

PART 2 – CONFIDENTIAL FACTS AND ADVICE

DMFD135

Title: Replacement Finance and Purchasing Solution

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This information is not for publication until the stated date, because:

Publication of the information included in this report is deferred as its disclosure would be likely to prejudice the commercial interests of the London Fire Commissioner.

Date at which Part 2 will cease to be confidential or when confidentiality should be reviewed:
1 May 2022

Legal recommendation on the grounds of keeping the information confidential:

In the event the information contained in this Part 2 and/or its appendix 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 can be denied on the basis that such information constitutes exempt information under:

Section 43(2) of the Act on the basis that the information in this report includes information which is exempt information if its disclosure under this Act would, or would be likely to, prejudice the commercial interests of any person (including the public authority holding it).

Public Interest Assessment

At present, on balance, it is considered that the public interest is best served if the information is not disclosed at this point. Disclosure by the LFC would be likely to have a detrimental effect on the LFC's position and related commercial interest regarding the expenditure incurred on the procurement of the ZEPA1.

The eligibility of these exemptions should be reassessed in the event of an FOI request for this information as the level of sensitivity will change over time and different circumstances may alter the arguments in favour of non-disclosure.

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

Name:

Date:

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

Confidential decision and/or advice:

The part 1 report for this decision sets out the background for the request to approve expenditure by the LFC on a new finance and purchasing solution.

The total expenditure requiring authorisation is £2,600,000. This is revenue expenditure and comprises: up to £1,600,000 for the development and roll-out of the LFC finance and purchasing solution for an initial contract term of five years; and up to £1,000,000 to extend the contract for up to a further five years.

The breakdown of estimated costs of a five-year contract and additional five-year extension are shown in Table 1 below, along with details of the available budget.

Contingency

It is 30 years since the LFB procured a finance system, and so significant contingency has been included in the cost estimates to allow for costs above this. The annual costs, including contingency, can be met within the existing ICT systems budget. Early engagement with the market identified factors that can significantly impact on system costs, particularly with the number of modules required to meet the LFB's requirements, as well as the licensing arrangements that allow all necessary staff to access the system. The work with TfL on collaboration options (set out below) has identified that the costs of a finance system can be significantly in excess of the estimates provided. Therefore, the contingency provides flexibility to manage this uncertainty. The cost including contingency can be managed within the existing budget, and it was therefore also part of the consideration to not release this budget whilst significant uncertainty on the final cost remains. It is, however, expected that a balance on the contingency will remain unused, and that a substantial part of this could be released once the contract is in place, which is expected to be in the early part of 2022.

Collaboration

As explained in paragraph 2.8 of the part 1 report, LFB considered an option to move to TfL's current finance system. This would have an implementation cost estimated to be in the order of £1,300,000 to £1,500,000. This option is not being recommended.

Costs and funding for a replacement system

Table 1 – Estimated system costs and funding

Initial contract	2022-23	2023-24	2024-25	2025-26	2026-27	Total
Required expenditure	£	£	£	£	£	£
Licence	100,000	100,000	100,000	100,000	100,000	500,000
Supplier implementation	250,000					250,000
Implementation support	200,000					200,000
Temporary staffing	150,000					150,000
Contingency	100,000	100,000	100,000	100,000	100,000	500,000
Costs of new solution	800,000	200,000	200,000	200,000	200,000	1,600,000
Approved base budget	213,000	213,000	213,000	213,000	213,000	1,065,000
ICT Development reserve	600,000					600,000
Total budget	813,000	213,000	213,000	213,000	213,000	1,665,000

Extension	2027/28	2028/29	2029/30	2030/31	2031/32	Total
Required expenditure	£	£	£	£	£	£
Licence	100,000	100,000	100,000	100,000	100,000	500,000
Contingency	100,000	100,000	100,000	100,000	100,000	500,000
Costs of extension	200,000	200,000	200,000	200,000	200,000	1,000,000
Approved base budget	213,000	213,000	213,000	213,000	213,000	1,065,000

Financial comments

This report recommends that revenue expenditure of up to £2,600,000 is approved to develop, implement and maintain a finance and purchasing solution over a contract term of up to 10 years. Table 1 above sets out the anticipated total cost, and the cost in each financial year, with an initial contract term up to £1,600,000 and possible extension up to £1,000,000. The costs include annual licence fees totalling £500,000, with a contingency of £500,000 over five years to total £1,000,000, with a further £1,000,000 for licence fees and contingency, for the period of the extension. These costs can be met from within the LFB's existing ICT budget, which includes £213,000 per annum for the new finance system, to total £2,130,000 over 10 years. The costs also include implementation costs of £600,000 which are to be funded from the LFB's ICT Development reserve. This reserve currently has a balance of £2,283,000 and has adequate provision to meet this cost.

Appendices and supporting papers:

Report LFC-0584y - Replacement Finance and Purchasing Solution