers. I was unable to obtain sufficient appropriate evidence about the extent to which this benefit expenditure was in accordance with these provisions because:

- there is no reliable measurement of the extent of error and fraud in this benefit expenditure
- such measurement could only be undertaken by the DWP using the powers available to it to examine and verify the personal circumstances of individuals in receipt of this benefit. I am not empowered to undertake such examinations.

Consequently, I am unable to determine whether this benefit expenditure was incurred in accordance with applicable enactments and I have therefore qualified my opinion with regards to this matter.

### **Responsibilities for regularity**

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

### **Report on other requirements**

#### **Opinions on matters prescribed by the Auditor General for Scotland**

In my opinion, the audited part of the Staff and Remuneration Report has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

#### **Matters on which I am required to report by exception**

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Staff and Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have not received all the information I require for my audit because I was unable to obtain sufficient appropriate evidence about the extent to which Carer's Allowance benefit expenditure was in accordance with section 70 of the Social Security Contributions and Benefits Act 1992. This matter is described in the basis for qualified opinion on regularity paragraph.

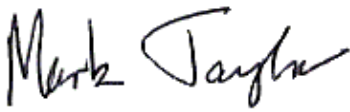
Except for this, I have nothing to report in respect of these matters.

## Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

## Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.



Mark Taylor CPFA  
Audit Director  
Audit Scotland  
102 West Port  
Edinburgh  
EH3 9DN

19 September 2019

## Financial Statements

The annual report and accounts were approved and authorised for issue by the Accountable Officer on 17 September 2019.

### Statement of Comprehensive Net Expenditure for the 7 months to 31 March 2019

	Note	7 months to 31 March 2019 £000
<b>ADMINISTRATION COSTS</b>		
Staff Costs	2	6,676
Other Administration costs	3	6,121
<b>Total Administration costs</b>		<b>12,797</b>
<b>PROGRAMME COSTS</b>		
Benefit Expenditure	4	190,874
<b>Total Programme costs</b>		<b>190,874</b>
<b>Net operating costs for 7 months to 31 March 2019</b>		<b>203,671</b>

The above results relate to continuing activities

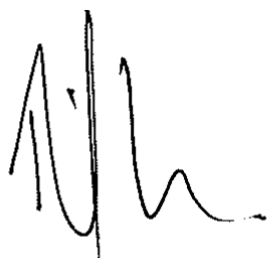
The notes on pages 53-60 form part of these accounts.



## Statement of Financial Position at 31 March 2019

	Note	31 March 2019 £'000
<b>NON-CURRENT ASSETS</b>		
Plant & equipment	5	943
Intangible assets	6	46
Other receivables	7	8,236
<b>Total Non-Current Assets</b>		<b>9,225</b>
<b>CURRENT ASSETS</b>		
Other receivables	7	5,950
Cash & cash equivalents	8	949
<b>Total Current Assets</b>		<b>6,889</b>
<b>Total Assets</b>		<b>16,124</b>
<b>CURRENT LIABILITIES</b>		
Trade & other payables	9	(30,889)
<b>Assets less current liabilities</b>		<b>(14,765)</b>
<b>TAXPAYERS' EQUITY</b>		
General Fund	SoCTE	(14,765)
<b>Total taxpayers' equity</b>		<b>(14,765)</b>

The notes on pages 53-60 form part of these accounts



**David Wallace**  
Chief Executive & Accountable Officer

**17 September 2019**

**Statement of Cash Flows for the 7 months to 31 March 2019**

	<b>Note</b>	<b>7 months to 31 March 2019 ‘£000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Operating Cost for the period	SoCNE	(203,671)
Adjustments for non-cash transactions	5,6	(989)
Increase in other receivables	7	(14,186)
Increase in payables	9	30,889
<b>Net cash outflow from operating activities</b>		<b>(187,957)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
From Scottish Consolidated Fund	SoCTE	188,906
<b>Net Financing</b>		<b>188,906</b>
<b>Net increase in cash and cash equivalents in the period</b>		<b>949</b>

**Statement of Changes in Taxpayer's Equity for the  
7 months to 31 March 2019**

	<b>Note</b>	<b>General Fund £'000</b>
Net operating costs for the period and total recognised expense for 2018-19	SoCNE	(203,671)
Transfer of plant & equipment from Scottish Government	5	943
Transfer of intangible assets from Scottish Government	6	46
Transfer of benefit overpayment receivables from Department of Work & Pensions	7	10,581
Funding from Scottish Government		177,336
<b>Balance at 31 March 2019</b>		<b>(14,765)</b>

There have been transfers of assets during the period from the Scottish Government and Department of Work & Pensions. The total of these transfers (£11,570,000) including the funding from Scottish Government (£177,336,000) totals £188,906,000 shown on the Statement of Cash Flows.

## Notes to the Accounts

### 1.1 Basis of Accounts

These financial statements have been prepared in accordance with:

- HM Treasury's 2018-19 Government Financial Reporting Manual (FReM)<sup>12</sup>;
- The Accounts Direction issued by Scottish Ministers (Annex A)

The accounting policies and, where necessary, estimation techniques are selected in accordance with the principles set out in IAS 8<sup>13</sup>. The policies and techniques have been applied consistently in dealing with items considered material in relation to the accounts.

The financial statements are prepared in £ sterling, which is Social Security Scotland's functional currency.

### 1.2 Accounting convention

These financial statements are prepared on an accrual basis under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, and some financial assets and liabilities.

### 1.3 Going concern

The financial statements for the period ended 31 March 2019 show a net liabilities position. This has arisen as a result of the requirement to account for our activities on an accruals basis, whilst recording funding from the Scottish Government on a cash basis. Net current liabilities will be funded by the Scottish Government as they arise. As a consequence, it has been considered appropriate to prepare these financial statements on a going concern basis.

### 1.4 Property Plant & Equipment (PPE)

#### Recognition

All PPE assets are accounted for as non-current assets unless they are deemed to be held for sale.

#### Capitalisation

PPE assets comprise information technology, office equipment and fixtures and fittings. They are capitalised at the cost of acquisition and installation.

Depreciated historic cost has been used as a proxy for the fair value of PPE assets as permitted by IFRS 13<sup>14</sup>.

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<sup>12</sup> The FReM applies International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context

<sup>13</sup> International Accounting Standard 8 - Accounting Policies, Changes in Accounting Estimates and Errors

<sup>14</sup> International Financial Reporting Standard 13 – Fair Value Measurement

All assets falling into the following categories are capitalised:

- Plant and equipment which is capable of being used for a period which could exceed one year, and have a cost equal to or greater than **£5,000** (exclusive of VAT); and
- Information and Communications Technology (ICT) systems are capitalised where the individual cost is over **£1,000** (exclusive of VAT).
- Purchased computer software licences are capitalised as intangible non-current assets where expenditure of **£1,000** or more is incurred. They are valued at historic cost and amortised on a straight line basis over the expected life of the asset.

Social Security Scotland does not own any land or buildings. A charge for the occupancy of accommodation is included in the Statement of Comprehensive Net Expenditure.

### Subsequent Cost

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Social Security Scotland and the cost of the item can be measured reliably. Any replaced parts will be de-recognised as assets. All other repairs and maintenance are charged to the Statement of Comprehensive Net Expenditure during the financial period in which they are incurred.

### Depreciation

Depreciation is provided on all PPE assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Class	Years
Information technology	5
Office equipment	5
Fixtures and fittings	10

Depreciation is charged in the year following acquisition or transfer.

## 1.5 Intangible assets

The systems that are being developed by the Scottish Government's Social Security Directorate to manage the benefit payments that are being implemented over a phased period will initially be treated as assets under construction in the Scottish Government's core accounts.

There will be a transfer to Social Security Scotland once the system has the capacity to manage the first phase benefit payments which are not paid on a regular basis. There will be a further transfer once the system is complete and handling the regular payments.

## 1.6 Benefit payments recognition

Social Security Scotland recognises the cost of benefit payments as follows:

- **Carer's allowance** – this is being charged to expenditure on a monthly basis on receipt of the settlement letters received from Department of Work & Pensions who are paying these benefits under the terms of an Agency Agreement. The Agency has made an assumption that postcode information held by DWP is a fair representation of residency for the purpose of determining Scottish Carer's Allowance benefit expenditure and the Agency has applied this assumption to data from DWP systems using postcodes when determining residency. The costs charged are determined by identifying cases with Scottish post codes. There are adjustments on a monthly basis for any identified overpayments and at the year-end for prepayments and accruals;
- **Carer's Allowance Supplement** – as payments are made (twice yearly) and for any backdated claims that are approved following the processing of any Carer's Allowance backlogs and appeals. Again, as for Scottish Carer's Allowance the Agency has applied assumptions to data from DWP systems using postcodes to determine residency;
- **Best Start Grant** – as applications are approved and payments authorised.

## 1.7 Impairment of benefit receivables/overpayments

Social Security Scotland will seek to recover all overpayments where there is a legal basis to do so and recovery is cost effective. Carer's allowance debt is recovered by Department of Work & Pensions under an Agency Agreement where Department of Work & Pensions policies are applied. Overpayments under £60 and those relating to official error are written off.

Benefit receivables are reviewed annually for impairment. The impairment calculation for Carer's Allowance looks at prior year recoveries and write offs arising in the current year. It uses these to project the amounts that will be recovered in the next 15 years. Recoveries and write offs are analysed by the age of the debt they relate to. This analysis is used to estimate the value of recoveries in future periods, before discounting to its present value at the appropriate HM Treasury discount rate.

## 1.8 Financial assets and liabilities

All financial assets held by Social Security Scotland have been classified as trade and other receivables and prepayments measured at amortised cost, using the effective interest method.

As the cash requirements of Social Security Scotland are met through the Scottish Government, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with Social Security Scotland's expected

purchase and usage requirement; Social Security Scotland is therefore exposed to little credit, liquidity or market risk.

## 1.9 Employee benefits

### Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the year in which the service is received from employees. The cost of annual leave and flexible working time entitlement earned but not taken by employees at the end of the year is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following year.

## 1.10 Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (The Scheme) which is a defined benefit scheme and is unfunded and contributory. The expected cost of providing pensions for our employees is recognised on a systematic and rational basis over the period during which they benefit from their services by payment to the scheme of amounts calculated on an accruing basis (see also disclosures made in the Remuneration and Staff Report). Liability for the payment of future benefits is a charge to the scheme. In respect of the defined contribution schemes, the contributions payable for the year are recognised.

## 1.11 Leases

Social Security Scotland has not adopted IFRS 16<sup>15</sup> in advance of its effective date of 1 April 2020. There is not expected to be a major impact on our accounts when this is adopted in 2020-21 because all leases are short term.

In 2018-19 the costs are treated as operating leases and charged to the Statement of Comprehensive Net Expenditure. Where the arrangement includes incentives, such as rent-free periods, the value is recognised over the lease term.

## 1.12 Contingent liabilities

Contingent liabilities are disclosed in accordance with IAS 37. Where the time value of money is material those contingent liabilities are discounted and the amount reported to Parliament will be noted separately.

## 1.13 Value added tax

Operating Costs are stated net of value added tax where it is recoverable. Social Security Scotland is registered for value added tax as part of the Scottish Government which is responsible for recovering value added tax from HM Revenue & Customs.

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<sup>15</sup> International Financial Reporting Standard 13 - Leases



## 1.14 Administration & Programme Expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme. Administration costs reflect the costs of running Social Security Scotland and include staff costs as well as accommodation, services and supplies. Programme costs reflect the cost of benefit payments. Carer's Allowance overpayments attract civil and administrative penalties under Department of Work & Pensions policy; these have been netted against the benefit cost.

## 2 Staff Costs

7 months to  
31 March 2019  
£000

### Permanent Employees

Wages and salaries	4,689
Overtime	61
National insurance costs	398
Pension costs	859
<b>Total permanent employee costs</b>	<b>6,007</b>
Interim workers	669
<b>Total staff costs as at 31 March 2019</b>	<b>6,676</b>

Permanent employees are civil servants who have an employment contract with Scottish Government; interim workers are agency staff.

Staff numbers can be found in the remuneration report on page 37.

## 3 Other administration costs

7 months to  
31 March 2019  
£000

Occupancy agreement charges	698
Office operating costs	327
Office accommodation	212
Supplies and services	200
Travel, subsistence and staff related costs	113
Training	73
Agency Agreement with Department of Work & Pensions	3,425
Scottish Government shared service recharges	828
Auditor's remuneration – Internal Audit	134
Auditor's remuneration – External Audit	111
<b>Total</b>	<b>6,121</b>

#### 4 Programme costs

<b>Benefit expenditure</b>	<b>7 months to 31 March 2019 £000</b>
Carers Allowance	151,744
Carers Allowance Supplement	34,859
Best Start Grant – Pregnancy and Baby	4,271
<b>Total</b>	<b>190,874</b>

Carers Allowance Supplement launched on 3 September 2018, being the first benefit delivered by Social Security Scotland. At this time executive competence for Carers Allowance transferred to Scottish Ministers. This is being delivered by the Department for Work and Pensions under an agency agreement. Best Start Grant Pregnancy and Baby launched on 10 December 2018.

#### 5 Plant & Equipment

	<b>Plant and Equipment £000</b>	<b>IT Equipment £000</b>	<b>As at 31 March 2019 £000</b>
<b>Cost or Valuation</b>			
<b>As at 1 September 2018</b>	-	-	-
Additions	-	-	-
Transfers	68	875	943
Disposals	-	-	-
Revaluations	-	-	-
<b>As at 31 March 2019</b>	<b>68</b>	<b>875</b>	<b>943</b>

The transfers relate to Plant and Equipment assets which have transferred from the Scottish Government's Social Security Directorate. This transfer was made in March 2019 and so no depreciation has been charged in this period.

#### 6 Intangible assets

	<b>Software licences £000</b>	<b>IT Software and Development £000</b>	<b>As at 31 March 2019 £000</b>
<b>Cost or Valuation</b>			
<b>As at 1 September 2018</b>	-	-	-
Additions	-	-	-
Transfers	21	25	46
Disposals	-	-	-
Revaluations	-	-	-
<b>As at 31 March 2019</b>	<b>21</b>	<b>25</b>	<b>46</b>

The transfers relate to Intangible assets which transferred from the Scottish Government's Social Security Directorate in March 2019 and so no depreciation has been charged in this period.

## 7 Other receivables

	As at 31 March 2019 £000
<b>Amounts falling due within one year</b>	
Benefit overpayments	2,236
Department of Work & Pensions Debtor	663
Prepayments	3,819
	<b>6,718</b>
Less impairment on receivables	(768)
<b>Net receivables due within one year</b>	<b>5,950</b>
<b>Amounts falling due more than one year</b>	
Benefit overpayments	12,590
Less impairment on receivables	(4,354)
<b>Net receivables due more than one year</b>	<b>8,236</b>
<b>Total net receivables</b>	<b>14,186</b>

Benefit overpayments arise where a change of circumstances has been processed after that change of circumstances took place, or where client error or fraud have been identified. The majority of the balance relates to Carer's Allowance. It includes £10,581,000 for the debt that had been identified by Department of Work & Pensions as outstanding on 1<sup>st</sup> September 2018 and which transferred to us when we took on executive competence for Carer's Allowance.

Benefit prepayments arise where we have made a payment up to 31 March 2019 but the payment relates to the 2019-20 financial year. The majority of the balance relates to Carer's Allowance.

## 8 Cash and cash equivalents

	As at 31 March 2019 £000
Commercial banks	5
Government banking service	944
<b>Balance as at 31 March 2019</b>	<b>949</b>

## 9 Trade and other payables

	As at 31 March 2019 £000
Trade payables	2
Accruals	4,938
Benefits payable	25,949
<b>Balance as at 31 March 2019</b>	<b>30,889</b>

Benefits payable are in relation to recognising expenditure in the period to which it relates. The majority of this balance relates to Carer's Allowance due to a timing difference as funds are paid to Department of Work & Pensions in arrears.

Our policy is to pay all purchase invoices within 10 days. For the 7 month period the Social Security Directorate paid all our invoices and recharged costs to us. Performance on this will be part of the overall Scottish Government performance.

## 10 Operating Leases

	<b>As at 31 March 2019 £000</b>
<b>Obligations:</b>	
Due within 1 year	1,059
Due after one year but not more than 5 years	671
	<b>1,730</b>

We occupy space in two buildings, 4<sup>th</sup> Floor Dundee House in Dundee and 220 High Street in Glasgow. We share the facilities with other occupiers and are charged an occupancy charge, utilities and service costs under an occupancy agreement.

## 11 Related party transactions

We are an Executive Agency of the Scottish Government. The Scottish Government is regarded as a related party with which we had various material transactions during the period.

During this period we also had significant transactions with:

- Local Authorities principally in relation to the offices at Dundee House, Dundee. and 220 High Street, Glasgow and
- Other government departments, mainly Department of Work & Pensions, in relation to delivery of Carers Allowance under an Agency Agreement.

All interests declared by members of the Social Security Scotland Senior Leadership Team are of an immaterial nature and have no impact on the awarding of contracts and commissions.

## 12 Post balance sheet events

There are no post balance sheet events.

## ANNEX A

### Direction by the Scottish Ministers



#### SOCIAL SECURITY SCOTLAND

#### DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 hereby give the following direction.
2. The statement of accounts for the financial period ended 31 March 2019, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts.

Signed by the authority of the Scottish Ministers

Dated 27<sup>th</sup> March 2019



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