



Decision Maker: Cabinet Member for Business Culture and Heritage

Date: 5 May 2017

Classification: General Release

Title: Connect Westminster Project Approval

Wards Affected: All

Key Decision: Yes

Financial Summary: Following the successful ERDF application the project has secured £1.4m of external funding. This needs to be match funded by the Council, an allocation of £1.4m is included within the capital programme for this project.

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1. Executive Summary

- 1.1 The Connect Westminster Project will help address poor connectivity within Westminster by providing micro-finance to at least 1,250 Small Medium Enterprises (SME) to connect these businesses to gigabit capable connectivity.
- 1.2 In September 2016, the Cabinet Member for Housing, Regeneration, Business and Economic Development approved the submission of a European Regional Development Fund (ERDF) application for the Connect Westminster Project. The project was approved by the Greater London Authority (GLA) and a grant agreement has been issued for the £1.4m grant for the project.
- 1.3 This report provides an outline of the proposed project and seeks Cabinet Member approval to enter into the grant agreement with the GLA to begin delivery of the Connect Westminster Project.

1.4 A full copy of the full business case is included in Appendix B.

2. Recommendations

2.1 The CM is asked to authorise the council to enter a grant agreement with the GLA for the Connect Westminster Project.

2.2 The CM is further requested to authorise the delivery of the Connect Westminster Project as set out within the appended grant agreement.

2.3 Authorise capital expenditure against the budget within the capital programme of £2.8m of which £1.4m will be funded from the EDRF grant and £1.4m will be funded by the Council.

2.4 Approve the Council to enter into the agreement for the EDRF grant.

3. Reasons for Decision

3.1 The rationale for investing within the Connect Westminster Project is as follows:

1. The unmet demand from the previous London connection voucher scheme.
2. The cost of deploying infrastructure within Westminster is higher than other London Boroughs.
3. Mapping exercises indicate that the main areas of the borough in which businesses are based do not have access to next generation broadband.
4. Two-thirds of business premises in Westminster are in areas without access to superfast broadband. This will continue to suppress economic performance and employment over the period 2016-2020.

3.2 Following the successful delivery of the previous London wide scheme, there is evidence to suggest a positive impact on both productivity and the ability to hire staff. An independent economic appraisal based on the findings of the London wide scheme estimates that the new Connect Westminster Project will provide the following economic benefits:

- A sum of between £192m to £280m net additional GVA generated for the local economy within a 10-year period. This represents an economic rate of return of between £68 and £100, per £1 of project expenditure.
- A total of between 2,000 to 2,750 gross jobs created.

3.3 In summary then, the current market failure within Westminster and the significant expected return on investment justifies this intervention.

4. Background, including Policy Context

4.1 Poor provision of ultrafast broadband has a significant, negative effect on central London's competitiveness. Yet, Central London is a major contributor to the national economy with an annual Gross Value Added (GVA) of £55.7bn, representing 16% of London's and 3.4% of the national total GVA. Westminster, itself, also accounts for 700,000 jobs, which is 14% of London's total employment; the most significant of any UK local authority.

4.2 Westminster City Council has undertaken multiple activities to address poor connectivity. These include:

- The council ran a campaign to evidence demand for superfast broadband which led to a BT Openreach commitment to connect an additional 40,000 premises. Openreach's progress has unfortunately been slower than expected.
- The council has encouraged new entrants to the market through promotion of the significant opportunity in Westminster
- The council has developed a standard wayleave agreement in partnership with Central London Forward, through the Wired Westminster Group. This will dramatically improve the rate of approval for connectivity from Westminster landlords.
- The council also collaborated with the GLA on a former scheme to issue connection vouchers to businesses. There was significant interest and when the funding ended there was still unmet demand from Westminster SMEs.

4.3 The new Connect Westminster Scheme aligns with National Government Policy within the UK Digital Strategy. This strategy recognises that the future of high-speed, high-quality connectivity lies in extensive fibre networks. The Connection Voucher Scheme will support gigabit capable technologies which will stimulate the rollout of fibre based broadband products.

5. Outputs

5.1 Within the grant agreement the Council will commit to achieving:

- 1,000 enterprises connected to superfast broadband (at least 30Mbps)
- 1,000 enterprises receiving support
- 250 new enterprises receiving support
- 56 enterprises supported to introduce new to the firm products

The Council will be contractually obligated to deliver these outcomes. However the scheme has been developed so that these targets can be exceeded, the budget is expected to be able to fund 1,250 connections.

6. Financial Implications

Capital Costs

- 6.1 The expected cost of the scheme is £2.8m. This is made up of £2.5m SME capital vouchers and £0.3m of salaries and other costs.
- 6.2 Expenditure is largely capital in nature, £2.5m funding will create physical broadband infrastructure that will support around 1,000 businesses get connected to ultrafast/superfast broadband connectivity. These are physical connections which will benefit future SMEs of the premises, this will not be infrastructure directly owned by the Council, therefore this will be treated as 'Revenue Expenditure Funded from Capital under Statute'.
- 6.3 Individual business will apply for funding of up to £2,500 to cover up to 100% of the capital costs of getting connected to a superfast broadband solution, the funding will be provided on proof that money has been spent in accordance with the requirements.

Capital Funding

- 6.4 The project is funded from two sources; European Regional Development Funds and match funding from the Council, an allocation was approved in the capital programme through the Capital Programme. The breakdown of this funding is as follows:

	TOTAL £'000
Forecasted cost	2,800
EDRF funding	(1,400)
WCC capital programme allocation	(1,400)
Net surplus/deficit	-

- 6.5 There has been a slight change in the expected profiling of expenditure since the capital programme was approved as per the table below. Given the values this is not expected to cause an issue for the capital programme, and the budgets will be adjusted as part of the next re-profiling report.

	2017/18 £'000	2018/19 £'000	2019/20 £'000	TOTAL £'000
As per capital programme	1,054	1,344	402	2,800
Revised forecasting	1,200	1,500	100	2,800
Variance	(146)	(156)	302	-

Revenue Implications

- 6.6 In line with the EDRF funding bid, an element of the funding can be used for staff time that is used for the project. Where staff are already budgeted for this will result in a small saving against revenue budgets. It can also be used for other revenue related costs such as marketing and overheads. As a result, part of the grant (up to £0.3m) will be treated as a revenue grant. The full cost is budgeted within the capital programme, so it is likely this will be reduced slightly by up to for the £0.3m revenue costs.

7. Legal Implications

- 7.1 Legal advice on the State Aid and Procurement issues relating to the scheme has been provided by Sharpe Pritchard and their guidance is details in Appendix C.
- 7.2 The grant agreement has been reviewed by the Director of Law who advises that although there are some potentially onerous obligations for the Council to note and comply with in order to receive the ERDF grant, there does not appear to be any high risk or detrimental clauses in the Agreement which should preclude the council from entering into it with the GLA.

8. Consultation

- 8.1 In the development of the scheme the council has consulted with the following groups:
- Broadband providers,
 - Department for Culture, Media and Sport,
 - Broadband Delivery UK,
 - Greater London Authority,
 - Property Owners,
 - BIDs.
- 8.2 The proposal has enjoyed strong support from all key stakeholders. The activity compliments existing activities.
- 8.3 If you have any queries about this report or wish to inspect any of the Background Papers please contact: David Wilkins, Business & Enterprise Programme Manager on dwilkins@westminster.gov.uk or tel 020 7641 1620.

BACKGROUND PAPERS

Appendix A Other Implications

Appendix B ERDF Application

Appendix C Legal Advice

Appendix D Risk Register

For completion by the **Cabinet Member for Business Culture and Heritage**

Declaration of Interest

I have <no interest to declare / to declare an interest> in respect of this report

Signed: _____ Date: _____

NAME: **Councillor Robert Davis MBE DL**

State nature of interest if any

.....
(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendation(s) in the report entitled

Connect Westminster Project Approval and reject any alternative options which are referred to but not recommended.

Signed

Cabinet Member for *Business, Culture and Heritage*

Date

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:
.....
.....

If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law, Strategic Director Finance and Performance and, if there are resources implications, the Strategic Director of Resources (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.

Appendix A

Other Implications

1. Resources Implications

The project resources have been secured. This is through a combination of the ERDF grant and the WEP resources.

2. Business Plan Implications

The project grew out of the Year 2 City for All objectives to support the rollout of superfast broadband within Westminster. It is also supported by the City for All 2017/18 priority of opportunity for all.

3. Risk Management Implications

A table of risks is included in Appendix D.

3.1. Health and Wellbeing Impact Assessment including Health and Safety Implications

No implications

4. Crime and Disorder Implications

No implications

5. Impact on the Environment

There are various positive environmental impacts. These have been highlighted in the 'UK Broadband Impact Study, November 2013' as follows:

- **Teleworking.** Probably the most frequently cited environmental benefit of better broadband is that it will encourage people to work from home, thereby reducing carbon emissions associated with the daily commute.
- **Business travel.** Technology has made significant inroads over the last few years into reducing travel costs (and emissions) by reducing the need for face-to-face meetings.
- **Cloud computing.** UK businesses collectively use hundreds of thousands of servers, typically working for 24 hours per day, 365 days per year. These servers frequently operate at low levels of utilisation. The use of the 'public cloud' for a proportion of businesses' computing needs offers the prospect of substantial further environmental benefits. It is expected with better connections, more businesses will opt for this environmentally efficient form of data storage.

6. Equalities Implications

The provision of superfast broadband to businesses supports labour force participation as it enables firms to adopt practices that allow staff to work from home and other remote, flexible locations. Disadvantaged groups from the labour force that could benefit include:

- Parents – Firms upgrading their connections will enable staff to work remotely. This would have a huge benefit on parents, as it would enable work from home, providing the flexibility to undertake childcare responsibilities.
- Carers – Stimulate teleworking, therefore enabling people who have caring responsibilities for family and friends to work. This could enable these groups to re-enter the work force, at least on a part time basis.
- Persons with disabilities – Levels of unemployment for people with disabilities have historically been persistently higher than those for the workforce as a whole. Providing the flexibility of working at home will increase this group's participation within the workforce.

7. Staffing Implications

The project staffing is funded within the project costs. Additional staff will be recruited to support the delivery of the project. Existing staff time on the project will be reimbursed by the project.

8. Human Rights Implications

Not applicable

9. Energy Measure Implications

Not applicable

10. Communications Implications

Following the signing of the grant agreement the Business and Enterprise Team will work with the communications team to work up a plan in relation to the connection voucher scheme. The plan will aim to maximise the positive exposure of the council investing in an area that is a key concern to Westminster businesses

Through the evaluation process, the council will develop case studies of firms that have benefited and highlight other ways the council support small businesses.

Appendix D – Risk Register

Risk Description	Owner	Probability	Impact	Mitigation
Limited uptake from SMEs	Project Manager	Low	High	Following on from the former DCMS scheme and from subsequent market research, it seems unlikely that there will be limited uptake. Demand has been assessed and the need is high among SMEs
Suppliers are not interested in the scheme	Project Manager	Low	Medium	There are roughly 600 suppliers who provide the services in London for broadband connection. The likelihood of all these suppliers not being interested is low. Market research indicated that suppliers are generally in support of the scheme.
Time to install connections	Project Manager	Low	Medium	The project will take 36 months to complete. Voucher delivery will take the first 24 months and the average number of days taken for the cycle to be completed is 131 days. This will allow a full year for connections to be made.
Poor response rate to our survey, post connection	Project Manager	Low	Low	The funding agreement between WCC and the SMEs will contain clauses to ensure engagement through the survey. Regular contact will be maintained to ensure that we receive a good response.
Staff leaving during the project	Project Manager	Low	Medium	Correct documentation will be maintained to ensure that no knowledge is lost should key staff leave. Detailed handovers will ensure business continuity.
Delays in delivery	Project Manager	Medium	Medium	Learning from the former DCMS scheme, the project seeks a 36 month programme phase instead of 24 months. This is to allow full implementation and evaluation to mitigate the risk.

Risk Description	Owner	Probability	Impact	Mitigation
Financial – SMEs and suppliers do not provide necessary data on expenditure on time.	Compliance Manager	Low	High	<p>The project team has many years of experience delivering ERDF projects. A robust monitoring process will be implemented to avoid non-compliance.</p> <p>SMEs will not receive the vouchers until all relevant information has been received and they have paid the invoice to the supplier.</p> <p>Funding agreements will include clauses to ensure beneficiaries and suppliers comply with evidence sharing requirements.</p>
Staffing – recruiting staff with appropriate expertise takes time	Senior Responsible Officer	Low	Medium	<p>The project staff have been identified with the Project Manager, Compliance Manager and the SRO all possessing numerous years' experience in ERDF projects.</p> <p>The only post to be recruited will be the Apprentice Project Support Officer who will be trained on ERDF processes and will work under the guidance of the project manager.</p>
Legal Technical – Failure to comply with ERDF procurement requirements	Compliance Manager	Medium	High	<p>The project team has learned from previous ERDF project audits (article 13 and 16) and will ensure compliance with ERDF rules.</p> <p>SMEs will be issued with clear guidelines. The team will also ensure that all evidence is collected and maintained as per the EU document retention requirements</p>

Risk Description	Owner	Probability	Impact	Mitigation
Behavioural – the project model will require high level staff with exceptional communication skills who can work well as a team and with partners	Project Manager	Low	Low	<p>The Project Manager has experience in working on ERDF and linking with public and private sector partners.</p> <p>The SRO will lead on recruitment and offer intensive support to new staff during induction. There will be weekly project team meetings to review progress and bi-monthly steering group meetings to oversee delivery.</p>
Operational – Project fails to meet output targets	Project Manager	Low	Medium	<p>An extensive programme of activities will be implemented with the aim of exceeding the project's target outputs. This will allow some leeway.</p> <p>With the interest the project is likely to generate, it is anticipated the risk of underachievement will be low.</p>
Financial – payment of claims delayed	Compliance Manager	Medium	High	<p>The Project team will ensure that claims are prepared ahead of deadline and will also conduct a continuous dialogue with the contractual body. There is sufficient budget to cashflow the project until claims are paid</p>