

REQUEST FOR DEPUTY MAYOR FOR FIRE AND RESILIENCE DECISION – DMFD135

Title: Replacement Finance and Purchasing Solution

Executive summary:

This report seeks the approval of the Deputy Mayor for Fire and Resilience for the London Fire Commissioner (LFC) to commit expenditure for the development and roll-out of a new finance and purchasing solution, for a contract term of up to 10 years from 2022.

The LFC has been using the INFOR Masterpiece MP4 masterpiece software as its main finance system for almost 30 years. It is not a user-friendly system. Indications from the product supplier are that the current product may be replaced by a cloud-based solution in the medium term; and no upgrade route to the latest product is expected to be available.

The LFC's officers have worked closely with the GLA Finance and Professional Services Collaboration Working Group to explore a collaborative approach to the replacement of the system. This work has concluded that there are no opportunities across the GLA Group that meet the LFC's requirements at this time. Hence, it is vital that the LFC procures its own system in order to continue these vital services.

The London Fire Commissioner Governance Direction 2018 sets out a requirement for the London Fire 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...".

Decision:

That the Deputy Mayor for Fire and Resilience authorises the LFC to commit expenditure for the amount set out in the part 2 report for the development and roll-out of a new finance and purchasing solution for a contract term of up to 10 years.

Deputy Mayor for Fire and Resilience: David Bellamy on behalf of Fiona Twycross

I confirm that I do not have any disclosable pecuniary interests in the proposed decision.

The above request has my approval.

Signature:



Date:

18/11/21

PART I – NON-CONFIDENTIAL FACTS AND ADVICE TO THE DEPUTY MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1 Report LFC-0584y to the London Fire Commissioner (LFC) sets out the background for the request to approve expenditure for the London Fire Brigade (LFB) to incur revenue expenditure for the development and roll-out of the LFC finance and purchasing solution for an initial contract term of five years; and expenditure to extend the contract for up to five years. The LFB's current finance and purchasing information system (Masterpiece MP4, supplied by INFOR) has been in place for 29 years, since the original procurement in 1992.
- 1.2 Masterpiece MP4 is a product that has served the LFB well for a considerable period. However, it is based on ageing technology that offers limited functionality in areas such as automated invoicing and internal document management, which is required to track transactions through their life cycle, as expected by auditors and for online tax administration. This limits its ability to support our strategic aims and vision of being a dynamic, forward-looking organisation.
- 1.3 The current system is not capable of exploiting the technology developments offered by mobile devices and cloud services that are available in the market at present. These would support a streamlined and fully audited ordering and authorisation life cycle, and hence support the LFC's strategic aims around staff and manager accountability embedded within the Transformation Delivery Plan.
- 1.4 Traditionally, systems like this are referred to as back-end systems since they help manage key transactional tasks and are essentially the finance and purchasing system of record. While these core tasks are distinct from strategic finance tasks such as budget management, they are vital to the running of the LFC. The system needs to be modern and harness technology for the LFB to progress with the transformation programme. For staff to engage in strategic finance and purchasing, transactional finance and purchasing must be managed effectively and efficiently. This can only be achieved through a more capable system. Current systems on the market have the potential to be much more than just a "system of record", offering self-service functionality, manager dashboards, reporting and smart technology features.
- 1.5 Due to the significant investment required to procure and implement a replacement solution, the LFB's preference hitherto has been to continue with Masterpiece MP4 and develop workarounds to address its limitations in functionality. Consequently, Masterpiece MP4 is heavily integrated with other ICT solutions, including 32 different forms and interfaces with other systems within the LFC.
- 1.6 There are a significant number of bespoke applications that can, along with Masterpiece MP4, be replaced by a single new modern cloud-based solution. This will greatly improve integration of functionality and processes and reduce complexity in support, cost and contractual arrangements for the LFC. This integration may mean that tasks that currently require desk-based management can be more flexibly managed using alternative technology.
- 1.7 The Masterpiece MP4 software is now at the very end of its maturity cycle. The LFC's understanding is that the product will soon be deprecated by the supplier in favour of other products in their portfolio. The Masterpiece product also uses Internet Explorer for all user access, which is now a legacy product, itself is to be withdrawn, and goes out of support in June

2022. It would require significant investment to move the reporting to a replacement internet platform.

2. Objectives and expected outcomes

Future licensing model and recommended contract term

- 2.1 The market for finance and purchasing systems like many business solutions has focused more and more on software as a service (SaaS).
- 2.2 SaaS systems tend to be purchased with a revenue licence, whereas traditional locally hosted software has an upfront purchase and implementation price, and an annual maintenance fee (usually around 20 per cent of the purchase price). Revenue licensing can have its advantages over traditional purchase and annual maintenance-fee arrangements, as the initial large capital outlay is not necessary, and a system can be surrendered without a capital loss.
- 2.3 SaaS systems are also fully supported by the supplier's technical staff. This reduces the burden of regularly security patching servers, installing updates and managing hardware for ICT infrastructure staff.
- 2.4 This report recommends a contract term of five years for the contract, which will allow this to be managed within the capacity in the existing LFB ICT workplan to support changeover of a major software solution. The contract term is the minimum considered appropriate, given the investments required in system procurement and implementation.
- 2.5 It is further recommended that the contract has an option for an extension of up to five years. This extension would allow the continued use of a system while it remained effective without the need for further procurement and implementation costs. It would allow time to consider any GLA collaboration options that may develop.
- 2.6 The contract plus extension would allow up to 10 years on the new system. Given that the LFB has used the current finance system for nearly 30 years, and Transport for London (TfL) will have used its finance system for over 20 years by the time it is replaced, a total contract term up to 10 years would seem appropriate.

Alternative options considered and consultation

- 2.7 Four options were available for consideration:
 - *Do nothing*: under this option the LFB would continue to use the existing INFOR solution. This is not considered to be a viable option as the LFB has been advised that the current system is approaching end of life, and clearly no longer meets its strategic needs. Furthermore, the supplier has changed ownership several times. The LFB's view is that if the LFC were to enter into new contracts with the supplier, this would give rise to new commercial risks that the LFB would be forced to absorb, which may not be palatable. Continuing with the current system poses a significant risk to the delivery of core finance and purchasing services; and it limits the LFB's ability to deliver its strategic objectives, due to its age and lack of modern technological functionality.
 - *Upgrading to the new INFOR offering*: this not viable as the supplier has indicated that moving to their new product would require a new contract rather than being via an upgrade, and

therefore best procurement practice is to test the market instead of committing to significant investment for a new product with an existing supplier.

- *Shared service options*: the LFC has investigated options for partnership or shared services with other fire and rescue services (FRS), although there has been little interest in this. FRSs have different models in place to support functions such as finance, with many having systems provided by a parent authority, often the county council. However, further work is to be undertaken with the sector to identify finance systems used, which may provide opportunities for shared learning on the new system selected.
- *Procure a new finance and purchasing solution*: this is the preferred and recommended option for the LFB. This avoids the concerns raised with the alternative options, whilst enabling the LFB to continue to provide core services and supporting delivery of the strategic aims.

Collaboration

- 2.8 Options with the GLA Group, in particular TfL, were considered via the GLA Finance and Professional Services Collaboration Working Group. Following initial data collection, a detailed workshop was held with TfL and its system consultants, based on the LFB's system requirements. This workshop clarified the extent to which TfL's finance system could meet the LFB's requirements, and the cost and timing of this. The option available to the LFB is to move to TfL's current finance system, which has been in place 17 years, and would have an implementation cost as set out in the part 2 report. The workshop also identified that there are some significant differences in the operating model for the finance system, including the way in which orders could be processed on fire stations, and TfL having 13 four-week accounting periods, which would need to be addressed. There were also concerns raised by TfL on its capacity to take on the LFB when it is re-implementing its finance system, as well as being due to commence a project in 2022 to upgrade to the latest version, which is expected to be completed between 2025 and 2027. It was therefore concluded that there are no collaborative opportunities that meet the LFB's contractual timeframes and expected affordability envelope at present. This conclusion was reported to the GLA Group Collaboration Board in August 2021. During the project, consideration will be given to how LFB processes may be aligned with those of other GLA Group organisations, to enable potential future collaboration.
- 2.9 Limited engagement was possible with the Fire sector on collaboration opportunities. It was concluded from this engagement that the better opportunity was in shared learning and experience once the new system is in place. This will continue to be pursued.

Specification of the new system

- 2.10 The drivers for change and new developments in the market have created the opportunity to look closely at our existing finance systems and processes, and to develop a fit-for-purpose specification for an off-the-shelf, configurable finance and purchasing solution, instead of a bespoke and heavily customised option.
- 2.11 At minimum, the finance and purchasing solution will deliver the following functionality:
- core finance: general ledger, financial/management accounting, accounts receivable/payable, final accounts, chart of accounts, fiscal sets
 - budget monitoring
 - e-invoicing: transmission of orders/invoices, plus controls of order adjustment to rectify mismatching issues where appropriate

- purchasing: requisition creation, amendment, cancellation, approvals, transmission to suppliers and receipting of resulting orders
- contracts: management of orders to facilitate contract payments, contract variation control of additional expenditure, ceiling caps
- catalogues: management of various contract catalogues including creation, amendment, removal including links to existing commitments/stock, punch out/in
- operations support group: stock creations, adjustments, issuing, etc, in relation to the Brigade Distribution Centre and the Protective Equipment Group; workflow and returns
- integration: Hays and others, fire reports, payroll, hydrants
- document management: version controls of orders, copies of contracts/quotations, receipts, invoices.

2.12 There is also the possibility of including budget management and warehouse management in a single core solution. This can present multiple benefits as opposed to separate solutions; reduced contract management; reduced support; and less complexity regarding troubleshooting and resolving technical issues. Enhanced capabilities over the existing solution will also include reporting and analytics, self-service, workflow automation and mobile access. This may benefit the LFC through driving innovative ways of working.

2.13 The objective is to procure a software solution that is easy to use, maintain and support. A key element of this will be adopting standard integration methods for data capture and transfer, where required, and be accessible across different LFC access points, which will then simplify the process of managing and updating the system. Additionally, it will integrate with the Microsoft 365 suite of applications and services to provide consistency with existing systems, where possible, and promote excellent user experience for all staff groups.

Costs and funding for a replacement system

2.14 The estimated costs of the new system, and the available budget, are considered in the Part 2 report. Further consideration of the key costs elements is provided below.

2.15 The estimated annual licence fees are in line with current budget provision for the finance and purchasing system, and so do not represent a budget pressure. Implementation costs fall into the range covered by the reserve funding set aside for this purpose. The current project plan would look to implement the solution for the start of the financial year 2023-24 in order to align the implementation with the financial year. The forecast expenditure is to be funded from approved ICT base budget for the ongoing licence fees, and from the LFB's ICT Development reserve for the implementation costs. The Part 2 report includes estimated annual licence fees per annum.

2.16 The implementation costs include those from the systems supplier; external resources from another third-party supplier to support the implementation, including integration with existing systems; and additional LFB staffing in the main departments involved including Finance, Technical and Commercial, and ICT. The contingency could also be applied flexibly if additional resources were required for implementation.

2.17 There will be potential savings resulting from the new system implementation. It is expected that the annual licence fees will be less than the current budget provision; if this is the case then an ongoing saving can be made against the budget. The LFB also has ongoing budget provision for the existing Masterpiece system, and some of this budget can be saved following go-live of the new system, depending on the level of costs to maintain archive access. It is also expected that

the new system will allow some efficiencies in the finance and purchasing processes. All these areas will be reviewed and considered further as the project progresses. The estimated system costs and funding are set out in the part 2 report.

3. Equality comments

- 3.1 The LFC and the Deputy Mayor for Fire and Resilience are required to have due regard to the Public Sector Equality Duty (section 149 of the Equality Act 2010) when taking decisions. This in broad terms involves understanding the potential impact of policy and decisions on different people, taking this into account and then evidencing how decisions were reached.
- 3.2 It is important to note that consideration of the Public Sector Equality Duty is not a one-off task. The duty must be fulfilled before taking a decision, at the time of taking a decision, and after the decision has been taken.
- 3.3 The protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership (but only in respect of the requirements to have due regard to the need to eliminate discrimination), race (ethnic or national origins, colour or nationality), religion or belief (including lack of belief), sex, and sexual orientation.
- 3.4 The Public Sector Equality Duty requires decision-takers in the exercise of all their functions, to have due regard to the need to:
 - eliminate discrimination, harassment and victimisation and other prohibited conduct
 - advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it
 - foster good relations between people who share a relevant protected characteristic and persons who do not share it.
- 3.5 Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
 - remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it
 - encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- 3.6 The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.
- 3.7 Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
 - tackle prejudice

- promote understanding.

3.8 An Equality Impact Assessment has been completed. The new solution would promote inclusion because it will better use accessibility tools enabled in the system, and compliment accessibility tools provided by the new LFC desktop and Microsoft 365. This benefit would also be enhanced by the more widespread use of tablets/laptops (outside of Citrix) where accessibility tools such as dictation, voice control and speech recognition will be able to run locally offering enhanced functionality.

4. Other considerations

Workforce comments

- 4.1 Engagement with staff, consistent with Local Digital Declaration principles, will be required to meet principle 1: *“We will go even further to redesign our services around the needs of the people using them. This means continuing to prioritise user needs above professional, organisational and technological silos.”*
- 4.2 During phase 1 of the project (development of business requirements) there has been a significant number of stakeholder workshops and engagement sessions involving LFB staff from various teams in Finance and Procurement, as well as staff from Operational Support Group, ICT, Fleet, Fire Stations and Property. These workshops and sessions have now been completed. The stakeholders who have contributed to the workshops will be involved in every further stage of the project to ensure that the software produced meets their requirements and is easy to use.

Sustainability implications

- 4.3 At present no specific sustainability implications have been identified in relation to this procurement.

Procurement

- 4.4 The first phase of the project was to develop detailed requirements for the finance and purchasing solution. This work commenced in November 2020 and was completed in March 2021.
- 4.5 With the functional requirements available, the procurement (phase 2) will determine the most suitable market solution for LFC’s needs. The procurement activity will be undertaken in accordance with the Public Contract Regulations (as amended), the LFC’s Scheme of Governance and the GLA Group Responsible Procurement policy.
- 4.6 Research on potential routes to market has been undertaken, and the procurement options were discussed at the project board in September 2021. However, further work was required on this and a specific meeting has been arranged to discuss this and report to project board in October 2021. The proposal will be that the best route to market will be to use the OJEU process. This decision has been reached on the basis that there are currently no known frameworks that allow access to all of the suppliers in this sector whilst also offering a longer contract term if required. The suppliers on the frameworks are all value-added resellers, and it is not possible to contract direct with the suppliers of the software solution when using this route. The downside to this is

that it adds an additional cost layer and therefore may not offer best value. By contracting direct with the supplier, more competitive pricing should be achieved. An aggressive timetable has been drafted for consideration at the project board which, if agreed, will allow for a 12-month implementation period in time for system go-live in April 2023.

5. Financial comments

- 5.1 The financial comments are set out in the part 2 report.
- 5.2 There are no direct financial implications for the GLA.

6. Legal comments

- 6.1 This report seeks approval of funding to develop, implement and maintain a new LFC finance and purchasing solution.
- 6.2 Under section 9 of the Policing and Crime Act 2017, the LFC is established as a corporation sole with the Mayor appointing the occupant of that office. Section 1 of the Fire and Rescue Services Act 2004 (the 2004 Act) states that the LFC is the fire and rescue authority for Greater London.
- 6.3 Section 127 of the GLA Act requires the Commissioner to both make arrangements for the proper administration of its financial affairs and secure that one of its officers (its chief finance officer) has responsibility for the administration of those affairs. Additionally, section 5A of the 2004 Act enables the LFC to “do anything it considers appropriate for the purposes of the carrying out of its functions including things incidental to any number of removes”. Consequently, the development, implementation, maintenance and procurement of a new LFC finance and purchasing system falls within the powers and duties of the LFC.
- 6.4 The body of the report confirms the Procurement Department will be engaged in the tender process to ensure compliance with the requirements set out in the Public Contract Regulations 2015; the GLA responsible procurement policy; and LFC standing orders.
- 6.5 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 his or her functions.
- 6.6 By direction dated 1 April 2018, the Mayor set out those matters, for which the LFC would require the prior approval of either the Mayor or the Deputy Mayor for Fire and Resilience (the Deputy Mayor). In particular, paragraph (b) of Part 2 of said direction requires the LFC 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...”. The decision to develop, implement and maintain a finance and purchasing solution as set out in the recommendation of this report exceeds this value. The approval of the Deputy Mayor is therefore required in accordance with the aforementioned direction.

Appendices and supporting papers: Part 2 report

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? No

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – Yes

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer

Richard Berry has drafted this report with input from the LFC and in accordance with GLA procedures and confirms the following:

✓

Assistant Director/Head of Service

_ has reviewed the documentation and is satisfied for it to be referred to the Deputy Mayor for Fire and Resilience for approval.

✓

Advice

The Finance and Legal teams have commented on this proposal.

✓

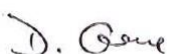
Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 25 October 2021.

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature:



Date:

26/10/21