

Meeting	Scottish Police Authority Board Meeting
Date	27 September 2018
Location	Stirling Court Hotel, Stirling
Title of Paper	Digital Data & ICT Outline Business Case: Paper by Interim Chief Officer and Accountable Officer
Reference	B 08.2018/55
Presented By	Kenneth Hogg
Recommendation to Members	For Noting
Appendix Attached	No

PURPOSE

To provide Members with contextual information and advice about the Digital, Data & ICT Outline Business Case being considered by the Board for approval on 27 September 2018.

1. INTRODUCTION

- 1.1 Police Scotland will be presenting an Outline Business Case (OBC) on Digital, Data and ICT to the SPA Board meeting on 27 September 2018, seeking the Board's approval. This paper provides contextual information and advice from the SPA's Interim Chief Officer and Accountable Officer about the request from Police Scotland to approve the OBC.

2. BACKGROUND

- 2.1 Prior to the establishment of Police Scotland in 2013, the digital, technological and ICT arrangements of the ten former police organisations were largely not integrated, and in the years immediately preceding the creation of Police Scotland investment in ICT diminished. Upgrading digital and ICT capability, and moving to a shared platform, has been recognised as a priority for Police Scotland since its inception, both to enable policing to keep up with an increasingly digital world and as a critical enabler of wider reforms in policing. The i6 programme in 2014-16 attempted to provide a partial solution to the need for integrated technology. Its failure was well documented and lessons were learned.
- 2.2 Now, the need for better Digital, Data and ICT capability is even more urgent. Police Scotland's officers do not have access to the digital, data and ICT support that other UK forces depend on; and the future of policing as set out in our 10 year policing strategy 'Serving a Changing Scotland' is significantly dependent on this capability being in place as an enabler of change. Audit Scotland's i6 review, published in March 2017, stated:

"There was a need to modernise police ICT systems six years ago when the procurement of i6 began. That need has not been met. Police officers and staff continue to struggle with out-of-date, inefficient and poorly integrated systems. This also hinders how Police Scotland interacts and shares information and intelligence with other parts of the justice system. There is an urgent need to determine what the next steps should be, and to carry out an honest assessment of how to procure, develop and deliver the much-needed police IT system."

- 2.3 Audit Scotland's 2016/17 audit of the SPA, published in October 2017, captured the current position well: *"It is critical that an ICT strategy capable of delivering the vision described in Policing 2026*

[our 10 year policing strategy] *is finalised, and more importantly, supported, resourced and implemented.*" The Outline Business Case presented to the Board is Police Scotland's response to those challenges and proposes a route map to bring Police Scotland's capability up to where it should be and support the wider transformation of policing to meet the rapidly changing demands on the service.

3. DEVELOPMENT OF THE OUTLINE BUSINESS CASE

- 3.1 Action has been taken to maintain and in some cases improve Police Scotland's DDICT capability over the last 5 years. However the specific work which has led to the production of the OBC now being presented to the SPA Board has taken place over the last 12 months. In order to meet Police Scotland's requirements and to deliver the most benefits, a key need identified 12 months ago was for a single integrated Data, Digital and ICT strategy, rather than for example pursuing an ICT solution in isolation (which for example it had been). In recognition that Police Scotland did not already have in-house the necessary skills and capacity to develop the integrated strategy external professional expertise was sought. Following a procurement exercise a contract was agreed with Ernst & Young (EY) to carry out this work. EY works with the largest police forces in England and has previously delivered similar work. An integrated Data, Digital, ICT strategy along with a Strategic Outline Case (SOC) and an draft delivery plans were presented to and approved by the SPA board on 31 May 2018. It was agreed that an Outline Business Case, as the required next stage in development, should be presented to the Board in the autumn of 2018.

4. WHAT IS THE BOARD BEING ASKED TO DECIDE?

- 4.1 The Board is being asked to approve an Outline Business Case (OBC) for Digital, Data & ICT (DDICT). The OBC is the necessary next step in line with the direction of travel set out in Police Scotland's DDICT Strategy and Strategic Outline Business Case approved by the SPA Board on 31 May 2018.
- 4.2 The purpose and requirements of an OBC are set out in mandatory guidance for the public sector known as the HM Treasury 'Green Book' and which is incorporated into the Scottish Public Finance Manual. Key purposes of an Outline Business Case (OBC) are to:

- identify the spending option which optimises value for money;
- prepare the scheme for procurement;
- enable the necessary funding and management arrangements to be put in place for the successful delivery of the scheme.

- 4.3 Approval of an OBC is always required before going to market or issuing an OJEU notice. Approval of the OBC is not in itself however a contractual commitment to any the projects described within the OBC. Neither is it a final decision to proceed with any of those projects. Rather, approval would enable the production of a range of detailed Full Business Cases (FBCs) within the 'umbrella' of the OBC for subsequent approval by the SPA, it would enable funding to be formally sought including from the Scottish Government, and it would enable the procurement routes to be explored further. Approval of the preferred option within an OBC signals the intention to proceed subject to the funding being secured and FBCs being approved. Timing and phasing are not fixed by a decision to approve an OBC; these will be influenced by the profile of available funding once that is determined and by practicalities of proceeding including procurement timescales. The estimated total amount of funding sought to implement the recommended option (Option 2, which delivers Package 6) totals £244m in capital funding over a 9 year period, with an initial peak in the first and third years, plus £54m in Reform revenue funding over the same 9 year period.
- 4.4 If the SPA Board approves the OBC, a series of FBCs will be presented to the SPA Board over the months ahead which will seek approval for individual projects within the overall programme, in line with the overall option agreed in the OBC. The DDICT incorporates a number of elements which are already underway and which already have full approval and funding in place, including Mobile working and National Networks; these are set out in the OBC section on projects 'in flight'.
- 4.5 Further guidance on the requirements of the Scottish Public Finance Manual and the HM Treasury 'Green Book' is set out at Appendix 1 to this paper.

5. Assessment, evaluation and scrutiny to date

- 5.1 The SPA approved the 10 year policing strategy 'Serving a Changing Scotland' in June 2017, which recognised the core role of DDICT capability in meeting future policing needs. The SPA Board subsequently approved the 3 Year Implementation Plan on 2 May 2018, along with the underpinning 10 year Financial Strategy and a

3 Year Financial Plan. Again, all of these documents prioritised the DDICT work. More specifically, the Board discussed a progress report from Police Scotland on the DDCIT work on 2 May 2018, and as noted above a Data, Digital & ICT Strategy, along with a Strategic Outline Business Case (SOBC) and draft delivery plans were presented to and approved by the SPA Board on 31 May 2018. It was agreed at that meeting that an Outline Business Case should be presented to the Board in the autumn of 2018. The SPA Finance Committee considered the draft OBC on 7 September 2018 and provided feedback to Police Scotland, and a briefing session for SPA Members on the draft OBC was held on 20 September 2018 to highlight the key aspects of the proposals and to enable Members to clarify what is being proposed. SPA officials have also had oversight of the planning and development of the work, including through participation in groups detailed below, and have had an opportunity to review the governance and assurance approach taken within Police Scotland.

5.2 Key elements of Police Scotland's internal governance and assurance processes have included:

- Police Scotland's Corporate Finance & Investment and Change Boards, which have met monthly. These Boards, which SPA officials attend, have monitored the development of the strategy and business cases, work on indicative costings, and the linkages to the wider transformation and change programme to deliver the 10 year policing strategy;
- Police Scotland's DDICT Steering Group which has met every fortnight from June 2018, with attendance including SPA officials and the Scottish Government's Chief Information Officer.

5.3 In addition, 2 external independent reviews of different aspects of the OBC have been commissioned recently. An internal management review of the OBC's compliance with the HM Treasury Green Book requirements was commissioned by the Senior Responsible Owner (Deputy Chief Officer David Page). The management review was carried out by Scott-Moncrieff. Their conclusion is that the OBC "materially complies with Green Book guidance" and that "We identified a number of areas where work is required to ensure all key aspects of guidance are fully reflected in the Full Business Case documents." SPA officials have also compared the OBC with the requirements of the Green Book and agree that the OBC is compliant with its requirements. Secondly, a technical review of the proposals has been carried out (a 'Business Justification Gate') review under the direction of the Scottish

Government's Chief Information Officer. This technical review is usually carried out after OBC approval, but in this case given the scale and complexity of the proposals was agreed to be beneficial to be carried out before the OBC was presented for approval. The overall RAG rating given by this review is Amber/Green: a positive outcome for this stage in the process.

6. ACCOUNTABLE OFFICER ADVICE

The strategic case for change

- 6.1 The need for urgent and far reaching reform of Police Scotland's digital, data and ICT capacity has been well made by external parties including Audit Scotland, and in the OBC itself. Essentially, Police Scotland must take urgent action to replace an ageing 20th Century DDICT infrastructure with a level of capability expected of a 21st Century police force serving the public in a digital age and to a level which also enables wider transformation of the police service required by our 10 year policing strategy. The key question is whether the recommended option in the OBC (referred to as Option 2, which would ultimately deliver Package 6) is the right one.

Option appraisal

- 6.2 A core function of any OBC is to evaluate and compare different options for delivering the intended end state. This OBC breaks down the total work required into 6 packages, with the most basic one, Package 1, including only maintaining existing capabilities and Package 6 delivering the full range of desired benefits. It should be noted that even Package 1 would cost an estimated £90 million in capital expenditure over 9 years in maintaining existing systems. The OBC compares the 'do nothing' option (as required by the Green Book) with the others, and focusses particularly on Package 6 and Package 4 (the best value of the other 4 packages). To move beyond Package 1 (maintaining existing capabilities only) the first essential task would be to build a new core DDICT infrastructure and platform, which Package 2 would deliver. Having done that, Packages 3, 4, 5 and 6 would then 'layer on' increasing levels of functionality and capability which operate from the core platform delivered by Package 2. Package 2 requires most of the capital investment, and having done that the later packages add greater functionality at much less cost. The estimated capital cost of Package 4 (the second best performing option) over 9 years is over £209 million; the equivalent cost for Package 6 is £244 million. However simply building the required core platform, delivered by Package 2, is estimated to cost around £170m of that cost. That

cost would require to be met during the first phase of the programme, estimated to require around 3 years to deliver.

Value for money

6.3 Value for money is a key consideration in reaching a view on option appraisal. Option 2 as described in the OBC delivers, marginally, better value for money than the next best option – Option 3. (The OBC calculates that Option 2 will deliver benefits equivalent to £1.29 for every £1 spent; while Option 3 will deliver benefits equivalent to £1.21 for every £1 spent.) However Option 2 would deliver significantly greater functionality than Option 3. In particular, beyond what Option 3 offers Option 2 would deliver:

- increased ability for Police Scotland to protect itself from cyber attacks and to help protect others from cyber crime; enhanced cyber forensic capability; and data analytics;
- increased ability to work jointly with public sector and other partners;
- increased ability for partners and the public to access directly information relevant to them.

6.4 Package 6, delivered by Option 2, is the 'best performing' option. It delivers, marginally, best value for money, and delivers the full range of capabilities that Police Scotland needs (and significantly greater capability than the next best performing option). Once the core ICT infrastructure and platform is built, which will require the bulk of the capital investment, it makes sense to use that asset to its optimal capability. It would be preferable to embark at the outset on a programme with the full scope of what Police Scotland actually needs, and to progress towards that over time in line with the availability of funding, rather than to set a more limited scope at the outset and risk precluding the possibility of expanding capability easily or cost-effectively in the future.

Risk

6.5 The OBC describes how it is proposed to manage risk, particularly in respect of delivery risk. A phased approach to delivery of benefits is proposed (discussed further below), unlike the approach taken previously with i6. The OBC recognises the need to have in place the right resources within Police Scotland to manage the programme, sourced either internally or externally. (Police Scotland's change management capacity has already increased very

significantly over the last 18 months compared to the period during which i6 was being delivered.) Lessons from Audit Scotland's review of lessons learned from public sector ICT projects, published in May 2017, have been incorporated into various aspects of the OBC including planning, governance, user involvement, leadership, and the benefits of incremental, 'agile' delivery rather than attempting to deliver a single all-encompassing programme at one time. And delivery risk should be mitigated by the decision not to seek to implement novel technological solutions: each of the elements sought in the OBC is already in place in one of the other UK police forces. Cost risk has been considered in line with the Green Book recommendations to include additional sums for 'optimism bias'. Commercial risk (another lesson from i6) has also been considered, and it is proposed that rather than contracting with a single large delivery partner for the entire programme the work should be contracted in smaller packages enabling suppliers to play to their strengths and spreading risk around partner non-delivery. Further detail about risk management will be provided in the Full Business Cases.

- 6.6 Finally, the risk of not acting should also be considered. If Police Scotland is to be able to tackle crime in a digital age and fulfil its statutory purpose to promote the safety and wellbeing of people, places and communities in Scotland it needs the technical capability to do it. This case was made clearly in the 10 year policing strategy: 'Serving a Changing Scotland'. Police Scotland currently lacks that capability. In addition, this OBC should rightly be seen in the wider context set out in the Scottish Government's digital strategy 'Scotland's Digital Future'; and as a single national service, the second largest in the UK, Police Scotland plays an essential role in maintaining cross-sector cyber resilience as set out in the Scottish Government's Cyber Resilience Strategy for Scotland. Not acting, and continuing to maintain only the existing levels of capability, is no longer a viable option consistent with the role which Police Scotland plays.

Phased approach

- 6.7 A phased approach is proposed by the OBC and this advice endorses that approach. Approval of the OBC does not in itself set a timescale for delivery. That will in any case be influenced by funding availability, to be determined by the Scottish Government. However even if the full funding sought was available it would be preferable for an incremental, phased approach to be taken to the delivery of the chosen option, with checkpoints after each phase to ensure that the desired business benefits are in fact being delivered

before progressing to the next phase. To some extent this might slow progress compared to a 'big bang' approach, but lessons from previous ICT infrastructure projects strongly recommend an incremental approach in order to best manage delivery risk.

Next steps

- 6.8 The OBC is a thorough piece of work, and makes sound recommendations. Questions remain to be answered about the DDICT programme, and the correct stage for them to be answered is in the Full Business Cases. If the SPA Board approves the OBC and endorses the recommended option (Option 2 to deliver Package 6), Police Scotland will prepare the range of Full Business Cases required. Those cases will, however, need to respond to the levels of funding available. The Scottish Government's 2019/20 Draft Budget is likely to be presented to Parliament in December 2018, and the Budget Bill to be approved by Parliament around late-February. The SPA's budget for 2019/20 is likely to be approved in March 2019. It is therefore recommended that in the months ahead Police Scotland prepare for a range of funding scenarios, so that they are able to commence delivery of the DDICT projects as quickly as possible in line with the funding profile which is available, subject to SPA agreement of the Full Business Cases.

RECOMMENDATIONS

Members are requested to note the information contained within this paper.

SCOTTISH PUBLIC FINANCE MANUAL AND HM TREASURY 'GREEN BOOK' GUIDANCE

The Scottish Public Finance Manual (SPFM)

1. The SPFM is issued by the Scottish Ministers and provides guidance to the Scottish Government and other public bodies (which includes the SPA and Police Scotland) on the proper handling and reporting of public funds. The SPFM section on Major Investment Projects gives general guidance on the procuring, managing and delivering major projects, which are defined as over £5m, inclusive of fees and charges. The SPFM stipulates that a Senior Responsible Owner must be appointed at the earliest possible stage, with all roles, responsibilities and delegated authorities clearly identified and formally documented. Accountable Officers have a responsibility to ensure that procurement activity is conducted in accordance with the requirements of the SPFM, including securing Best Value.
2. The Senior Responsible Owner (in this case Police Scotland's Deputy Chief Officer) must ensure that the business case reflects the options for delivery and that each option is evaluated to determine the implications for expenditure and use of resources. The business case and delivery options must be scrutinised as part of the appropriate project approvals process. The SRO must also ensure compliance with the SPFM on procurement. Accountable Officers, Scottish Ministers and Governing Boards must be kept informed of any developments that undermine the business case and high risk projects should have SG Gateway Review Support.

HM Treasury 'Green Book'

3. Together with the related Treasury 'Aqua Book' (on Analytical modelling) and 'Magenta' guidance (on evaluation methodology) the Green Book sets out the technical requirements for business cases for major investments including: options appraisals, options evaluation, valuation of costs, benefits and risks, approaches to monitoring and how the appraisal process fits with Government decision making. The Green book requires that business cases follow the 'Five Case Model': the Strategic dimension, the Economic dimension, the Commercial dimension, the Financial dimension and the Management dimension.
4. The Green Book describes the 3-stage business case development process as follows:

The key purpose of the Strategic Outline Case (SOC) is to:

- establish the strategic context for the spending proposal;
- evidence the case for change;
- establish the preferred way forward.

The key purpose of the Outline Business Case (OBC) is to:

- identify the spending option which optimises value for money;
- prepare the scheme for procurement;
- put in place the necessary funding and management arrangements for the successful delivery of the scheme.

The key purpose of the Full Business case (FBC) is to:

- revisit OBC assumptions and main finding;
- evidence that the most economically advantageous tender for the scheme has been accepted;
- establish that the management arrangements for successful delivery are in place.

There is a significant amount of Green Book Supplementary Guidance including: 'Delivering public value from spending proposals' and 'Major Projects Approval and Assurance Guidance'.