

PART 2 – CONFIDENTIAL FACTS AND ADVICE

DMFD193

Title: Operational Equipment Management System

Information may have to be disclosed in the event of a request under the Freedom of Information Act 2000. In the event of a request for confidential facts and advice, please consult the Information Governance team for advice.

This information is not for publication until the stated date, because:

The figures included in this report are directly related to the amount of funding available to complete a procurement action, this is sensitive as suppliers tendering could adjust their prices higher to utilise more of the budget available. The total project budget has been included in part one as it shows the budget as a whole and provides the reader with as much information as possible without having a commercial impact. The component budgets included within this paper could prejudice a supplier's costings during the tender process.

Date at which Part 2 will cease to be confidential or when confidentiality should be reviewed:
1 May 2024.

Legal adviser recommendation on the grounds for not publishing information at this time:

In the event the information contained in this Part 2 is the subject of a request for information under section 1 of the Freedom of Information Act 2000 (the Act), it is considered that access may be denied on the basis that such information constitutes exempt information under section 43(2) of the Act

Section 43(2) of the Act provides an exemption from disclosure where the release of such information would, or would be likely to, prejudice the commercial interests of any person (including the public authority holding it).

Here, it is considered that disclosure by the LFC of the information contained in this part 2 report, which is commercially sensitive, would be likely to have a detrimental effect on the LFC's commercial position in the procurement of the equipment management system detailed in this report, and therefore, would impact adversely on obtaining best value.

Publication is recommended once the equipment management system has been completed with the supply chain.

Legal Adviser - I make the above recommendations that this information should be considered confidential at this time

Name: Katherine Davis

Date: 15 March 2023

Once this form is fully authorised, it should be circulated with Part 1.

Confidential decision and/or advice:

As set out in part one of the report, this report requests that the Deputy Mayor for Fire and Resilience authorises the London Fire Commissioner (LFC) to commit revenue expenditure of up to £494,000 over seven years, for the purposes of procuring and meeting the running costs of an equipment management system, and associated hardware.

Budget

The table below shows the breakdown of estimated costs drawn from the operational equipment budget held by the London Fire Brigade's (LFB's) Technical Service Support (TSS) department.

Table 1 - estimated total costs for the establishment and first five years contract

Item	2023/24	2024/25	2025/26	2026/27	2027/28	2-year contract extension provision	Total
Software	£29,000						£29,000
Hardware		£170,000					£170,000
Tagging costs		£66,000					£66,000
Roll out costs		£57,000					£57,000
Legal consultancy resource	£20,000	20,000					£40,000
Contingency		£24,000					£24,000
Post roll out running costs		£18,000	£18,000	£18,000	£18,000	£36,000	£108,000
Total	£49,000	£355,000	£18,000	£18,000	£18,000		£494,000

It is expected that over the first five years of operation the solution could result in expenditure savings relating to equipment and through greater efficiency in logistics miles. The estimated saving for the equipment budget that could be achieved by the change would equate to an eight percent saving per annum, being £68,946 per year, and commence in the financial year after the roll out would be completed. This estimate is based on the previous findings of officers from LFB's Fleet department in locating stored items of equipment on station that had been stockpiled.

The payback period for the system will therefore be at seven years post roll out. It is therefore recommended that the option to extend the system by up to two years be included within the contract documentation to enable LFB to mitigate re-tendering costs if the solution is operating effectively. It may be achievable to secure further savings, with opportunities being clarified once greater market engagement can be completed.

Finance comments

The request to fund a new Operational Equipment Management System at a revenue cost of up to £494,000 over a period of five financial years from 2023/24 to 2027/28 can be met from the existing annual revenue budget for Operation Equipment of £861,834, allocated to the TSS department.

The contract cost of up to £494,000 will be earmarked across the relevant financial years in line with the contract start date. It is noted elements of the contract price (set out above), include implementation costs of £386,000 and running costs of £18,000 annually.

Plans for market engagement is expected to affirm a competitive procurement price within £494,000 can be achieved.

The report also notes that this project will result in estimated annual savings of £68,946 per year from 2024/25. This saving was not included in the November 2022 Budget Submission to the Mayor. If this report is agreed this saving will be recognised in the next budget setting cycle.

Should it become necessary, it is expected any annual inflationary increases within the procurement period will be based around the Retail Price Index (RPI). It is expected that the contingency would be utilised to account for any inflationary increases.

All LFC contractual inflationary increases are reviewed on an annual basis. The LFC budgets for inflation on an item-by-item basis, and the LFC will review those assumptions as part of its budget process for 2023/24. If inflation rates are above current assumptions a resulting budget increase will need to be submitted as part of LFC's annual submission to the Mayor's GLA Group budget process and/or the contract will need to be reviewed to assess whether it is possible to reduce the annual cost via a reduction in service. If inflationary increases result in in-year financial pressures, this will be reported on as part of regular financial reporting and met through the use of the Budget Flexibility Reserve.

LFC standard terms and conditions include clauses on indexation and termination that can be utilised if inflationary pressures affect the performance of the contract. If a contract is no longer viable then LFC will seek to terminate it on this basis or work with suppliers to pause delivery and/or renegotiate what is being delivered. This is preferable to inserting a break clause for inflation as such pressures apply across the market so it is unlikely that benefits will be gained from terminating a contract in order to go back out for competition.

Appendix

Part two of report LFC23-006y – Operational Equipment Management System