

## REQUEST FOR MAYORAL DECISION – MD1084

**Title: Super connected cities Project**

### **Executive Summary:**

On 24<sup>th</sup> September 2012 DCMS announced that the GLA's application for £25m of Urban Broadband Funding was successful. The funding will be used by the GLA in its Super connected cities project which aims to assist in the roll out of ultrafast (80-100 Mbps) broadband and wireless connectivity across a number of areas in London. DCMS funding will be granted subject to a final briefing on the Super connected cities project to occur in November.

This is a highly ambitious and technical project with extremely tight timelines (set by DCMS, the investment programme to be delivered by March 2015). Accordingly, specialist expertise is required both in project planning and delivery.

Expert support is now required urgently to develop project plan for and the practical delivery of the project, which it is planned will commence in January 2013 and will run for the duration of the project until March 2015. DCMS have made clear that a dedicated project management team will be required to undertake considerable project development work and advised that expert input be sought in this regard.

### **Decision:**

That the Mayor:

(A) approves the:

1. GLA's entry into grant funding arrangements with DCMS under which the latter will make up to £25m of Urban Broadband funding available to the GLA to spend in its Super Connected Cities Project which aims to maximise London's digital infrastructure and promote the provision of ultrafast (80-100 Mbps) broadband and wireless connectivity across a number of areas in London;
2. GLA's expenditure of the (£25m) Urban Broadband Funding in its delivery of its Superconnected Cities Project (SCCP) including (without limitation) the procurement of all works/services/supplies and/or the award of grant funding required for such delivery in order to maximise London's digital infrastructure;
3. allocation of a £1,000,000 revenue budget from the Growing Places Fund subject to consultation with the Local Enterprise Partnership (LEP) for use to secure external expertise required for the delivery of the project, including specialist information technology and telecoms, project management support and legal services;
4. procurement of all necessary services & support (save as for legal services – see decision (A)5 below) and subsequent award of and entry into and execution of contract(s) (with an aggregated value of up to £950,000) for such services; and
5. award of a contract to Eversheds (with a value of up to £50,000) to provide specialist legal advice concerning the delivery of the project and in particular the notification to the Commission of the

proposed aid envisaged by the project;

6. allocation of a £1.17m capital budget from the Growing Places Fund subject to consultation with the Local Enterprise Partnership (LEP) for use as the GLA's contribution toward funding the delivery of the project; and

(B) delegates authority to make all further future approval decisions and execution of all documentation and contracts concerning the project to the Executive Director of Development & Environment and the Executive Director of Resources, including for example (but without limitation) those concerning the making of any necessary budget adjustments associated with the project budget, provided that the project remains substantively the same and remains within the same funding envelop and that value for money is achieved.

**Mayor of London**

I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct for elected Members of the Authority. Any such interests are recorded below. The above request has my approval.

**Signature**

**Date**

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

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

#### **1.1 Introduction and background**

##### **Urban Broadband Funding**

On Monday 6 December 2010, DCMS launched the Government's National Broadband Strategy: "Britain's Superfast Broadband Future". The strategy sets out the Government's vision for broadband in the UK, which is to ensure the UK has the best superfast broadband network in Europe by 2015.

The Chancellor of the Exchequer announced in the 2011 Autumn Statement the creation of a new £100 million Urban Broadband Fund (UBF) that will create up to ten super-connected cities across the UK with 80-100Mbps (megabits per second) broadband connectivity. Belfast, Cardiff, Edinburgh, London and up to six further cities will receive support from the fund over the next three years to deliver these speeds.

Cities participating in this scheme should aim to maximise the availability of broadband at 80-100Mbps and city-wide high-speed wireless connectivity and will have detailed plans to drive take-up from residents and businesses – all with a particular focus on SMEs and strategic employment zones to support economic growth.

DCMS has agreed in principle to award £25m of grant funding to the GLA for investment in ultrafast (80-100 mpbs) broadband and wireless connectivity following the GLA's submission of a successful application for funding for use in its Super Connected Cities Project in August 2012. Funding ambitions were expanded and the project size tripled to £78m based on independently costing analysis. The project can secure a significant private sector funding to support this (£51m).

#### **1.2 Super Connected Cities Project (SCCP)**

London's Super Connected City Plan (SCCP) is ambitious and innovative. It will underpin the capital's aspiration for contiguous ultrafast connectivity, providing the digital infrastructure needed for the new economy and helping East London to realise its full economic potential. Successful delivery of this plan will be critical to realising the Mayor of London's prime objective: economic growth for London, and job creation for Londoners.

At the point of DCMS's in principle award of funding it was envisaged that London's SCCP focus on the below four pillars set out below. It should be noted however, that these proposals are currently being interrogated as part of DCMS's assurance programme, which is a pre-requisite of all recipients of Urban Broadband Funding and may result in the revision of the scope of and delivery model for the SCCP.

**Pillar 1: Tech City fibre:** this pillar will ensure the provision of affordable ultrafast fibre broadband connectivity to 100% of SMEs and residents in Tech City, i.e. around 'Silicon Roundabout' in Shoreditch expanding east towards the Olympic Park then south via Canning Town to Victoria Docks. This pillar will showcase Tech City as having some of the best connectivity available globally for SMEs –enabling innovation and maintaining London's reputation as Europe's digital capital.

**Pillar 2: East London wireless:** this pillar will complement existing wireless provision in 'high footfall' areas across West and Central London by extending wireless connectivity east along the Docklands Light Railway. Wireless connectivity will be provided to business and leisure passengers travelling from east to west (London City Airport to Tower Gateway) and from north to south

(Stratford to Canary Wharf). This investment will augment the contiguous ultrafast broadband investment proposed by Pillars 1 and 3 in East London and builds on the Olympics legacy –further increasing the attractiveness of East London to investors.

**Pillar 3: Royal Docks gigabit:** this pillar will ensure the provision of affordable gigabit fibre broadband and gigabit connectivity to businesses and institutions in the Royal Docks, focussed on the ‘Arc of Opportunity’ in the London Borough of Newham. This will underpin new science and tech investment and enable the area to realise its full economic potential.

**Pillar 4: Digital inclusion:** this pillar will develop a model to enable digitally excluded Londoners living in high-density social housing estates to gain access to ultrafast fibre broadband and online services. Initially, this will take place across the most deprived areas in the London Borough of Westminster and builds upon a project by Westminster City Council – which is in an advanced planning stage and can therefore be delivered within the SSCP delivery timeframe (to March 2015). Once the concept has been piloted, the Greater London Authority (GLA) will work with boroughs to encourage roll out across the most deprived parts of London, prioritising East London to accelerate convergence – that within 20 years the host borough communities will have the same socio-economic life chances as the rest of London.

This pillar focuses on installing fibre to the entire social housing stock in the borough and will connect the most socially and digitally excluded communities to a range of online services and opportunities helping them to access to jobs, advice and support in the community, and transforming the delivery of public services. Another reason for incorporating the Westminster scheme in the SSCP is that it is already at an advanced stage, a competitive dialogue exercise having been conducted and a preferred partner having been identified. Accordingly the project can be completed within the delivery timescale available, a pilot project having been planned already.

The total cost of this project has been estimated by Westminster Council to be GBP15 million which covers the cost of installing fibre network across the London Borough of Westminster, establishing distribution points at strategic locations and connecting 22 000 individual council housing properties. Westminster’s detailed plans show that private-sector investment is likely to account for 67% of the total cost, i.e. GBP10 million. LB of Westminster has made financial contribution towards the Westminster digital inclusion project.

### 1.3 Requirement of Specialist Expertise

Because of the complexities of the project and the relatively tight timescales for delivery a range of specialist advice and assistance is required, for example in relation to:

- digital telecoms infrastructure project management;
- information technology and telecoms consultancy and market analysis; and
- State aid notification procedures and engagement.

Officers will be working with TfL procurement to procure such services, the total cost of which is estimated to be in the region of £1,000,000.00.

In particular, because of EU law concerning state aid it is evident that it is necessary to notify the Commission of and seek clearance of the proposals for delivery of the project. The law on state aid is a specialist and technical field and the notification process itself a considerable endeavour. It is necessary therefore, to secure the services of specialist advisors to ensure that all issues can be addressed as fully as possible in order to make the best case and mitigate the risk of any wasted costs being incurred.

Of the required services specialist legal advice in relation to state aid is to be provided by Eversheds, who are on TfL's legal services panel. Eversheds have confirmed that they do not envisage that costs for advice in relation to state aid should exceed £50,000.00. Accordingly approval is sought for the award of a contract to Eversheds for the provision of legal advice of state aid issues in relation to the project.

## **2. Issues for consideration**

### **a) Links to strategies and Mayoral and corporate 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 enterprise and individuals. More specifically the Implementation Plan (for consultation, 2012) promotes the expansion of superfast broadband to support the growth of high tech businesses, and identifies white areas (where the private sector will not invest) that need to be addressed.

The super connected cities investment will directly support the Mayor's (unpublished) Digital London 12 point plan. Improving digital connectivity is a major pillar of the digital agenda which will be critical to supporting new firm growth, attracting international high tech investment and creating jobs. The Mayor's overarching ambition is for London to be Europe's digital capital. Investment in ultrafast wireless and broadband connectivity will be critical to realising this, and to the success of related initiatives such as the London Datastore and London's EU funded iCity programme – realising London's smart city ambitions.

In terms of economic opportunity this investment aligns with our policy objectives to tackle digital exclusion, encouraging more Londoners to develop basic digital skills, as well as creating an expanded market for digital products. This links to our work to partner with Race 2012, integrating with Team London, to recruit volunteer Digital Champions to train residents in time for the Games. The Mayor wants this initiative to deliver an Olympic legacy that is focused on people and skills, expanding the Mayor's ambitions around literacy to include the digital world. More broadly there are clear links between this infrastructure investment and our ambitions for east London convergence (reflecting the geographical focus of the investment in the Olympic host boroughs to support business growth).

In addition this project links with (and will build on) the GLA family's existing investment programme: TfL are WIFI enabling up to 120 underground stations in time for the Games and are also rolling out WIFI on some buses and bus stops providing a seamless surfing environment for Londoners and visitors.

### **b) Impact assessments and Consultation**

No specific consultation or impact assessment has been undertaken for this project. The objectives and outcomes of the project have been derived from previous Mayoral strategies which themselves have been subject to extensive consultation and impact assessment. Key public and private stakeholders have been engaged already during the GLA bid submission to the DCMS.

As part of the commission the consultants and the delivery partner will be required to liaise with relevant local authorities, planners and a diverse range of private sector stakeholders.

A communication will be developed to ensure this project is promoted, which encompasses the broader range of project and initiatives for improving London's digital infrastructure.

c) Risk

There are reputational risks if GLA does not deliver project or fails to secure the maximum amount from private match (£51m). This risk will be mitigated by GLA assigned project team supported by TfL legal/procurement team and external specialist advisor during implementation phase, with experience in delivering digital infrastructure plan, and familiarity with Telecom technical requirements.

### 3. Financial Comments

3.1 Approval is being sought to enter into Grant Agreement with DCMS to receive Urban Broadband funding of up to £25.0 million in respect of the Super Connected Cities Project (SCCP).

3.2 Approval is also being sought for a total of up to £25.0 million expenditure (capital) relating to the project, funded from the DCMS grant, subject to further approval via the Authority's decision-making process.

3.3 Approval is being sought to allocate £1.0 million revenue budget and £1.17 million capital budget from the Growing Places Fund (GPF) programme in respect of the SCCP.

The use of GPF programme funds is still subject to consultation with the Local Enterprise Partnership (LEP). Until such time as LEP make a decision, the cost of £2.17 million will be earmarked against the Mayor's Regeneration Fund (MRF).

In the event that the LEP does not recommend the use of GPF funds, the cost of £2.17 million would be met from the Mayor's Regeneration Fund (MRF), subject to further approval via the Authority's decision-making process. The aggregate estimate of MRF projects at pre-stage 1, stage 1 and stage 2 business cases and other top slice commitments for staffing support and programme evaluation currently exceeds the total £70 million funding available. The use of MRF funds for this project would increase the over allocation and increase the savings required from other projects.

3.4 Approval is being sought to undertake a procurement exercise for external expertise required for the delivery of the project, including specialist information technology and telecoms and project management support. We have been advised that these services are not covered by any existing contract within the GLA Group.

The estimated total cost of these contracts is up to £950,000 (revenue).

3.5 Approval is being sought to commission 'Eversheds' to provide specialist legal advice concerning the delivery of the project.

The estimated cost of this contract is up to £50,000 (revenue).

3.6 Approval is being sought for a total of up to £1.17 million (capital) as the GLA's contribution toward funding the delivery of the project, subject to further approval via the Authority's decision-making process.

- 3.7 Approval is being sought to delegate authority for all further decisions, and the execution of all documentation concerning the project, to the Executive Director of Development & Environment and the Executive Director of Resources.
- 3.8 As requested above, it is proposed that the revenue cost of up to £1.0 million and the capital cost of up to £1.17 million will be funded from the GPF programme. The use of GPF programme funds is still subject to consultation with the Local Enterprise Partnership (LEP).

The revenue spend is expected to span two financial years as follows:

- 2013/14 £500,000
- 2014/15 £500,000

The total revenue provision available in the second GPF determination is £9,470,740. This approval would absorb just over 10% of this revenue funding.

The capital spend is expected to be wholly incurred in 2014/15.

- 3.9 Although GPF is expected to be a revolving fund, grant conditions do not preclude its use for grant funding.
- 3.10 The project is expected to cost £78.0 million, of which £26.17 million has been identified above. The SCCP project team has secured an 'in principle' financial contribution of £300,000 from the City of Westminster and is confident of securing other borough contributions of £870,000 and private sector funding of £50.66 million.
- If match funding is less than expected, the project will be scaled down accordingly. The GLA's capital contribution would not be scaled down.
- 3.11 Although Growing Places Fund is expected to be a revolving fund, grant conditions do not preclude its use for grant funding.
- 3.12 All appropriate budget adjustments will be made.
- 3.13 As part of this decision relates to contracts, officers have to ensure that the requirements of the Authority's Contracts and Funding Code are adhered to.
- 3.14 As these contracts are consultancy based, officers also have to ensure that the requirements relating to consultancy services within the Authority's Financial Regulations and Expenses & Benefits Framework are adhered to.
- 3.15 As part of the proposed funding above is to be governed via funding agreement, officers are reminded to ensure that they liaise with both the Legal and Finance Teams in the preparation and execution of the funding agreements. In addition, the monitoring of the funding and associated payments must be in line with the Authority's Funding Agreement Toolkit.
- 3.16 Any changes to this proposal must be subject to further approval via the Authority's decision-making process.
- 3.17 The Capital Projects and Design team within the Development and Environment Directorate will be responsible for managing this project and associated funding agreement.

#### **4. Legal Comments**

4.1 The foregoing sections of this report indicate that:

4.1.1 the decisions requested of the Mayor fall within his statutory powers, acting on behalf of the Authority, to do such things as may be considered facilitative of or conducive to the promotion of economic development and wealth creation in Greater London; and

4.1.2 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.

4.2 Officers should ensure that they obtain a clear written commitment to the provision by DCMS of funding and are satisfied that the GLA can meet any conditions of such funding before any reliance is placed upon the same.

4.3 The specialist advisory services required must be procured by Transport for London Procurement (to whom the GLA has delegated its procurement function) and officers should liaise with Transport for London Procurement in this regard and ensure that appropriate contract documentation is put in place with and executed by proposed service providers before the commencement of the required services.

4.3 Eversheds, proposed advisors in respect of state aid issues and the notification process are on TfL's legal panel, a framework accessible to the GLA, and may therefore, be engaged as proposed.

4.4 Officers have indicated that the contribution of funding to the proposed recipient and project will amount to the provision of funding and not a payment for services rendered. On the basis that this payment is to be funding, as opposed to the procurement of services, the Authority's Contracts and Funding Code ("Code") requires the Authority to ensure that the funding is distributed fairly, transparently and in accordance with the Authority's equalities obligations. The Code also requires the Authority to demonstrate value for money in the allocation of this funding.

4.5 The Mayor may delegate authority to the Executive Director of Development & Environment and the Executive Director of Resources as proposed under section 38 (1) of the Greater London Authority Act 1999.

4.6 Officers should continue to liaise with TfL legal and all other internal and external advisors and stakeholders in the further development and delivery of the project.

#### **5. Investment & Performance Board**

This decision was considered by the Investment and Performance Board. Following consultation with Members, the Chair of IPB confirmed that he is content to recommend for approval /endorse the proposals.

#### **6. Background/supporting papers**

None



**Public access to information**

Information in this form is subject to the Freedom of Information Act 2000 (FOI Act) and other legislation. Part 1 of this form will be made available on the GLA website within 1 working day of approval. Any facts and advice that should not be made automatically available on request should not be included in Part 1 but instead on the separate Part 2 form. Deferment is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of this approval to be deferred? **YES**

If yes, for what reason:

It contains information the disclosure of which would be likely to prejudice the Authority's commercial interests by distorting competitiveness in the relevant market. Such distortion impacts upon the Authority's ability to secure competitive and sustainable bids for the provision of such supplies and services and value for money which is not in the public interest.

Until what date: 30/12/2013

Is there a part 2 form - NO

**ORIGINATING OFFICER DECLARATION:**

	Tick to indicate approval (✓)
<b>Drafting officer:</b> <u>Amjad Malik</u> has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.	✓
<b>Assistant Director/Head of Service:</b> <u>Joanna Rowelle</u> has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.	✓
<b>Sponsoring Director:</b> <u>Fiona Fletcher-Smith</u> has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.	✓
<b>Mayoral Adviser:</b> <u>Kit Malthouse</u> has been consulted about the proposal and agrees the recommendations.	✓
<b>Advice:</b> The Finance and Legal teams have commented on this proposal.	✓

**OFFICER APPROVAL****Executive Director, Resources**

I have been consulted about the proposal and confirm that financial and legal advice have been taken into account 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**