# LFB
## LONDON FIRE BRIGADE

Report title

# Replacement Finance and Purchasing System: Consultancy Support

| Report to | Date |
|---|---|
| Commissioner's Board | 7 November 2018 |

| Report by | Report number |
|---|---|
| Chief Information Officer, with Assistant Directors, Finance, and Technical and Commercial | LFC-0088 |

Protective marking: **OFFICIAL**

Publication status: Published with redactions

Summary

The Brigade's finance and purchasing system was procured over 20 years ago and no longer meets current business needs. This report seeks agreement to expenditure to engage consultancy support for a project to replace the Brigade's existing finance and purchasing system. The consultancy support will be in two phases with an optional third phase: (1) prepare a specification, (2) support procurement activity and (3) implementation and go-live (depending on the procured system). Options for a shared service or collaborative approach once a specification of the Brigade's requirements is in place and will be explored as part of phase 2 of the project. Whilst the replacement of the Brigade's current human resources system (which includes the payroll system) also need to be replaced, it is to be a separate project, although a specification for a replacement payroll system will be produced as part of the consultancy work for the finance and purchasing system replacement, to keep the Brigade's procurement options open.

Recommendation to the Commissioner

That the London Fire Commissioner approves expenditure of £247K to procure consultancy support services for a three-phase project to replace the Brigade's finance and purchasing system.

Introduction

1. The Brigade's current finance system, which includes purchasing, has been in place for some twenty years and no longer meets the full needs of the Brigade. The Brigade has decided to replace the system and are seeking to implement a solution that will meet the current needs and provide the flexibility to adapt to changing future demands. This paper seeks agreement to engage specialist consultancy support to help deliver a replacement solution, including development of a specification (phase 1) as well as support for procurement (if required) and potentially for implementation of the chosen solution.

2. A separate project will look at replacing our current human resources (HR) system which includes our payroll system. We have not yet decided whether to include the replacement of our payroll system with a new finance system or whether it should be part of the replacement of the human resources (HR) system. We will keep our options open by preparing a specification for payroll as part of this the finance and purchasing system project, and make a decision later in the process. Drafting the specification of the payroll system within the first phase of the finance and purchasing system could afford greater alignment and future integration between the finance and payroll elements, although links between the payroll and HR system are also very important. Having a specification will allow fuller market research to determine which system approach is likely produce the best result for the Brigade.

Background

3. The Brigade has been using the Infor FMS masterpiece software as its main finance system for over 20 years. The Brigade's core licence provides for modules covering general ledger, accounts payable/receivable, fund accounting, purchasing, etc. As well as core modules, the system integrates with around 25 different peripheral processes/systems.

4. Over the years, the core system has been upgraded to most recent versions (currently FM4) and has been customised to meet the Brigade's specific requirements with a number of specialist utilities to improve workflow processes. This includes tools created for finance and purchasing professionals as well as end user tools for authorising and closing orders. The primary interface for the system is not considered to be particularly user friendly and requires a significant period of familiarisation and training.

5. In addition, the reasons for seeking to replace the current finance system include:

   • indications from Infor, the product supplier, that the current Masterpiece product may be replaced by a Cloud based solution into the medium term, and no upgrade route to the FM4 product is expected to be available.

   • a key system consultant engaged through Infor is no longer available to work with LFB on the Masterpiece product, limiting the system development opportunities.

   • limits to expenditure on the development of the system mean that step change opportunities, such as moving to more paperless and self-service processes, is very restricted.

   • although the core systems software is on a perpetual licence, the support contract is renewable only annually now (last renewed in January 2018) so it is prudent to test the market.

6. In preparation for the potential replacement of the Brigade's finance, purchasing, human resources and payroll systems, the Brigade commissioned consultants to review the work that would be required to specify, procure and implement replacement system(s). This work was awarded (at a cost of £37,000), following competitive procurement exercise, to Moore Stephens

Insight (MSI), and the report was delivered at end 2017. The work included a series of meetings and workshops with relevant heads of service and those who work in the functions, to gather information to inform the review, and the report has helped build our understanding of the opportunities, risks and costs of a project to replace these core systems. The key recommendations arising from the MSI work are set out in the annex. The MSI work will inform the next phases of the project (as outlined in this report).

Proposal

7. The Brigade wishes to engage consultancy support to help deliver a replacement finance and purchasing system(s) with a target implementation date by April 2021. The system(s) should provide a full range of functionality to at least the level provided by the current systems.

8. The replacement system(s) should support existing and increase paperless operation, with greater self service options for staff, allow a user-friendly experience for all types of system users, and be accessible from a range of types of electronic devices. In particular, the Brigade is looking to deliver a web-based 'shopping' experience for Brigade staff when ordering goods and services.

9. This consultancy support expertise will supplement resources which are available in-house, which mainly relates to the existing systems, although staff do have some exposure to alternative systems. The consultant(s) will therefore be required to possess a detailed knowledge of solutions available on the market that would be suitable for LFB, and have significant experience of implementing new systems in organisations of a similar nature to LFB. This expertise will then be potentially required to advise on systems(s) configuration and implementation, including process change and engagement with all stakeholders (subject to the solution procured).

10. As a separate project, the Brigade will be looking to replace its human resources (HR) system that also provides the payroll system. The Brigade wishes to keep open its options about whether its payroll system should be part of the finance and purchasing replacement or whether it should remain as part of the HR system replacement. This consultancy project will therefore include the development of a specification for a payroll system, and the Brigade will make a decision later in the process whether to include payroll.

11. Subject to the views of tenderers, it is envisaged that the Brigade might need to procure:

- A professional project manager (PM) to provide project management services throughout all three phases of the project (subject to the solution selected for phase 3). The PM's support shall be greatest in the final phase as it will require robust transformation change management.

- A professional technical expert/business analyst to provide support through the first two phases of the project, with the option of providing support for phase 3 (depending on the nature of the solution procured). Responsibilities include leading the documentation of what the systems need to do, preparation of the system specification, to support the Project Manager with the procurement process (if required) at all stages, and following decisions on system(s) support configuration and implementation in LFB (phase 3).

12. The successful delivery of a replacement finance and purchasing system is crucial to the Brigade's core functions and as such the appointed contractor is to take a collaborative approach working with Brigade staff, to ensuring its success.

13. The expectation is that the consultant will supply suitably qualified and experienced specified individuals as part of the services to undertake the roles outlined above, and that these

individuals are dedicated to the project across phases 1 and 2, potentially for phase 3. These individuals would report to the Head of ICT Projects and would be embedded with the ICT projects team based at the Brigade headquarters at Union Street.

Scope of the Project

14. This contract is for the provision of technical and project management expertise (the consultant) across phases 1 and 2 of the project, with the option of extending that support for phase 3 (depending on the solution procured/adopted) as follows (apart from the end date for phase 3, the dates are simply indicative, and subject to further work and confirmation):

- phase 1 – system specification – to be completed by August 2019
- phase 2 – procurement process (if required) – to be completed by June 2020
- phase 3 – system configuration and implementation – to be completed by April 2021

15. Phase 1 of the project – system specification – will require the quick acquisition of a sufficient detailed understanding of the LFB and its systems and processes and, together with the knowledge and experience gained from undertaking similar work for other organisations, applying this to the preparation of the system specification(s). This phase will define the scope of the project(s) / programme of work for future phases and will allow LFB to determine the shape of the procurement(s) for the next phase.

16. Phase 2 – procurement process (if required)– will require the support consultancy working alongside LFB procurement staff to manage the full OJEU compliant procurement process, gaining appropriate levels engagement and interest from the market and leading to the selection of the most suitable system(s) for the LFB.

17. Phase 3 – system configuration and implementation – will require the application of the detailed knowledge and experience of other systems implementations to ensure LFB staff have all the information necessary to make good decisions on system configuration, and allow a successful implementation ensuring all users experience a successful implementation. It is only proposed to confirm Phase 3 once the agreed solution is known. This is because implementing a new software system (whether on-site or cloud-based, or as part of a collaborative or shared service) may require different expertise and potential cost.

Costs

18. Indicative costs for the support described are as follows:

|  |  | 2018/19 | 2019/20 | Total |
|---|---|---|---|---|
| **Phase 1** | Business analysis | £61,750 | - | £61,750 |
| **Phase 1/2** | Project management | £90,250 | £95,000 | £185,250 |
| **Total** |  | **£152,000** | **£95,000** | **£247,000** |
| **Phase 3** | Project management | To be determined on completion of phase 2. | | |

19. These estimates are based on £650 a day for business analysis/technical support and £950 a day for project management support, and the hours required and the likely day rates are based on the work undertaken as part of the Moore Stephens Insight review (see above).

20. The impact of the project on relevant departments is still being considered and there may be a need for additional resources for phase 2 for specialist procurement expertise. Also, when a

replacement system has been identified, there will also need to be a further report seeking agreement to the cost of the replacement system(s), and the costs associated with implementing and delivering the chosen solution (i.e. phase 3). Some of this extra work may be capable of being absorbed within departments, but new resources may be needed in some areas. This will be the subject of a further report, as required, when this issues have been considered further.

Procurement action proposed

21. Following finalisation of the specification and tender documentation, a competitive process will be conducted to identify the most suitable supplier. The current preferred route to market is to utilise the Management Consultancy Crown Commercial Framework RM3745 which will allow for a hastened procurement process and take advantage of the economies of scale provided by the framework.  If this framework is used, a mini competition under ICT and Digital lot will be conducted with the 45 suppliers with fixed pricing sought for phases 1 and 2 which should be equal to or more likely discounted from the framework maximum rates. The rates used for phases 1 and 2 will then act as the maximum rates that can be charged for the third phase.  This will allow for the total contract costs to be estimated with some accuracy to facilitate a like for like comparison of tenders and offer some assurance for budget management.

Collaboration

22. The Brigade is open to joining with another GLA group body or emergency service partner either to share the procurement, or enter into a shared service arrangement with another body. However, before being able to consider these, the Brigade needs to be clear about its requirements of any replacement system and it is assessed that the specification which will be delivered as part of phase 1 of the support consultancy, is a necessary pre-requisite.

23. Consultation with colleagues at the GLA have indicated that they are content for the Brigade to move ahead and prepare its requirements before they consider whether or not there are collaborative or shared service opportunities. Once the Brigade is clear what it needs from a new finance and purchasing system, it will be possible to consider the options for delivering those requirements during the procurement phase (phase 2) of the project, and whether those requirements can be met via a shared service, joint or solo procurement.

Finance comments

24. This report seeks agreement to expenditure to engage consultancy support for a project to replace the Brigade's existing finance and purchasing system. The report includes estimated consultancy costs for phases 1 and 2 of the project of £247k, over two years. If approved this one off consultancy cost is planned to be funded from the ICT development reserve, either within its current balance or with additional funding from the general reserve.

Workforce comments

25. There are no plans for staff side consultation.

Legal comments

26. Under section 9 of the Policing and Crime Act 2017, the London Fire Commissioner (the "Commissioner") is established as a corporation sole with the Mayor appointing the occupant of that office. Under section 327D of the GLA Act 1999, as amended by the Policing and Crime Act 2017, the Mayor may issue to the Commissioner specific or general directions as to the manner in which the holder of that office is to exercise their functions.

27. By direction dated 1 April 2018, the Mayor set out those matters, for which the Commissioner would require the prior approval of either the Mayor or the Deputy Mayor for Fire and Resilience (the "Deputy Mayor").

28. Paragraph (b) of Part 2 of the said direction requires the Commissioner to seek the prior approval of the Deputy Mayor before "[a] commitment to expenditure (capital or revenue) of £150,000 or above as identified in accordance with normal accounting practices...".

29. The Deputy Mayor's approval is accordingly required for the Commissioner to engage consultancy support for the project to replace the Commissioner's existing finance and purchasing system, at a total cost not exceeding £247k.

30. Section 5A of the Fire and Rescue Services Act 2004 gives the Commissioner the power to do anything which they consider appropriate incidental to their functional purposes. It also gives the Commissioner a statutory power to do anything which they consider appropriate for purposes indirectly incidental to their functional purposes through any number of removes. The Commissioner therefore has the necessary statutory powers to undertake the activities proposed in this report. The procurement process to engage consultancy support for the project to replace the Commissioner's existing finance and purchasing system must be competitively tendered in accordance with the public contracts regulations and the Commissioner's Scheme of Governance.

Sustainability implications
31. As outlined earlier, the existing finance and purchasing system allows limited opportunities to support paper-less working. The Brigade will be seeking to ensure that any replacement systems(s) will avoid the use of paper, so far as practical.

Equalities implications
32. The public sector equality duty is a duty on public authorities (including the London Fire Commissioner) to consider or think about how their policies or decisions affect people who are protected under the Equality Act, i.e. people with "protected characteristics"[1]. The development of a specification for a replacement finance and purchasing system will need to consider the needs of users with protected characteristics, and where necessary, to reflect any particular or special requirements.

Consultation

| Name/role | Method consulted |
|---|---|
| CS Directorate Board members | Meeting on 30 October 2018 |
| Commissioner's Board members | Meeting on 7 November 2018 |
| Central Procurement Services | By email, 8 October 2018 |
| Head of Finance | By email, 8 October 2018 |
| General Counsel (for legal paragraph) | By email, 8 October 2018 |

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[1] The Equality Act specifies those people with "protected characteristics", i.e. age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership and pregnancy and maternity.

Key recommendations from the Moore Stephens Insight report *"Review of work required to specify, procure and implement new finance, procurement, human resources and payroll systems"* (December 2017)

**Market overview**
- Clearly define requirements for a new system and produce an outcome based specification
- Investigate potential solutions in the market place
- Use a focused procurement route to avoid wasting time with unsuitable systems

**Current trends in systems**
- Review the current trends in systems to determine what functionality may be applicable
- Consider the use of a *Micro Process Tools* to help integrate best of breed solutions or lower the number of core licenses required
- Review existing paper based flows to determine how they can be reduced in a new system

**Lessons learnt**
- Incorporate lessons learnt into planning activities undertaken as part of this project

**Implementation best practice**
- Establish project structures and governance based on PRINCE2
- Identify internal resources to be used on the project and arrange backfill as required
- Plan the cutover/implementation approach early on

**Project plan**
- Build a high level project plan and start to populate the detail as key decisions are made
- Use the project plan to manage the project and maintain the critical path to go-live

**Key roles**
- Identify internal resources that would be able to fill the roles

- Try to ensure consistency of supplier resources to minimise wasted time
- Scale project roles as required throughout the project lifecycle

**Phasing / Implementation**
- Where possible, implement through phased go-lives
- Start planning for cut-over early as it can impact on work to be undertaken

**Potential Costs**
- Seek to define requirements and review g-cloud pricing

**Parallel Running**
- Do not perform parallel running, unless required as part of migration or for PPR
- Ensure sufficient time is included in the project plan for full testing, ideally running sequentially rather than concurrently.

**Outsourced Operations**
- Determine LFEPA's appetite for sharing or outsourcing at each layer of the pyramid
- Consideration should be given to outsourcing or sharing early in the process as it will have an impact on the requirements and specification for the new system

**External experts and internal resources**
- Perform a skills analysis to identify what skills are required and what is available in house
- Consider using resources other than those from the systems supplier to get an independent view

**Stakeholder Communications Plan**
- Identify all relevant stakeholders and keep regularly informed with realistic updates