

<b>Committee(s):</b> Finance Committee – For decision IT Sub Committee – For Information Police Committee – For Information	<b>Date(s):</b> 24 July 2018 10 Sept 2018 20 Sept 2018
<b>Subject:</b> Police ICT Company financial guarantee	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Decision</b>
<b>Report author:</b> Philip Gregory, Deputy Director, Financial Services	

### Summary

The Police ICT company is a national body that works on behalf of all Police forces to implement improvement programmes with a national perspective. The Police IT company is an agency of the Home Office. The Police ICT company has no assets and therefore is unable to enter into contracts to supply goods and services for the benefit of Police forces. The Police ICT company currently relies on individual Police forces entering into contracts on their behalf, as the City of London Police force has for the National Enabling Programme to proceed.

To mitigate this issue the Police ICT company has suggested that all Police and Crime Commissioners (and the City of London Corporation acting as Police Authority) could either provide a financial guarantee or a cash loan. The preferred option is to provide a financial guarantee which is a legal agreement without the need for cash backing.

### Recommendation(s)

Members are asked to:

- Approve the provision of a financial guarantee of £25k for the Police ICT company.

### Main Report

#### Background

1. The Police ICT Company was incorporated in 2012 and started operating in 2015 with the aim to support and enable policing and associated bodies to make the best use of technology to deliver efficient, effective policing and improve public safety. The Company's aim has been to deliver more in benefit than it costs policing to run and this has been achieved with a benefit validated by CIPFA, of £13m being realised in 2017/18. The Company has now reached a point where there is an opportunity to grow and build new capacity and capability to meet the need of policing for a contracting authority to support the delivery of National ICT Programmes.

2. The National Enabling Programmes (NEP) and Digital Policing Portfolio (DPP) are moving from development to the delivery phase. This has brought the issue of a contracting authority to the fore with a need for policing to address this collectively to ensure the success of nationally commissioned investment on behalf of the service. The contracting authority role includes the negotiation and management of contracts, charging and payment arrangements supported by the necessary governance. To undertake this role any contracting authority needs access to sufficient reserves.
3. The City of London Police is currently the lead force for the delivery of the National Enabling Programme.

### **Current Position**

4. A critical dependency on a 'contracting authority' has been identified with the reality that this can only really be met through three options: The Home Office, a lead force or a third-party organisation such as the Company. The Home Office has not indicated a willingness to undertake the role or to provide the necessary risk reserve. While the lead force model continues to be an option the experience of the existing national programmes has demonstrated this is not without its challenges. Lead forces and their Commissioners have borne significant funding risks on behalf of the totality of policing. These reasons underpin the decision by the Police Reform and Transformation Board (PRTB) to support the development of the Company.
5. The PRTB, the Company Board and Police and Crime Commissioners have accepted the need to explore the options for Police and Crime Commissioners to underwrite the growth in the capital base of the Company that will enable it to become a contracting authority for police ICT and build an operating model that meets the challenges. The ambition is that over a two-year period, the Company can grow its capacity and capability to:
  - a. Become a contracting authority for national policing ICT programmes and any ancillary systems transitioned from the Home Office;
  - b. Manage ICT services with integrated planning, reporting and governance and assume responsibility for programme delivery;
  - c. Provide commercial negotiation and advisory services and enterprise technical services; and
  - d. Engage with key stakeholders to provide thought leadership, a national technology strategy and a blueprint for IT collaboration.
6. To perform a contracting authority role at scale, the Company will require a form of financial backing. The options for this are guarantees, cash loans or possibly a share issue, to ensure that suppliers have confidence in the financial viability and sustainability of the Company. Additionally, growth in operating costs will place pressure on day-to-day cash flows. Steps will be needed to mitigate cash flow risk.

## Options

7. The Police ICT company have set out options to mitigate this issue allowing them to enter into contracts with suppliers to deliver goods and services. These options are:
  - a. a form of guarantee from Police and Crime Commissioners (and the City of London Corporation in its Police Authority capacity) [the recommended option for the City of London Corporation].
  - b. a long-term cash loan from Police and Crime Commissioner's
  - c. a commercial loan from the private sector market; and
  - d. a share issue.

## Proposals

8. The benefits of this approach are set out in the following paragraphs.
9. Ensures the effective delivery of police led national programmes:
  - a. Provides a structure to reduce and avoid the duplication and inconsistency in national ICT programmes and supports a more collaborative approach to local ICT initiatives.
  - b. Supports and facilitates working towards a shared policing vision leading to shared standards and guidelines across policing technology and the strategic and cost benefits that result.
  - c. Provides centralised Police ICT learning and knowledge through a Knowledge Hub which forces can draw upon to ensure best practice is made available and that the same mistakes can be avoided.
10. Reduces inefficiency and avoids duplication in spend:
  - a. Provides a sound capital foundation for delivering £56m of savings to policing by 2021 and helps to build confidence in the Company in the supplier community.
  - b. Creates the capacity and capability to deliver £56m of savings to policing by 2021 and builds a foundation for further savings to be delivered.
  - c. Enables policing to leverage its full purchasing power in ICT contract negotiations.
  - d. Helps to avoid duplication in spend in national programmes.
11. Provides evidence to demonstrate that Police and Crime Commissioners can work collaboratively in the interests of National policing.
12. Contributes towards a positive message for Ministers about the ability of policing to reform itself and deliver efficiencies in support of Spending Review negotiations.
13. The Police ICT company recognise that there may be governance issues raised because of this proposal. The Company Board members are keen to respond positively to these issues and are recommending to Police and Crime Commissioners that:

- a. The CEO of the APCC is invited onto the Company Board as a co-opted member with full voting rights to give PCCs an additional voice on the Board and enhance the links between the APCC, PCCs and the Company;
- b. Representation from the wider Police and Crime Commissioners is included on the steering groups to be set up to direct Company programmes and service delivery;
- c. The inclusion of consultation on Company activities as a regular feature within the APCC general meetings is explored as a means of encouraging engagement;
- d. The company engages more formally and regularly with CFOs through PACCTS and governance mechanisms are established to oversee the capitalisation requirement.

## **Implications**

14. The total amount of the financial guarantee required is £5.007m. This amount will be shared amongst all the Police forces in the England and Wales resulting in the proportion of the guarantee being provided by the City of London Corporation to the Police ICT Company being £25k.
15. The total risk to the Corporation is limited to the £25k guarantee should the Police ICT Company be wound up with debts outstanding.

## **Conclusion**

16. The Police ICT Company requires a financial guarantee of £5.007m to provide the company with access to sufficient reserves to undertake a contracting authority role to deliver national ICT programmes.
17. The financial guarantee to be provided by the City of London Corporation acting in its Police Authority capacity is £25,212.

## **Appendices**

- None

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