

**REQUEST FOR MAYORAL DECISION – MD1479**

**Title: Super Connected Cities Programme 2015-16 Delivery**

**Executive Summary:**

In December 2014, the Chancellor confirmed the extension of the BDUK funded Connection Voucher Scheme in 2015/16 with a fund of £40m made available nationally. Approval is sought for the GLA's continued delivery of the scheme in London. Forecasting shows that up to a further 7,800 SMEs could be supported during 2015/16, representing an investment of £12m for London.

**Decision:**

That the Mayor approves the:

- a) GLA's entry into a grant funding agreement with BDUK for its provision of funding to enable continued delivery of the connection voucher scheme in 2015/16;
- b) reallocation of the existing funding to meet the current project requirements for scheme administration, marketing and software licensing;
- c) allocation of an additional £38,000 revenue budget to support marketing activity subject to agreement by the LEP and identification of funding from existing LEP resources;
- d) revised London Super Connected Cities Programme (SCCP) administrative staffing structure with the existing two Grade 4 posts and the new Grade 6 post contracted up to end September 2016, to be funded via the staffing budget approved under cover of MD1272 and the additional funding requirement set out at b) above; and
- e) extension of the GLA's contract for the provision and maintenance of the existing automated software solution used for the voucher scheme.

**Mayor of London**

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

**Signature:**

**Date:**

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1 In 2011, Government set aside £100 m for an Urban Broadband Fund (UBF) to create up to ten Super Connected Cities across the UK. This was followed in 2012 by more funding of up to £50m for a second wave of cities to benefit from this programme bringing the total to 22 cities.
- 1.2 The UBF is designed to maximise the availability of broadband speed and city-wide high-speed wireless connectivity, with a particular focus on SMEs and strategic employment zones to support economic growth. By improving access to ultrafast broadband services, the voucher scheme is designed to give London's SMEs the chance to benefit from increased productivity; access to new markets; cost savings and efficiencies; supply chain integration; and improved collaboration and clustering.
- 1.3 As noted in the MD1084, the Department of Culture, Media and Sport (DCMS) awarded £25m of UBF to the GLA for investment in high speed broadband and wireless connectivity following the GLA's submission of a successful application for funding for use in its Super Connected Cities Programme (SCCP) in August 2012. Following extensive exploration of a number of options, including direct investment in infrastructure, the GLA SCCP scope is focussed on two pillars: (a) a demand-led SME connections voucher scheme; and (b) a public-building Wi-Fi hotspot scheme.
- 1.4 As noted in the MD1272, the GLA provisionally allocated £23.8m to the connection vouchers scheme and £1.2m of the UBF funding to the public building Wi-Fi scheme. Initial interest expressed by museums in the scheme was high and further consultation showed a strong case for museums scheme expansion. The SCCP Board therefore requested the expansion of the scheme to allow more free Wi-Fi entry public buildings to participate in the scheme. The Executive Director-Development, Enterprise & Environment subsequently approved (under cover of DD1272) increased UBF funding from £1.2m to £1.75m for the public Wi-Fi scheme and amended the SME voucher scheme's budget from £23.8m to £23.25m.
- 1.5 In January 2013, the London Enterprise Panel (LEP) approved (in principle) revenue funding of £1m to support SCCP delivery, being drawn from the first round of the Growing Places Fund. The in principle approval from the LEP noted that the detailed allocation of SCCP budget, approval to commit to the individual projects under the two pillars and the authority to enter into specific funding agreements with project partners was delegated jointly to the Executive Director of Development, Enterprise & Environment and the Executive Director of Resources, provided that the project remained substantively the same within the £1m funding envelope.
- 1.6 In December 2014, the Chancellor announced in the Autumn Statement that the Connection Voucher Scheme was to be extended to March 2016 with a budget of up to £40m. The funding will be made available to cities on a first come first served basis.

#### **2. Objectives and expected outcomes**

- 2.1 The performance of the connection voucher scheme has seen significant improvement over the second 2 quarters of 2014/15. It is this improved performance that prompted the decision by the Chancellor to extend both delivery of the scheme by a year and to extend the offer of participation to a further 28 cities. It has been announced that a "Challenge Fund" of £40m will be made available nationally that may be drawn down by cities on a first come first served basis as vouchers are issued to eligible SMEs. Performance against the £40m fund will be monitored by BDUK who will give notice to participating cities if the fund becomes exhausted. BDUK have indicated that all eligible

vouchers issued before a pre-notified date (actual date to be confirmed) by cities will be honoured by BDUK.

- 2.2 In March, the London voucher scheme surpassed 5,000 connection vouchers issued to SMEs surpassing the target of 4,270 vouchers to be issued in 2014/15. The trajectory suggests that approximately 5,500 vouchers will be issued before end March 2015. This will amount to approximately £9.4m invested in connectivity to support London's SME community. It will also mean we have supported approximately 1% of London's SME population. London's performance equates to approximately 40% of the vouchers issued nationally. As reference, London is home to 17% of the UK's SMEs.
- 2.3 Recent performance has been supported by high numbers of pre-registered package vouchers, which were introduced by BDUK in August following a pilot in London. This format is designed to make the application process simpler for SMEs by allowing suppliers to market pre-registered offers which are purchased 'off the shelf', without the need for a bespoke quote.
- 2.4 Along with pre-registered packages, joint applications are having a positive impact on voucher uptake. Joint applications allow SMEs in shared buildings or spaces to pool their voucher eligibility to create larger sums of grant funding and to jointly invest in a connectivity solution that had previously been beyond the means of any one individual business. There is continued potential for joint schemes across London and the GLA team is actively engaging suppliers, landlords and managing agents to encourage and facilitate delivery.
- 2.5 Analysis of the current and planned activity of the larger and better-performing telecoms suppliers in London indicates that the current voucher performance rate can be expected to stay constant through a further 12 months of delivery. BT, Virgin Media and Talk Talk, the 'Tier 1' suppliers, have all become far more engaged in active promotion of the scheme to their existing customer bases. There is every indication that this will be maintained with the certainty provided of availability of further grant funding in 2015/16.
- 2.6 The current performance rate is 150 vouchers per week and extrapolated for a further year, London could achieve up to 7,800 vouchers, totalling approximately 12,000 vouchers over the lifetime of the scheme and representing a penetration rate of 2.6% among London's VAT registered enterprises. This percentage may appear low when measured against the entire SME market in London but our actual target market is smaller due to connectivity needs already being met for a large number of businesses and certain sectors having more advanced connectivity requirements than others. Our focus is and will remain the information and communication, scientific and technical activities and financial and insurance activities sectors. Reaching the projected target in 2015/16 would equate up to a further £12million investment in support of digital connectivity for London's businesses.
- 2.7 Local authorities have a big role to play in demand stimulation and the GLA will continue to work closely with them to share information and support marketing activity. There are varying levels of engagement among the local authorities in London and on the whole, those that have been more proactive have seen the reward in terms of vouchers issued.
- 2.8 The project has been delivered to date with the support of two Grade 4 administrative officers who facilitate the SME application process. Approval was granted in December 2014 to extend these posts to end September 2015 to facilitate final delivery of vouchers issued up to March 2015. This cost was contained within the staffing budget approved under cover of MD1272. Continued delivery of the new 2015/16 scheme will require that these existing posts are further extended. Furthermore, with an increased volume of voucher applications and processing anticipated and the ending of the current contract for consultancy support via Analysys Mason, it is proposed that an additional fixed term Grade 6 post is recruited to provide more detailed data analysis and the processing of voucher payments. A six month processing period will be granted for vouchers approved by end March 2016. Therefore it is proposed that all SCCP administrative staff are contracted to end September 2016. This staffing structure was originally approved under cover of MD1272, albeit for a shorter period of

time. A reallocation of existing unspent funding will provide the resource to fund the proposed staffing structure.

### **Software Provision and Licensing**

- 2.9 The existing contract for software development and maintenance with Novacroft expires in March 2015. With the extension to the scheme, it is necessary to extend this contract so that the GLA can continue to maintain an automated application system. The original contract was procured and drawn up with express right to extend. Pending decision to extend, TfL Procurement will be asked to assist with the drawing up of the necessary contract extension documentation.
- 2.10 There are currently and may be in future some additional software build costs, necessitated by BDUK changes to scheme functionality. These costs will be capitalised and claimed against the BDUK grant funding agreement subject to prior agreement in all cases.
- 2.11 In addition, approximately £16,000 of revenue funding is required in 2015/16 to extend existing software licensing arrangements up to end of the 2015/16 connection voucher scheme. This can be funded from within the existing LEP revenue allocation.

### **Demand Stimulation**

- 2.12 A programme of demand stimulation activity has sought to raise awareness of the connection voucher scheme and promote benefits of high speed or high grade broadband among London SMEs. It is officers' intention to continue to fund demand stimulation activity in 2015/16 through of a mix of marketing initiatives via bought, owned and earned channels. The activity has so far allowed for a series of engagement activities with stakeholder groups including; SMEs, broadband suppliers, workspace providers and London Boroughs. We have witnessed spikes in impact as a result of GLA-funded demand stimulation activity and will continue to work with GLA Marketing to maximise the impact of the relatively small revenue outlays. Our data shows that suppliers have the best impact in raising awareness with the scheme among London's SMEs and so our activity will continue to focus on building relationships and sharing data with those that are most active. In addition, previous digital marketing activity has been shown to have significant impact and so we will look to prioritise use of these channels.

## **3. Equality comments**

- 3.1 The voucher scheme has been promoted and marketed to all London SMEs and provides the opportunity to all eligible businesses to apply. BDUK has no specific targets in this regard and applications from SMEs are purely based on assessments against eligibility criteria set by BDUK. Strong, coherent demand stimulation activity is seeking to raise widespread awareness of both the voucher scheme and the benefits of digital connectivity to businesses across London.

## **4. Other considerations**

### **a) Key risks and issues**

The volume of connections to be delivered under the voucher scheme may make it challenging for suppliers to respond to the demand for connections within appropriate timescales: The project team is working closely with suppliers to maximise resource availability and expedite mobilisation process.

Vouchers issued by all cities may exhaust the funding that is available nationally: BDUK will require weekly reporting from all cities to enable detailed commitment monitoring. They will underwrite all voucher issues up to the point instruction is given to cease issuing.

If there is a low take-up from SMEs then there is a risk of the scheme not meeting its objectives: This campaign is being supplemented by activities by borough councils, based on the demand stimulation toolkit provided by the GLA. Monitoring process is in place to review take up on the basis of marketing activity. Marketing activity for London in 2015/16 will be prioritised in quarter 1 to ensure that London has the best opportunity to secure a significant proportion of the £40m fund.

#### b) links to Mayoral strategies and priorities

This investment links to the Mayor's Economic Development Strategy: to ensure that London has the most competitive business environment in the world; to give all Londoners the opportunity to take part in London's economic success; and to ensure London has the investment in infrastructure it needs to support this.

The London Plan aims to facilitate the delivery of ICT and competitive broadband access to meet the needs of enterprises and individuals. The Implementation Plan promotes the expansion of superfast broadband to support the growth of high tech businesses and identifies areas where the need for this provision is considered greatest.

The connection voucher scheme supports the Smart London Vision to use digital technology to help meet growth challenges and to make London an even better experience for all. Improving digital connectivity will be crucial to business growth, job creation and attracting investment. The Mayor's overarching ambition is for London to be Europe's digital capital. Investment in ultrafast connectivity is critical to realising this.

In terms of economic opportunity, this investment aligns with the Digital Inclusion Strategy, which seeks increase the accessibility of employment and training opportunities and access service provision which is facilitated online.

#### c) impact assessments and consultations.

No specific consultation or impact assessment has been undertaken for this project. The objective and outcomes of the project have been derived from previous Mayoral strategies which themselves have been subject to consultation and impact assessment. Key public and private stakeholders were engaged in preparation for the initial delivery of the connection voucher scheme in London.

Demand stimulation activity has and will continue to ensure awareness of the availability of funding. Strong, coherent demand stimulation activity is seeking to raise widespread awareness of both the voucher scheme and the benefits of digital connectivity to all businesses across London.

## 5. Financial comments

- 5.1 Approval is being sought to continue delivery of the Super-Connected Cities (SCC) connection voucher scheme in 2015/16, requiring the GLA's entry into a grant funding agreement with BDUK and the extension of the software maintenance contract with Novacraft.
- 5.2 Actual performance and projections for the proposed extension may be summarised as follows:

	2014-15	2015-16	2016-17	Totals
	£000	£000	£000	£000
<b>Revenue</b>				
Consultants	670			670
Legal fees	21			21
Marketing	40	70		110
Software	10	16		26
Staff	55	104	52	211
	<b>796</b>	<b>190</b>	<b>52</b>	<b>1,038</b>
<b>Capital</b>				
Hardware	210			210
Vouchers	7,350	12,000		19,350
Museums	496			496
	<b>8,056</b>	<b>12,000</b>	<b>-</b>	<b>20,056</b>
<b>Weekly averages:</b>				
<i>Pre-registered vouchers</i>	<i>110</i>	<i>100</i>		<i>103</i>
<i>Online vouchers</i>	<i>53</i>	<i>50</i>		<i>52</i>
Pre-registered vouchers	2,525	5,200		<b>7,725</b>
Online vouchers	2,192	2,600		<b>4,792</b>
<b>Total vouchers issued</b>	<b>4,717</b>	<b>7,800</b>		<b>12,517</b>
Average voucher value	£1,558	£1,538		<b>£1,546</b>
Revenue cost per voucher issued	£169	£24		<b>£83</b>
Capital cost per voucher issued	£45	£0		<b>£17</b>
<b>Total costs per voucher issued</b>	<b>£213</b>	<b>£24</b>		<b>£100</b>
<b>No. of vouchers paid</b>	<b>1,276</b>			

- 5.3 Consequent to the continued delivery of the SCC connection voucher scheme in 2015/16, approval is sought for a revised SCC administrative staffing structure, continuing the existing two Grade 4 staff to 30 September 2016 and appointing a Grade 6 officer for the period 1 April 2015 to 30 September 2016.
- 5.4 Approval is also being sought to amend the allocation of the Super-Connected Cities Programme (SCCP) revenue budget between areas of spend, including an overall increase in LEP Growing Places Fund budget required of up to £38,000 in 2015/16, subject to LEP approval.
- 5.5 MD1084 allocated a £1m revenue budget from the LEP Growing Places Fund budget for this project. Subsequent decisions allocated a maximum £937,000 plus the revenue costs of the procurement of an IT solution.

- 5.6 The existing approvals and proposed reallocation, reflecting underspends to date and additional budget sought, are as follows:

	Decision	Existing Approval £'000	Proposal £'000
Eversheds	MD1084	50	21
Analysys Mason	DD993 MD1272 DD1200	725	670
Staffing	MD1272	110	211
Novacraft *	MD1272	0	26
Marketing	ADD246 DAR	52	110
Unallocated *		63	0
<b>TOTAL</b>		<b>1,000</b>	<b>1,038</b>

\* MD1272 allocated a maximum £250,000 for the procurement of an IT solution, of which £210,065 has been used to fund capital spend to date.

- 5.7 All appropriate budget adjustments will be made.
- 5.8 Any changes to this proposal must be subject to further approval via the Authority's decision-making process.
- 5.9 The Regeneration Team within the Development, Enterprise & Environment Directorate will be responsible for managing this project.

## 6. Legal comments

- 6.1 The foregoing sections of this report indicate that:
- 6.1.1 the decisions requested of the Mayor fall within the powers of the Authority, to do anything which maybe considered to be facilitative of or conducive or incidental to the promotion of economic development and wealth creation in Greater London; and
- 6.1.2 in formulating the proposals in respect of which a decision is sought officers have complied with the Authority's related statutory duties to:
- (a) pay due regard to the principle that there should be equality of opportunity for all people;
  - (b) consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
  - (c) consult with appropriate bodies.
- 6.2 Officers must ensure that:

- 6.2.1 they are content that the Authority can meet any conditions to which the BDUK funding is subject, seeking legal and finance advice as necessary;
- 6.2.2 they do not act in reliance of such funding until the Authority and BDUK have entered into and executed the funding agreement noted at decision (a);
- 6.2.3 any grant funding to be awarded by the Authority is disbursed in a fair and transparent manner in accordance with the Authority's Contracts and Funding Code and legally binding funding agreements are put in place between and executed by the Authority and recipients before any commitment to the funding is made;
- 6.2.4 the Authority's contract with Novacraft for the provision and maintenance of the existing automated software solution used for the voucher scheme is extended in accordance with the provisions of that contract before placing any reliance upon the extended services proposed; and
- 6.2.5 they comply fully with all Authority HR/Head of Paid Service protocols in respect of any staffing proposals, in particular the need to gain all necessary approvals for the creation of any new posts.

## **7. Investment & Performance Board**

- 7.1 Investment & Performance Board noted the additional requirement of £38,000 to manage the programme in addition to funding available from the previously agreed £1m revenue budget from the London Enterprise Panel.
- 7.2 A board discussion took place regarding the internal audit of the GLA's grant-giving arrangements, which covered this programme, and had identified issues regarding eligibility of some applicants. It was noted that the eligibility criteria was based on a European Union definition of what constituted a small or medium sized enterprise (SME) and that some SMEs linked through overlapping directorships might not be eligible. The Board noted that the remaining audit work would be carried out as a matter of priority and that any recommendations arising from the work would be implemented prior to launch of the second round of funding. Additionally, Members noted that officers were developing mechanisms to undertake proactive data matching in future.
- 7.3 All recommendations were approved in principle.

## **8. Planned delivery approach and next steps**

2014/15 Connection Voucher Scheme closure	March 31 <sup>st</sup> 2015
Commence delivery of 2015/16 Connection Voucher Scheme	April 2015
Commence demand stimulation activity	April 2015

**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**

If YES, for what reason:

Until what date: (a date is required if deferring)

**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 –NO**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to confirm the following (✓)

**Drafting officer:**

Patrick Dubeck has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

**Assistant Director/Head of Service:**

Debbie Jackson has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

**Sponsoring Director:**

Fiona Fletcher Smith has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

**Mayoral Adviser:**

Joe Mitton has been consulted about the proposal and agrees the recommendations.

✓

**Advice:**

The Finance and Legal teams have commented on this proposal.

✓

**EXECUTIVE DIRECTOR, RESOURCES:**

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

**Signature**

**Date**

**CHIEF OF STAFF:**

I am satisfied that this is an appropriate request to be submitted to the Mayor

**Signature**

**Date**