

<b>Meeting</b>	<b>SPA Authority Meeting</b>
<b>Date</b>	<b>29 September 2021</b>
<b>Location</b>	<b>Video Conference</b>
<b>Title of Paper</b>	<b>Capital Strategy</b>
<b>Presented By</b>	<b>James Gray, Chief Financial Officer</b>
<b>Recommendation to Members</b>	<b>For Approval</b>
<b>Appendix Attached</b>	<b>Appendix A - Capital Strategy 5 Year Plan</b>

**PURPOSE**

This paper is to advise Authority members of the updated Capital Strategy including a 5 year view of the organisation's capital requirements and request that members approve the Capital Strategy Work Plan.

This paper is submitted to Members for approval.

## **1. BACKGROUND**

- 1.1 Since 2017, Police Scotland has taken several actions to improve the discipline, financial management and governance of Capital investment.
- 1.2 The next step in improving our approach is the development of a Capital Strategy.

## **2. FURTHER DETAIL ON THE REPORT TOPIC**

- 2.1 A Capital Strategy is an effective way of drawing together the various strands of influence in the SPA/PSoS current and future planned Capital investment, and to show how capital investment contributes towards the delivery of an effective Police Service. The purpose of producing the capital strategy is:
  - To show how Capital investment contributes towards the delivery of an effective Police Service;
  - To be a vehicle for consolidating the Capital investment requirements of existing and future strategies, emphasising that capital strategy is a long term consideration;
  - Provide a clear, singular approach for making the case to Government for sustainable levels of funding;
  - Develop further partnership with blue light and other public sector partners.
- 2.2 The Capital Strategy can be found in the attached appendix A. This includes:
  - Background: The background to Police Scotland's capital journey, showing an historic underspend position in the early years with a focus on repairs and replacement. This has moved in recent years to a more balanced approach between change projects and maintenance, whilst increasing the level of capital available through the production of better business cases and spending review submissions. The organisation also now has a proven track record of executing expenditure in line with budget.
  - Objectives: The objectives of the capital strategy which centre around people, risk, planning, collaboration, funding, governance and value.

## OFFICIAL

- Positioning: Where the capital strategy sits within the organisation's network of strategies and plans.
  - Investment areas: Details are provided of the capital strategies and plans for each 'investment area' as defined as having capital responsibilities by the Capital Investment Group, including Fleet, ICT, Estates, Specialist Policing Equipment, Weaponry and Officer Safety, Forensics and Change.
  - Priorities: A mapping exercise has been undertaken to note how the plans under each investment areas which underpin the capital strategy contribute towards the Scottish Governments national outcomes, Christie Commission principles as well as internal strategic policing priorities.
  - Risk: How capital investment can be used to mitigate organisational risk, as well as the consideration of risk in the allocation of the capital budget.
  - Governance: How the capital strategy and delivery of capital projects is managed and monitored from inception through to project close.
  - Funding: The total funding required and the expected gap based on the Scottish Government's indicative figures in the 5 year capital spending review. Information of four different funding sources have been noted as a way of potential bridging the gap.
- 2.3 This paper was presented to the SPA Resources Committee on 14 September 2021 where members made a recommendation to the Authority to approve its contents.

### **3. FINANCIAL IMPLICATIONS**

- 3.1 There are no direct financial implications associated with this paper.

### **4. PERSONNEL IMPLICATIONS**

- 4.1 There are no direct personnel implications associated with this paper.

### **5. LEGAL IMPLICATIONS**

- 5.1 There are no legal implications associated with this paper.

**6. REPUTATIONAL IMPLICATIONS**

6.1 There are no reputational implications associated with this paper.

**7. SOCIAL IMPLICATIONS**

7.1 There are no social implications associated with this paper.

**8. COMMUNITY IMPACT**

8.1 There are no community impact implications associated with this paper.

**9. EQUALITIES IMPLICATIONS**

9.1 There are no equalities implications associated with this paper.

**10. ENVIRONMENT IMPLICATIONS**

10.1 There are no environmental implications associated with this paper.

**RECOMMENDATIONS**

Members are asked to approve the Capital Strategy Work Plan.



**POLICE**  
**SCOTLAND**  
POILEAS ALBA

SCOTTISH POLICE  
**AUTHORITY**



# Capital Strategy 5 year view

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# The Capital Investment Journey

# Background

## Police Reform

Since 2013, Policing in Scotland has undergone significant change. In bringing together legacy organisations to create Police Scotland, the focus was on breaking down historic boundaries, delivering equal access to services and improving the safety and wellbeing of people and communities within Scotland.

From an investment perspective, SPA/PSOS used the available capital funding to contribute towards these early objectives. The below tables show the breakdown of funding and expenditure from inception.

Funding	2013-14 £m	2014-15 £m	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	TOTAL £m
Grant in Aid	18.3	25.2	28.1	18.2	20.0	24.0	35.8	45.0	214.6
Reform	-	10.0	4.5	-	4.4	4.6	4.6	4.6	32.7
Reform - VAT	8.8	8.0	5.8	3.0	3.9	-	-	-	29.5
Receipts	3.4	3.7	7.2	2.5	5.7	6.4	4.4	2.1	35.4
Grants	-	-	-	-	0.1	0.2	0.4	0.7	1.4
Legacy Reserves	32.0	-	-	-	-	-	-	-	32.0
<b>TOTAL FUNDING</b>	<b>62.5</b>	<b>46.9</b>	<b>45.6</b>	<b>23.7</b>	<b>34.1</b>	<b>35.2</b>	<b>45.2</b>	<b>52.4</b>	<b>345.6</b>

Expenditure		2013-14 £m	2014-15 £m	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	TOTAL £m
<i>Rolling Capital Programme</i>	ICT	8.0	13.4	13.0	12.9	17.8	6.0	5.5	9.3	71.2
	Estates	2.6	9.2	7.3	5.7	5.8	4.5	5.1	10.9	35.1
	Fleet	5.8	7.8	7.3	4.8	7.7	7.0	6.6	9.5	40.4
	Other	1.7	3.3	3.9	0.4	4.0	5.3	5.6	9.0	18.6
	Legacy Schemes	22.7	-	-	-	-	-	-	-	22.7
	Vat adjustment (1)	-	-	-	-	-1.2	-	-	-	-1.2
<b>Sub Total</b>		<b>40.8</b>	<b>33.8</b>	<b>31.5</b>	<b>23.8</b>	<b>34.1</b>	<b>22.8</b>	<b>22.8</b>	<b>38.7</b>	<b>186.8</b>
<i>Transformation</i>	ICT - i6 (2)	5.5	9.3	4.1	-	-	-	-	-	18.9
	Dalmarnock	12.3	3.8	0.8	-	-	-	-	-	16.9
	Other transformation	-	-	-	-	-	12.3	22.4	13.7	12.3
<b>Sub Total</b>		<b>58.7</b>	<b>46.9</b>	<b>36.4</b>	<b>23.8</b>	<b>32.9</b>	<b>35.1</b>	<b>45.2</b>	<b>52.4</b>	<b>233.7</b>
<b>Total Spend</b>		<b>58.7</b>	<b>46.9</b>	<b>36.4</b>	<b>23.8</b>	<b>34.1</b>	<b>35.1</b>	<b>45.2</b>	<b>52.4</b>	<b>332.5</b>

## Key Observations

- A historic inability to spend the full budget was present in early years. In 2016/17. There was a non-recurring transfer of c.£20m of capital funding to revenue.
- Legacy reserves were instrumental in delivering early estates changes at significant properties such as Dalmarnock.
- Expenditure in early years focused on rolling replacement and upgrades to existing assets, at the expense of transformation activity.
- An increased focus on transformation activity in recent years forced a reduction in rolling replacement to the level which was sufficient to meet health and safety requirements only.
- Increases to grant in aid have helped fund additional initiatives, but demand for capital still significantly outstrips supply.

(1) Following changes in the legislation, the SPA was able to reclaim VAT from 2018-19.

(2) Expenditure on i6 was recouped through revenue following closure of the programme.



# Progress

## Improvements to date

Since 2017, actions have been taken to improve the discipline, financial management and governance of capital investment. This has included:

- The production of 3 and 10 year financial strategies, providing a high level overview of the capital requirements that would support progress towards sustainability.
- Contribution toward Government exercises charged with prioritising capital investment, including annual Government spending reviews, the Scottish Government Infrastructure Commission review and SG capital spending review.
- The development of dedicated strategies with capital investment implications including DDICT, Estates and Fleet.
- The production of an Investment Governance Framework to guide the organisation through best practice project governance, including the development of business cases to HM Treasury 'green book' standard.
- The establishment of a Capital Investment Group to make decisions on the priorities for capital investment, as well as assessing risk and holding budget holders to account for delivery.

## Approach going forward

The next step proposed to further improve our approach is the development of a Capital Strategy. A Capital Strategy is an effective way of drawing together the various strands of influence on the Police Scotland's current and future planned capital investment. The rationale for the production of the strategy is:

- To show how capital investment contributes towards the delivery of police service which is sustainable, adaptable and prepared for future challenges.
- To be a vehicle for consolidating the capital investment requirements of existing and future strategies, emphasising that capital strategy is a long term consideration.
- Provide a clear, singular approach for making the case to Government for sustainable levels of funding
- Develop further partnership and collaboration opportunities with blue light and other public sector partners.
- Create a living document which will be updated as appropriate to ensure that emerging needs and issues, for example, COVID-19 recovery investment requirements, are woven into the capital requirements.

# Objectives

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## Capital Strategy Objectives



### **Planning – Creating a 10 year investment horizon, with a strong 5 year position.**

Currently the majority of our strategies, whilst thinking long term, have a shorter term horizon for change and implementation to achieve the goals set. For the capital strategy, the ambition is to start to develop longer term plans, beyond five years so that we can have a stronger understanding of our needs and ambitions for the future.



### **Funding – Producing robust multi-year plans to influence Scottish Government funding decisions**

We have been successful in demonstrating that we have built a stable platform to government over the last 3 years and that our investment in policing is strategically and societally important, and comes with tangible benefits. We need to continue to make this case stronger, so that funding can be secured to match the ambitions of the service and outcomes for the public.



### **People – Putting in place the plans that enable our people to have the right equipment and facilities to provide the best required outcomes for the public**

We will view investment decision making through the lenses of the impact on our people and outcomes for the public and communities in Scotland.



### **Risk – Establishing the investment requirements needed in order to maintain high standards of safety for our people and the public.**

We will make investment decisions with health and safety as our top prioritisation criteria.



### **Partnership and Collaboration – To enable policing to capture the opportunities presented by partnership and collaboration to best serve the people and communities of Scotland**

We will seek to put partnership and collaborative approaches at the heart of our investment planning, both from a service and facilities perspective.



### **Value – Putting in place robust governance and decision making processes that enable us to get the best value for money from our investments.**

We have established best practice processes and procedures for investment decision making. We must continue to keep standards high, continue to learn from others, keep pace with changes to economic appraisal practice and have a laser focus on value for money.



### **Environment – Aligning our investment plans to support Scottish Government environmental targets.**

We have written an Environmental strategy which defines our future targets as well as making commitments within our current strategies (Estates, Fleet, DDICT).

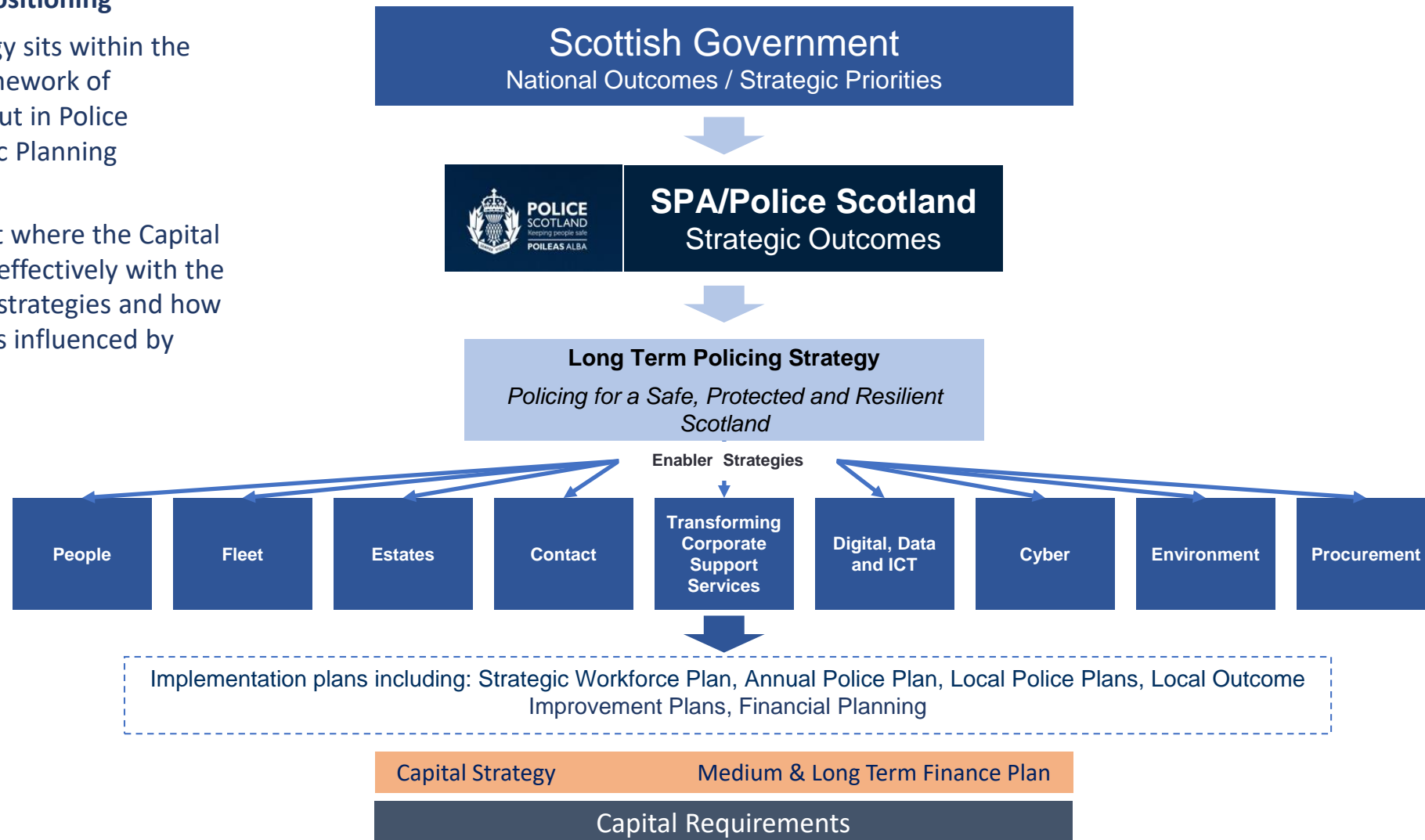
# Positioning

## Strategic Planning Framework

### Capital Strategy positioning

The Capital Strategy sits within the organisation’s framework of strategies, as set out in Police Scotland’s Strategic Planning Framework.

The below sets out where the Capital Strategy connects effectively with the organisation’s key strategies and how it influences, and is influenced by other planning.



### Organisational Strategy

The Capital Strategy should take its lead from organisational strategy, which is currently set out in the Joint Strategy for Policing (2020), *Policing for a Safe, Protected and Resilient Scotland*. The objectives of the Capital Strategy should align directly to organisational strategy.

### Financial Strategy

The Capital Strategy should sit alongside, as well as inform, the Long Term Financial Plan. Whilst noted as a financial strategy, the Capital Strategy is much broader in scope and should support the organisations planning, prioritisation and governance processes.

### Operational Strategy/Plans

There are a number of operational strategies/plans which have a capital impact. These will include asset strategies, policing plans, as well as the annual budgeting cycle. There is a need for these strategies to align with the Capital Strategy in order to be effective and coherent.

### Investment Drivers

Underpinning this Strategy Framework is a realisation that capital investment can be driven from the ground up. It is essential that processes are put in place to capture this demand and to consider it alongside top down strategic priorities.

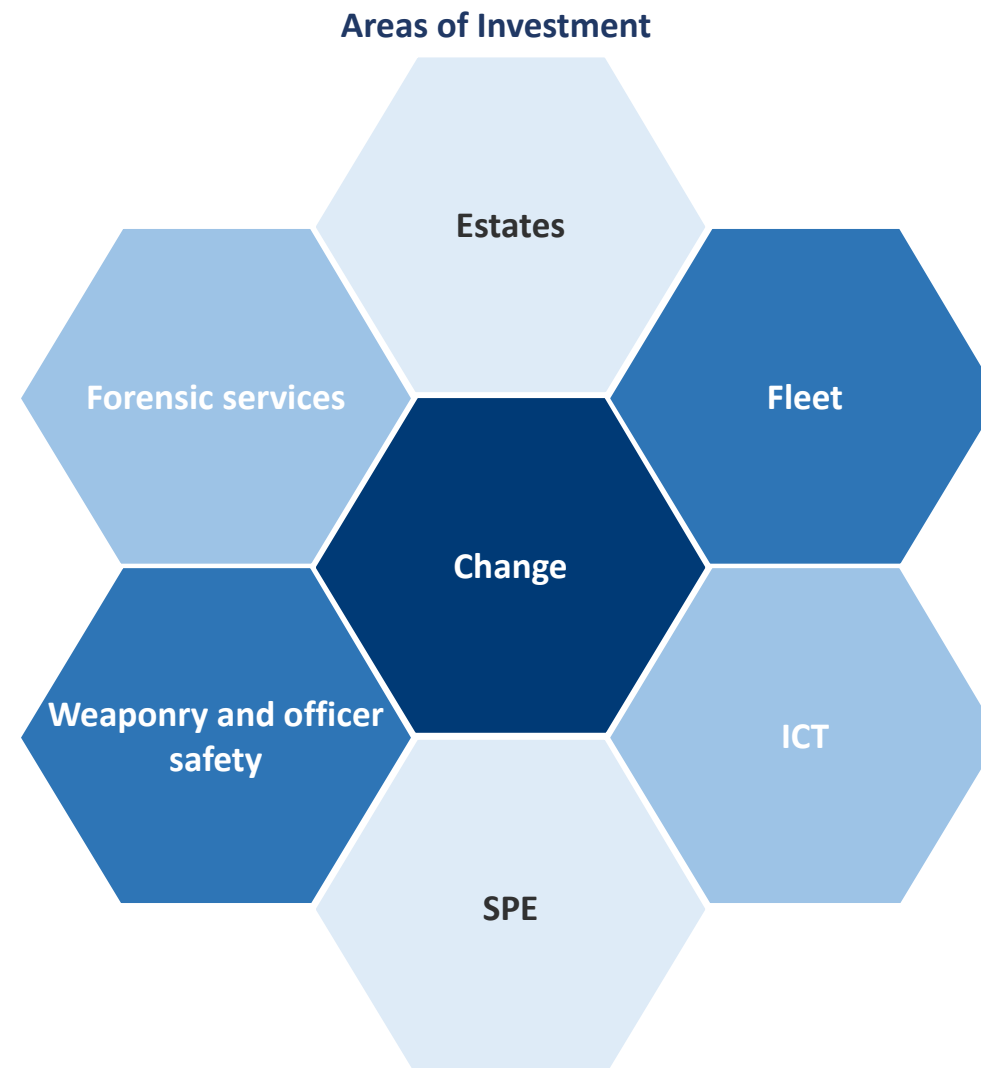
# Strategic Investment Areas

# Areas of Investment

In recent years, the organisation has developed a series of strategies with major capital implications. In pursuit of achieving the objectives of these strategies and to ensure appropriate coverage, the management of capital funding has been divided into 7 specific areas of investment. Each area has a budget lead responsible for collating and prioritising capital bids for their area from across the business.

## Dependencies and Integration

Whilst each area has a defined owner and key responsibilities there are synergies and an integrated approach to capital prioritisation through the Capital Investment Group. An example of such is the investment in green fleet – ICT prioritise investment via hardware and specialist support in the key components of telematics, airwave device purchase and installation which are vital to support the fleet rollout.



## Strategies

To date, there have been 6 major transformational strategies developed by Police Scotland:

- 1 DDICT
- 2 Estates
- 3 Fleet
- 4 Cyber Strategy
- 5 Public Contact Strategy
- 6 Environmental

We are establishing our Cyber and Contact & Engagement implementation plans which will further set out our capital ambitions. Where possible, the capital impacts will be expanded on in this capital strategy.

The slides following set out details behind each investment area, its priorities and the direction for investment in this area over the next 5 years.

# Estates

In 2019 Police Scotland published an ambitious strategy which documented the long term plans and vision for the future estate. Investment in the Estates Strategy will deliver significant benefits, both financial and non-financial, to the organisation and other public service bodies across Scotland.

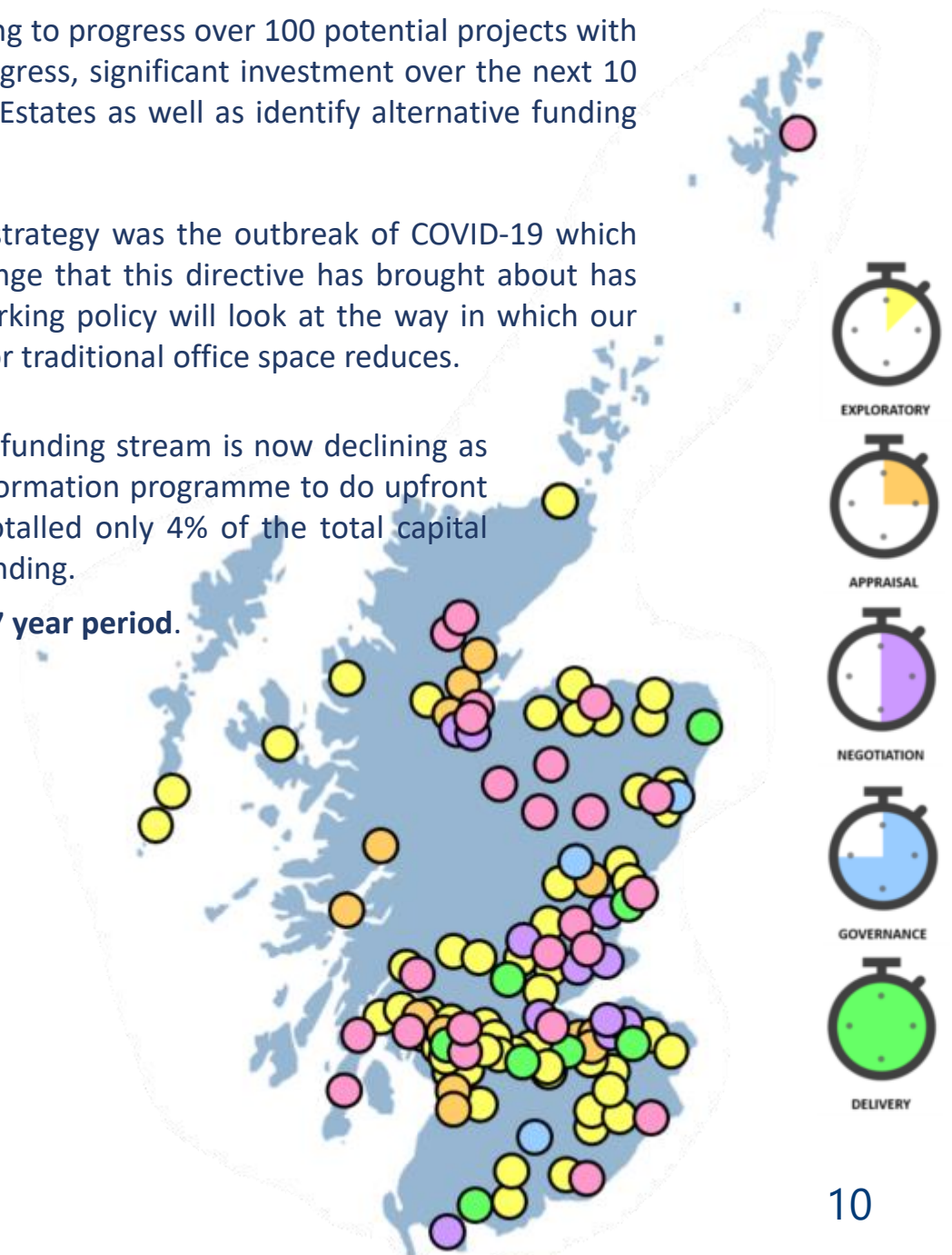
The strategy sets out the organisation’s ambition to provide better accommodation for staff and the public. This will be done by investing in existing and new facilities with a real focus on collaborating and co-locating with partner organisations as a priority. By moving to modern and more efficient facilities, we will reduce our impact on the environment whilst also reducing costs for energy and maintenance.

The implementation plans for the strategy have now been completed, and work is commencing to progress over 100 potential projects with local authority partners and other blue light agencies (see map below). To continue the progress, significant investment over the next 10 years is required. Work is ongoing to identify a comprehensive asset replacement plan for Estates as well as identify alternative funding streams which are required to enable the large scale transformation.

One significant development that could not have been foreseen during the writing of the strategy was the outbreak of COVID-19 which developed into a global pandemic. The necessity to work from home, and the cultural change that this directive has brought about has necessitated a complete review of our ways of working. Currently in draft, the Smarter Working policy will look at the way in which our workforce is based. This change will see the acceleration of the Estates Strategy as the need for traditional office space reduces.

In 2017/18, 16.7% of the total capital funding was sourced through property disposals. This funding stream is now declining as the disposal of properties is becoming increasingly reliant on the ability of the estates transformation programme to do upfront activity to enable the unlocking of properties for disposal. In 20/21, the capital receipts totalled only 4% of the total capital funding. This percentage of capital receipts will continue to decline without transformation funding.

It is currently estimated that there is a requirement to invest **£150-£200m of capital over a 5-7 year period.**



# Fleet

The Fleet Strategy has the ambition to make Police Scotland the first blue light organisation in the UK to have a fully electric fleet. The strategy will see the replacement of all internal combustion engines (ICE) to electric vehicles (EVs) and the introduction of a Scotland-wide charging infrastructure. In addition to the rollout plans, the Estates strategy is adopting the infrastructure as a key requirement in every co-location and collaboration project being progressed.

A major milestone has already been reached with the award of a £21m contract for the infrastructure and a £4.6m contract for EVs. To fully implement the Fleet Strategy there is an investment requirement in the region of **£90-£100m**. Police Scotland will not be able to achieve these ambitions (which are aligned to governmental priorities) without additional financial support from Scottish Government.

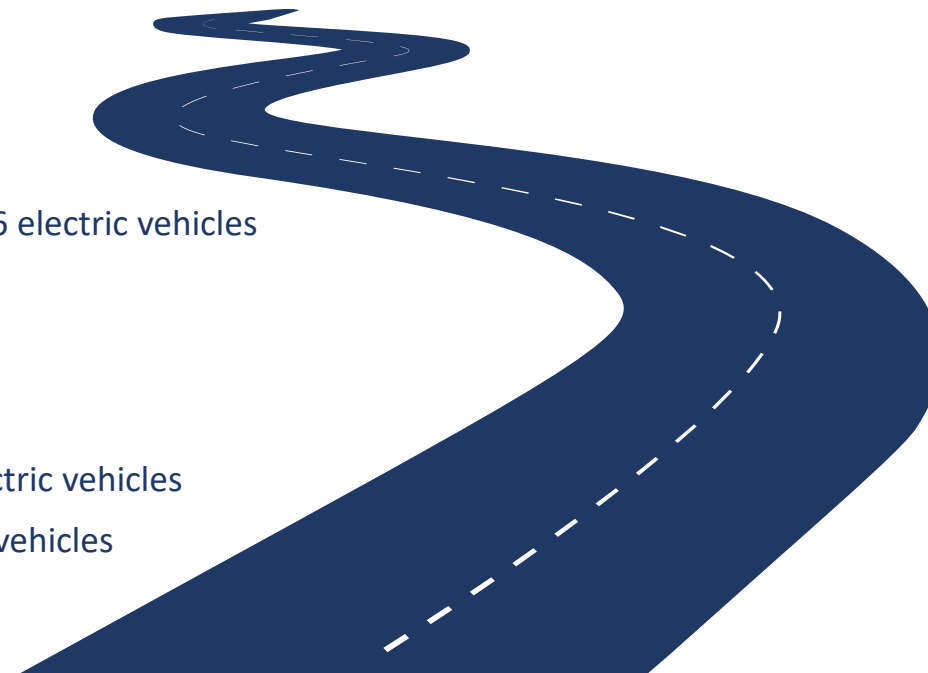
A key date in Scotland's calendar is the Conference of the Parties (COP26) being held in Glasgow in November 2021. The UN environmental conference is a significant event which focuses on environmental issues. It is the ambition of Police Scotland that a "green corridor" will be established in the central belt where unmarked EVs will be utilised where possible in support of the event.

## 2019-20

- Fleet strategy published 2019
- Project team established
- Police Scotland take delivery of 166 electric vehicles

## 2021-22

- COP26 policed by a number of electric vehicles
- Further £6.8m invested in electric vehicles
- Infrastructure roll out continues



## 2020-21

- £21m infrastructure contract signed
- £10.4m investment in 404 electric vehicles
- Training rolled out to our people
- Phase 1 infrastructure installation begins
- £10m additional funding awarded by SG for investment in fleet.

# ICT

ICT is an overarching capital budget which services the needs of the organisation as a whole. The Digital, Data & ICT (DDICT) strategy supports the commitment to achieving the key objectives within the Joint Strategy for Policing – Policing for a Safe, Protected and Resilient Scotland.

Without continued, focussed investment in our ICT infrastructure and future technology, our ability to support all other strategies diminish and there is a real and credible risk that as a national police force, we will not have the tools and technologies to quickly adapt to the changing nature of crime. Documented in our operational and strategic risk register, investment in the overarching Data, Digital and ICT strategy is a fundamental requirement.

The DDICT strategy sets out four key objectives:



The DDICT strategy was published in 2018 and in that time we have delivered significant programmes including Core Operating Systems, Mobility, National Network, etc. To date we have spent £62m of the £251m that was originally estimated. The DDICT strategy seeks to deliver Body Worn Video, Office 365 and a Unified Communications and Contact Platform (UCCP) in the future. In addition to the planned investments, ICT have supported the immediate needs of the organisation by investing in the roll out of MS Teams and a substantial uplift in laptops to support the home working directive at the height of the COVID-19 pandemic.

Work is currently being planned review and refresh the strategy with plans to update in 2022. This refresh will take account of changes in technology, speed of progress and changes in the ways of working arising from COVID-19.



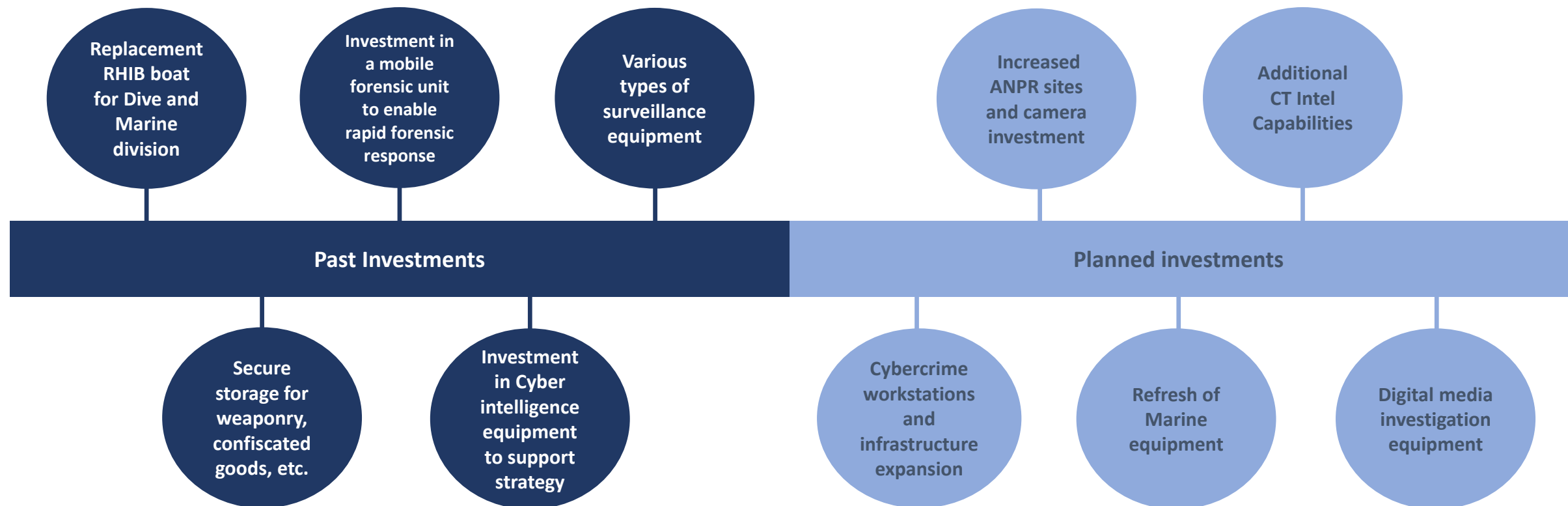
# Specialist Policing Equipment

Specialist Policing Equipment (SPE) services the diverse equipment needs of operational policing. This Investment area acts as an enabler to support operational areas including:



The equipment that is acquired through SPE is essential in enabling our officers to do their job effectively. Managing the capital requirements of over 17,000 officers with complex needs and requirements can, in times of budget constraints, be incredibly challenging.

Investment in the region of £5m per annum is required to provide the equipment. This level of funding has yet to be reached by Police Scotland due to a need to manage priorities within the capital budget. SPE must undertake rigorous prioritisation of allocated funding to invest in areas of greatest need. Risk exists across this portfolio as there is less funding available than required to undertake all that is needed. Whilst not exhaustive, the below demonstrates the type of investment decisions being undertaken in SPE.



# Weaponry and officer safety

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## Weaponry and Officer Safety strategy

Weaponry and Officer Safety is a critical rolling programme that focuses on accelerated Body Armour replacement, Firearms and STO Tasers. Each of these areas is dedicated to keeping our officers safe, ensuring they have the correct equipment to conduct their duties.

### Body Armour

In 2018 the Senior leadership team in Police Scotland committed to replacing existing body armour for a new, light weight armour which reduces physical strain whilst maintaining protection. This ambitious body armour replacement programme will replace 15,000 sets of body armour over a 4-5 year period at a cost of £5.5m. This is an accelerated timeline with over 4,000 sets of armour due to be issued in the first phase. Issues due to COVID-19 have caused the fitting hubs to rethink and become more agile which will be critical to the issue process. Continued investment is required to deliver the programme and a contract has been awarded.

### Weapons

Specialist Firearms Officers (SFO) are police officers who have been selected, trained, accredited and authorised by their chief officer to carry and deploy firearms. Armed Policing increase officer safety and provide assistance to Local Policing for spontaneous and pre-planned firearms operations. Armed Policing are continually seeking new weapons and equipment to ensure that SFO's are trained and equipped to deal with major crime. Continued roll out of new T7 Tasers will continue into 2021/22 along with the purchase of a moveable training wall to improve officer training.

### Tasers

Specially Trained Officers (STO) are police officers who have been selected, trained, accredited and authorised by their chief officer to carry a Taser operationally. The key rationale for rolling out STO Tasers is an increase in assaults on officers and as such the Taser is an additional tactical option that allows officers to manage situations where violence is threatened or likely from a safe distance. There will continue to be a further rollout of Tasers to officers and 37 additional Taser hubs will be created starting in 2021/22.

# Forensic Services

A critical partner to Police Scotland, Forensic Services is accountable to the SPA but its funding is managed as part of the capital prioritisation process that has been adopted within Police Scotland. Forensic Services have designed a new Strategy for Forensics which details the key objectives required to deliver a better quality of service and adapt more efficient ways of working. The new Forensics Strategy will be presented to the SPA Board in September 2021. In addition the service has designed a new operating model and supporting business case.

Facing similar challenges to Police Scotland, Forensic Services have seen a significant increase in workload at the same time as the advancement of scientific capabilities. To enable the service to keep up with demand, historic crime cold case review and the changing nature of crime, it is necessary to continually invest in new technology. On average there is a need to invest £2.5-£3m per annum on replacement equipment. This annual investment is over and above the capital required to fund the strategy. Yet to be fully costed, it is estimated that there will be a need for £4-£5m of one-off capital to deliver and implement the strategy.

A recent development for Forensic Services is the announcement of the transfer of Scotland's Post Mortem Toxicology service from Glasgow University. Currently under development, the operational and cost modelling is being completed which will support the move of this service. To enable this transfer, there will be a requirement to fund key capital equipment and the selection and fit out of a suitable location.

In addition to the increase in demand, Forensic Services must adhere to an external accreditation process which confirms that the equipment and processes used are accurate, calibrated and produce results that can wholly be relied on in criminal cases. The need to invest in highly specialised equipment is frequent and cannot be de-prioritised as failure to have reliable results can have serious consequences for both Police Scotland, COPFS and public confidence in the wider justice system in Scotland.

## Forensic services 2026 strategy

### Target operating model

Changing the way that Forensics work to deliver measurable improvements which will improve services to the public with local policing work prioritised. Providing faster forensic intelligence to police investigations and improved response times to improve service delivery. The target operating model will also allow for increased capacity within research and innovation.

### Core operating systems

Delivering a core operating system which will be compatible with mobile devices to improved the working environment and enabling remote off site working decreasing the need to return to the office to carry out admin tasks.

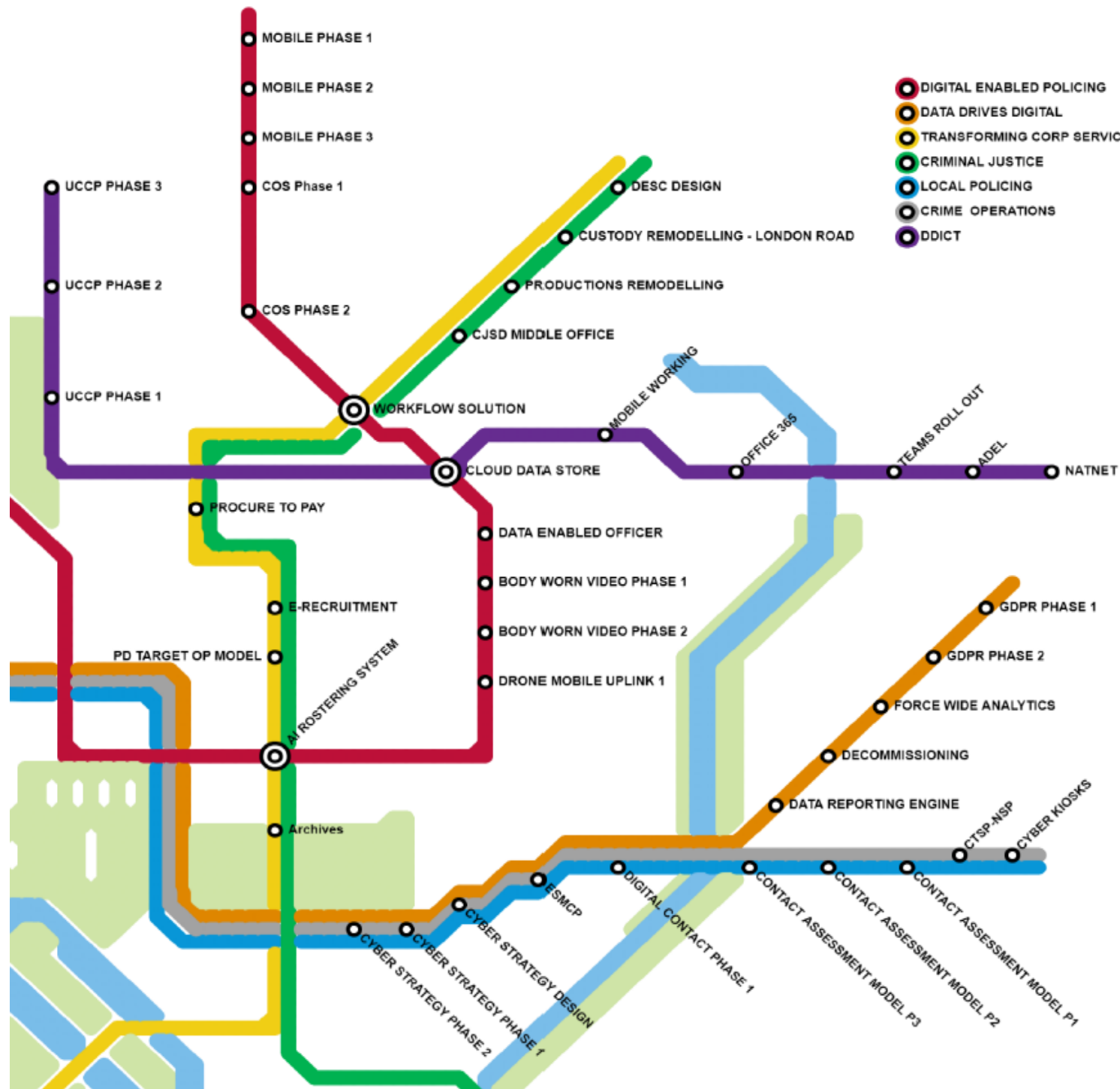
### Deployment of scenes

The new approach to deployment of forensics staff to scenes will improve the quality of service provided not only to Police Scotland but also to the Crown. The new deployment approach will stop all future attendance at scenes which have no forensic evidence and therefore making the model more sustainable for the future.

### Access to labs

Project which will enable better and more efficient use of labs and will allow staff to be more readily available for casework due to the time savings that will result in the project.

# Capital Strategy: Change



## Change strategy

- An over-arching investment area, change is defined as all investment that contributes towards transformation within SPA/Police Scotland. Throughout there has been reference to our strategies for DDICT, Fleet, Estates as well as the in-flight work for Cyber, Contact Centre and Environment. Once these strategies have developed implementation plans and the governance is completed for required business cases, the activity is recorded under change.
- Police Scotland has required significant investment in its change portfolio since its inception in 2013. To create the synergies and operational improvements there has been a real, sustained need to invest in integrating systems, streamlining estate portfolio and maintain law enforcement standards.
- To fully articulate the requirements of the organisation, the strategies that have been developed go some way to defining the requirements of a future focused, national policing service. Given the ever changing nature of crime, the need to constantly refine the strategies and refresh the investment aspirations is critical. As technology progresses, so must the ambitions of the organisation.
- The risk to the people and communities we serve, our people is real and credible if we fail to adequately invest in transformation. Police Scotland needs to protect the public and communities in Scotland while effectively investigating crime where it occurs and proactively leading preventative approaches. There is also the requirement to contribute to the efforts of UK-wide national agencies and have mutual aid support.

# Priorities, Risk & Governance

# Mapping to Strategic External Priorities

To understand how capital investments align to our aims and values, we can demonstrate the direct link to a number of internal and external policies. The intentions of the capital strategy and the investments we propose can be directly mapped to Annual Policing Plan 2021/22 and Scottish Government National Outcomes.

When considering investments, work is undertaken to ensure that we draw out the benefits to not only our officers, staff and the communities we serve, but also areas such as economic growth, synergies with other local authority/blue light partners, environment and many more. The below demonstrates how our investment areas align to the Scottish Government National Outcomes. Whilst there are some areas of the national outcomes which naturally align to our organisational purpose (Communities & Children & Young People, for example), many of our strategies can be mapped into and contribute to others. An example of this is the national priority for the Environment – By prioritising investment in our Fleet, Police Scotland have become the first blue light organisation in the UK to announce a plan to become fully electric by 2030.

Police Scotland have committed to aligning our future planning and collaborative working by the principles set out in Christie Commission, which was published in 2011. One such principle, **“Public service providers must be required to work much more closely in partnership, to integrate service provision and thus improve the outcomes they achieve”** is critical to shaping strategy and investment within Police Scotland. With this principle in mind, Police Scotland are leading discussions with COSLA, SOLACE and PHS on future joint working opportunities to create clearer strategic alignment around shared outcomes. The identification of these opportunities will be considered as part of the next iteration of the capital strategy.

Area	Scottish Government National Outcomes										
	Children & Young People	Communities	Culture	Economy	Education	Environment	Fair Work and Business	Health	Human Rights	International	Poverty
	We grow up loved, safe & respected so we realise our full potential	We live in communities that are inclusive, empowered, resilient and safe	We are creative and our vibrant and diverse cultures are expressed and enjoyed widely	We have a globally competitive, entrepreneurial, inclusive and sustainable economy	We are well educated, skilled and able to contribute to society	We value, enjoy, protect and enhance our environment	We have thriving and innovative businesses, with quality jobs and fair work for everyone	We are healthy and active	We respect, protect and fulfil human rights and live free from discrimination	We are open, connected and make a positive contribution internationally	We tackle poverty by sharing opportunities, wealth and power more equally
Fleet		✓				✓		✓			
Estates		✓		✓		✓					
DDICT	✓	✓					✓		✓		
Cyber	✓	✓					✓		✓	✓	
SPE	✓	✓							✓		
Weaponry											
Forensic Services		✓				✓			✓		

# Mapping to Strategic Internal Priorities

The table below maps out each of the investment areas against our own internal priorities as referenced in the Annual Policing Plan for 2020/21. Each strategy delivers against multiple priorities while some strategies also act as an enabler for other strategies. An example of this is DDICT which provides the foundation for multiple strategies due to the requirement to have a strong and resilient ICT infrastructure. A further example is the Estates Strategy which supports the rollout of the fleet EV infrastructure required to charge the vehicles and is, therefore, fundamental to the success of EV rollout.

The table below provides a visual representation of the interdependencies and priority mapping against the Strategic Policing Priorities and Priorities for Policing, both of which feature in the SPA/Police Scotland Annual Policing Plan 2021/22.








Area	Joint Strategy for Policing - strategic outcomes				
	Threats to public safety and wellbeing are resolved by a proactive and responsive police service	The needs of local communities are addressed through effective service delivery	The public, communities, and partners are engaged, involved and have confidence in policing	Our people are supported through a positive working environment, enabling them to serve the public	Police Scotland is sustainable, adaptable, and prepared for future challenges
Fleet	✓	✓	✓	✓	✓
Estates		✓	✓	✓	✓
DDICT	✓	✓	✓		✓
Cyber	✓	✓	✓		✓
SPE	✓	✓	✓		✓
Weaponry	✓	✓	✓		✓
Forensic Services	✓		✓		✓

# Capital Strategy: Strategic and Operational Risk

## Strategic and operational risk

One of the major benefits in delivering a capital strategy is the ability to reduce or close identified risks within Police Scotland. These risks have been classified by our Risk specialists and have defined measures in place to mitigate them. Many of these measures rely on capital investment and, as such, our investment strategies and replacement programmes are undertaken using a risk-based approach to ensure that, as far as possible, organisational risk can be mitigated.

There are a number of identified strategic risks within Police Scotland which have a capital investment requirement to clear/reduce risk classification. The following risks (not exhaustive) will be mitigated by the strategic investments. They are:

DDICT strategy	Fleet strategy	Estates strategy	Cyber strategy	SPE	Weaponry & officer safety	Forensic Services
 <ul style="list-style-type: none"> <li>Risk that delivery of “Serving a Changing Scotland” is not enabled by technology, resulting in an inability to maximise opportunities and achieve the benefits.</li> </ul>	 <ul style="list-style-type: none"> <li>Risk that we fail to support the Scottish Government carbon reduction targets.</li> </ul>	 <ul style="list-style-type: none"> <li>Risk that the estates will not be developed to the expected standard for example condition survey category B.</li> </ul>	 <ul style="list-style-type: none"> <li>If we do not build and maintain effective cyber resilience, there is a risk that the cyber security of the organisation may be compromised, resulting in disruption to our ICT systems and service delivery.</li> </ul>	 <ul style="list-style-type: none"> <li>Risk that lack of investment in adequate operational equipment can lead to compromise of officer safety.</li> </ul>	 <ul style="list-style-type: none"> <li>Risk that lack of investment in taser deployment to trained officers can erode public safety and may lead to reputational damage</li> </ul>	 <ul style="list-style-type: none"> <li>Failure to invest in equipment renewal and new technologies can lead to loss of Forensic accreditation required to undertake investigation and evidence review.</li> </ul>

Without adequate investment in capital investment areas, the identified risks within Police Scotland will remain, and, in some cases, progress outside the defined risk appetite. Several risks identified have been successfully mitigated by targeted investment – an example of this is the investment in the Custody and Productions Programme (CJSD) which focused on evidence storage and custody safety.



# Capital Strategy: Process of Prioritisation

There is an ongoing requirement for significantly more capital to fund rolling replacement requirements and transformation projects. To ensure that the annual capital is allocated across the portfolios there has been a process agreed which takes into consideration multiple factors. The overall process is managed at the Capital Investment Group (CIG).

The CIG members consider all capital bids which are required to be split into the following categories (in order of priority):

1. Regulatory/Mandatory
2. Committed
3. Critical
4. Difficult to Stop
5. Discretionary

By doing so, it highlights the most critical requests and creates the initial prioritisation list. Efforts are made to ensure that at least the top 3 categories are fully funded. If residual capital is available then category 4. Difficult to stop is funded and only then, discretionary is considered.



Discretionary capital is allocated to budget holders as a pot of funding – this is then allocated on a granular basis by using the prioritisation matrix (see right for detail). This process has been developed in conjunction with Finance, Risk and Change teams.

In order to effectively prioritise capital allocation, a **criteria assessment matrix** is used to score each proposal which informs and determines where capital funding should be allocated. The scoring matrix reflects and represents Police Scotland priorities to ensure that all spending decisions are standardised and align to Police Scotland objectives.

Examples of assessment criteria include:

-  Deliverability
-  Wellbeing
-  Invest in future
-  Sustainability
-  Service to the public

Criteria	Yes (1)/No(0)	Sum Total	Overall Score
<b>Deliverability</b>			
Can be procured and delivered in year	1	1	2
If required, has the FBC been through full governance	0		
Have procurement been engaged and have committed to delivery within year	0		
Has there been commitment from supplier as to ability to deliver within financial year	0		
<b>Safe, well equipped, protected</b>			
Enables compliance of legislation	0	3	4
Directly supports the response to and prevention of crime	1		
Provides our people with the tools to protect themselves from harm	1		
Supports the introduction of latest equipment and practices	1		
<b>Leadership &amp; Talent</b>			
Supports the objectives of the learning and development framework	0	0	1
Supports organisational design, workforce planning, target operating model	0		
Builds facilities/product to deliver training & development	0		
<b>Well Being</b>			
An enabler to support force regarding mental health and wellbeing	0	2	3
Improves the working lives of staff and officers	1		
Provides tangible benefit to our people	1		
<b>Sustainability</b>			
Supports financial sustainability of the organisation	1	2	3
Supports improvement of existing assets	1		
* Supports Scottish Government to achieve net zero greenhouse gas emissions by 2045 (at latest)	0		
Supports innovation that accelerates our capacity and capability for effective service delivery	0		
<b>Service to the public</b>			
Supports intelligence led policing	0	1	1
Investments support community groups, public sector organisations and/or third sector	0		
Aligned to public contact strategy and engagement framework	0		
Supports the public and political concern re data, new technologies and ethical use	0		
Improves public confidence in policing	1		
<b>Enabler</b>			
Foundation investment for other projects/investment	0	0	1
Deploying technology in the right places to change how things are done	0		
Creates capacity to support improvement	0		
<b>Invest in the Future</b>			
Supports innovation in policing	0	1	1
Supports crime prevention initiatives	0		
Has a long-term asset life	1		
Part of a multi-phased project	0		

 Cells that require scoring input  
 Auto populated

Overall Scoring
5 <b>Meets all criteria</b>
4 <b>Meets most</b>
3 <b>Meets one</b>
2 <b>Meets few</b>
1 <b>Meets none</b>

# Capital Risks

To fully consider the future investments and funding impacts of the capital requirements, it should be noted that there are also emerging and know events which carry an element of financial risk to the capital budgets.

Currently, there are 3 potential risks which could have a significant impact on the future investment abilities. They are:

## IFRS 16

- IFRS16 is a new accounting standard which is due to be adopted by public sector bodies on the 1<sup>st</sup> April 22.
- This standard deals with the capitalisation of leases which, up until now, have been recognised as a revenue cost
- Whilst the impact of the standard is still being established, its primary aim is to capitalise all eligible leases which may have a significant impact on the capital funding

## Emergency Service Mobile Communication Programme (ESMCP)

- ESMCP is a Home Office led transformation programme which will see the replacement of the Airwaves system (our communication devices) to a new digital network and mobile technology.
- There is a significant capital investment required for go-live, currently estimated to be 24/25 of circa £65M in the first year alone, with similar levels of funding on a cyclical basis.
- Ongoing engagement with SG regarding funding of programme

## Property Disposal Timing

- As part of the Estates Transformation strategy, a number of properties are disposed when they are deemed surplus.
- The property sales contribute to the overall annual capital budget as the Asset Held for Sale value is reinvested in the organisation.
- Subject to the same, rules as the GIA funding, the proceeds must be invested in the year that they are generated.
- Risk exists due to reliance on securing a buyer and the timing of the sale as there are many factors which can disrupt the disposal.

# Capital Strategy: Governance

## Capital investment group

Capital Investment Group (CIG) operates as a sub-committee of the Corporate Finance & People Board. The group meets on a quarterly basis to govern capital investment.

### Key functions of CIG

#### Plan



- Approval of the annual capital budgets and the prioritisation of spend allocation therein;
- Consideration, challenge and approval of all bids as part of the capital planning cycle to meet the strategic direction of the service; and
- Develop and maintain 3 year rolling capital plan.

#### Manage



- Manage and update the capital plan on a quarterly basis to reflect the ongoing activity regarding business cases to ensure our capital funding is used in the most effective manner possible;
- Review and challenge overspend and slippage issues, making recommendation as necessary on the overall position and options for corrective action and/or re-prioritisation

#### Monitor



- Ensure capital strategy is consistent with Police Scotland strategic direction and priorities;
- Ensure that capital funding is not committed to any investment project prior to all necessary approvals being obtained;
- Keep under review income from Capital receipts and their application to fund the Capital Plan;
- Identify and monitor the resources available to fund the capital programme.

# Funding

# Capital Strategy: 5 year financial view

## 5 year view

To deliver against organisational strategic requirements, significant capital and revenue reform funding is required. Access to flexible funding which enables contract commitment, staff recruitment and retention as well as clear progress towards our aims is fundamental to progress. As demonstrated in investment themes and strategy mapping, there are clear interdependencies across a number of our investment areas.

Capital area	Capital requirement over next 5 years					
	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	TOTAL £m
DDICT	56.0	53.5	25.4	15.9	10.3	161.1
Fleet	17.8	16.9	25.8	12.0	16.1	88.6
Estates	8.1	21.8	55.2	37.1	39.7	161.9
Forensic Services	5.7	9.2	5.2	4.2	4.2	28.5
Specialist Policing Equipment	3.5	3.5	3.5	3.5	3.5	17.5
Weaponry and Officer Safety	2.5	1.5	1.5	1.5	1.5	8.5
<b>Total capital investment (in year)</b>	<b>93.6</b>	<b>106.4</b>	<b>116.6</b>	<b>74.2</b>	<b>75.3</b>	<b>466.1</b>
<b>Total capital investment (cumulative)</b>	<b>93.6</b>	<b>200.0</b>	<b>316.6</b>	<b>390.8</b>	<b>466.1</b>	

Prioritisation of capital assuming flat funding over next 5 years					
2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	TOTAL £m
23.6	23.6	23.6	23.6	23.6	118
9.5	9.5	10	10	10	49
9	9	9	9	9	45
2	2	2	2	2	10
3.5	3.5	3.5	3.5	3.5	17.5
2	2	1.5	1.5	1.5	8.5
<b>49.6</b>	<b>49.6</b>	<b>49.6</b>	<b>49.6</b>	<b>49.6</b>	<b>248</b>
<b>49.6</b>	<b>99.2</b>	<b>148.8</b>	<b>198.4</b>	<b>248</b>	

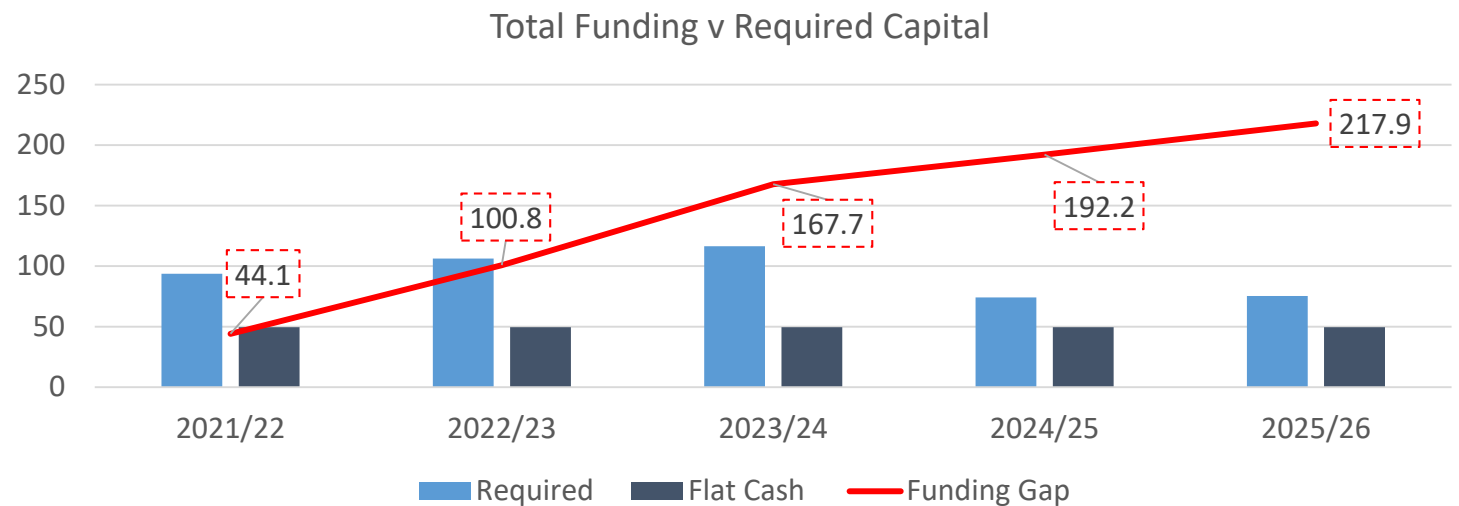
## Impact of underinvestment

- Prioritisation would be given to meeting health and safety needs, legislative requirements and replacement of core equipment (Weaponry, SPE and Forensics would all receive an allocation which would be the minimum required to maintain these business/asset areas effectively).
- Estates – Estates would be allocated funding to meet health and safety requirements and basic repairs and maintenance. No funding would be available for estates transformation or co-location projects.
- Fleet – The Fleet strategy would progress at a slow pace, topping out at a maximum of 1,400 vehicles (40%) transitioned to ULEV as funding would be insufficient to progress with Phases 2 and 3 of the infrastructure roll out. Investment in diesel vehicles would persist.
- DDICT projects would be prioritised by the organisation, however this would still be some way short of the overall requirement.

# Capital Strategy: Funding the Gap

One of the biggest challenges facing SPA/PSOS is the constraints around its funding model. Currently, there is an annual Capital and Reform Grant in Aid award made from Scottish Government to Police Scotland. As noted in the previous slide, this is not sufficient in order to meet the needs of the organisation. The funding gap is highlighted in the adjacent graph.

In order to consider options to fund the gap, we have identified and considered four funding sources below.



1. **Grant in Aid** – this has increased over the last 3 financial years through the demonstration to Scottish Government of need, the benefits derived from investment and the quality of project management in order to deliver. This will continue to be the primary source of funding into the future.
2. **Capital Reform** – this is an annual award of £4.6m is made to fund transformation projects and has remained at this static level for every year it has been awarded. The planning expectation is that this will continue and will be used to fund transformation projects, including those relating to DDICT, Estates and Fleet.
3. **Disposals** – this is a variable level of funding derived from the sale of assets, the majority of which are surplus buildings. The SPA has been granted permission to retain disposals for the previous four financial years, as well as for the next two. This approval is sought every three years. Whilst this is a welcome supplement to grant in aid, it provides a level of logistical challenge deriving from the need to match the income from sales with expenditure in a given year, due to the annual nature of SPA capital funding. The Estates Strategy provides a real opportunity to realise significant levels of capital receipts over the next 5-10 years, in the region of £80-£100m. This would be beyond the SPA’s ability to match capital income and expenditure in an individual financial year and so we are seeking to work with the Scottish Government to look at options to manage this risk. Our preference would be that upfront capital funding providing by government to the SPA could be used to move to a smaller, modern, co-located footprint across our estate, with the proceeds from the disposal of sites being channelled back to central government into the longer term.
4. **Borrowing** – Chapter 1, Section 4 of the Police and Fire Reform (Scotland) Act 2012, states that the SPA has the power to borrow money, but that this power cannot be exercised without the consent of Scottish Ministers. Borrowing is therefore a potential option for the funding of carefully selected projects (particularly those which transform the estate) which have a return on investment in order to make repayments affordable and manageable. The SPA would access the PWLB, would comply with the CIPFA Prudential Code and would establish a treasury unit for managing and monitoring. Additional details on borrowing is provided overleaf.

# Capital Strategy: Borrowing

## Borrowing Explained

The benefits to allowing Police Scotland the ability to borrow funds to enable the progression of its capital strategies are numerous.

Arguments to support borrowing consent	Options for borrowing
<ul style="list-style-type: none"> <li>• Low interest rate environment – ideal time to borrow to finance long-term assets and infrastructure at affordable levels</li> <li>• Ability to match cost of borrowing with the consumption/use of the asset, this links annual charges to taxpayers who receive benefits from assets utilised</li> <li>• Moves away from short-term approach driven by annual capital grant settlements and supports efficient longer-term financial planning</li> <li>• Supports better business planning, efficient procurement (through longer lead-in times) and value for money through longer-term approach and ability to plan ahead.</li> <li>• Supports resource allocation/decisions to support delivery of capital programmes. Retention of required skills, knowledge and capacity by having an element of greater certainty over funding available</li> <li>• Supports longer-term asset management plans and strategies through better forward planning – link to asset rationalisation/disposal strategy and recycling of capital receipts, i.e. the borrowing can allow pump priming as part of long term asset rationalisation. This means not relying on timing of grants and indeed the uncertainty of what level, as future grant funding levels remain uncertain.</li> <li>• Individual “consent to borrow” opportunities from Ministers, linked to specific projects/asset rationalisation plans – capitalisation directions linked to borrowing v longer-term revenue savings</li> </ul>	<ul style="list-style-type: none"> <li>• New freedoms to borrow long-term, in line with other local authorities across Scotland – access to PWLB.</li> <li>• Police Scotland was borne out of the various forces that had previous borrowing powers through PWLB. They did not borrow hugely in the latter periods of the regional forces because capital grant was available however all recognised this grant did not fulfil their needs to develop longer term solutions. There was also an awareness that the creation of Police Scotland was imminent so much of the capital investment was stalled.</li> <li>• Possible agreement therefore of an External Financing Limit agreed each year with the Scottish Government, driven by the capital plans. Provides opportunity to time borrowing decision at opportune times in terms of market movements.</li> <li>• Individual consents to borrow via capitalisation directions (e.g. five years), as part of transformation plans, with links to potential future asset sales which would provide resource to reduce debt liability when receipts are generated.</li> <li>• Borrowing via other authorities – but still a form of credit arrangement and would require Ministerial consent. This would accommodate cash-flow, working collaboratively with Councils in each area to support the Local Plan/Community Strategy. May resolve issues around where the debt sits at a national level – example: opportunity to work with local authorities on area specific projects, e.g. shared accommodation sites.</li> <li>• Recognising that there are limits to ability to borrow due to being limited by SG borrowing limits and availability.</li> </ul>

# Summary & Next Steps



# Summary & Next Steps

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As noted at the outset, the capital strategy will be used as follows:

- To show how Capital investment contributes towards the delivery of a police service which is sustainable, adaptable and prepared for future challenges.
- To be a vehicle for consolidating the Capital investment requirements of existing and future strategies and implementation plans, emphasising that capital strategy is a long term consideration.
- Provide a clear, singular approach for making the case to Government for sustainable levels of funding.
- **To enable Police Scotland to capture the opportunities presented by partnership and collaboration to best serve the people and communities of Scotland**

The capital strategy should be seen as an ever evolving document and will updated regularly as a way of aiding internal planning and discussions with government on long term capital requirements. For the next iteration of the capital strategy, the focus will be on making the following improvements:

- **Updating the DDICT strategy** and the capital requirements which underpin it.
- **Updating the Estate implementation plan**, with a focus on those projects which will deliver most value to the public and to staff.
- **Complete the work on the Cyber Strategy** and initiate the implementation plan
- **Developing a detailed disposals plan** to support securing upfront funding from government for long term receipts.
- Developing the **capital requirements for emerging strategies** noted throughout e.g. Cyber, Energy and Environmental.
- Furthering the discussion with government on the **options for funding the gap** identified in the strategy.