Cabinet Member Delegated Decision, 12 May 2017

Report title: Lambeth Wi-Fi Concession Contract

Wards: All

Portfolio: Deputy Leader of the Council (Investment and Partnerships): Councillor Paul McGlone

Report Authorised by: Sue Foster, Strategic Director for Neighbourhoods and Growth

Contact for enquiries: Jo Phillips, Head of Strategic Business Development 0207 926 0473, jphillips@lambeth.gov.uk

Report summary

This report seeks to obtain approval for new digital infrastructure, deployment of Wi-Fi and low-powered cellular radio access nodes, known as small cells, borough wide to increase wireless connectivity to boost digital and social inclusion and economic growth. The successful supplier Arqiva (also known as the Concessionaire) will have exclusive permission to use the Council’s street furniture, such as lampposts, for the installation of small cell equipment. This will make best use of available spectrum by re-using the same frequencies many times within a geographical area in support of 3G/4G telecommunications. This is a concessions contract where Lambeth will benefit from a share of the revenue generated by the network and there is no financial risk to the Council.

Finance summary

The estimated financial value of the contract over a ten year period is £1.1m and there is zero cost to the Council. There would be an initial payment of £250,000 to the Council from the Concessionaire and a further £2.25m investment by Arqiva in digital infrastructure. The contract between Lambeth Council and Arqiva sets out details of the profit share arrangement.

Recommendations

1. To approve the award of the Concession Contract to Arqiva for the provision of Wi-Fi Services for an estimated value of £1.1m for the period 1 May 2017 to 30 April 2026.
1. **Context**

1.1 There have been various discussions around Wi-Fi provision in Lambeth for a number of years, involving various council departments, senior officers and members as outlined later in this document.

1.2 In July 2015 officers conducted a feasibility assessment of the introduction of Wi-Fi to Lambeth, and particularly Brixton Town Centre. Consultants, Regional Network Solutions (RNS) were appointed by the Council and asked to investigate the assets available and suitability for the scheme, along with financial projections.

1.3 As part of the internal evaluation, consultants engaged with a number of key internal stakeholders including:
   - Community Safety – Public Space CCTV;
   - Planning;
   - Customer Services;
   - Asset Management;
   - ICT;
   - Community Engagement;
   - Procurement;
   - Legal;
   - Street Lighting;
   - Lambeth Housing

1.4 A soft marketing exercise was carried out which involved engagement with a number of potential suppliers, already operating in the market, to gauge initial interest, potential expansion and challenges. The exercise provided the following conclusion:

   a. There was interest from several companies in acquiring access to council-owned street furniture to support their Wi-Fi and small cell models. The London Borough of Lambeth was identified as one of the key areas of the United Kingdom in terms of current mobile coverage problems.

1.5 In December 2015 the Council undertook a tendering exercise for Wi-Fi services specifically for Brixton Town Centre, aligned with the £1,000,000-plus investment in the area. However, by the deadline of June 2016, there was insufficient interest for such a geographically limited scheme. As a result, officers developed a viable borough-wide scheme.

1.6 The Council has agreed the Borough Plan for 2016-2021. The Borough Plan seeks to reduce inequality and support diverse communities and sustainable economic growth. It states “We will focus on playing our part in the economic success of London by attracting more businesses in to the borough from the creative, digital, higher education and clean technology sectors. We will strengthen infrastructure so that more of the borough benefits from growth and investment and people can connect with the opportunities London offers.”

1.7 This proposal helps to support the delivery of the Borough Plan by supporting economic development, local businesses, visitor economy and more importantly those affected by digital exclusion. This scheme benefits everyone regardless of age, gender, ethnicity and employment status. It lays the foundation for innovative digital information and communication technologies that could be used to support health, social and community benefit.

1.8 This is Gateway 3 Waiver Report.
2. **Proposal and Reasons**

2.1 Throughout previous work and engagement it has been clear that improved connectivity will benefit local businesses. Access to free public Wi-Fi gives the Business Improvement Districts (BIDs) a unique opportunity to market their areas, events and initiatives and we would support that. Further, there is potential for 'sign-up' to council, health or other services.

2.2 The main benefits of this service to residents were noted in the previous feasibility work and the report by consultants RNS which “...found considerable support and interest expressed by internal stakeholders who welcomed the potential role of the London Borough of Lambeth in adopting a strategy which could realise the availability of public Wi-Fi and improved connectivity for businesses and the wider community in Lambeth.” By providing greater access to council services online, the proposal supports the Council’s digital strategy and is a cost effective way of supporting the local economy.

2.3 We propose offering Arqiva a concessionary contract to deliver borough wide Wi-Fi and 3/4G using the lamp post columns which are managed by Bouygues through an ongoing PFI scheme and this relationship mitigates the risk of operational problems regarding installation and maintenance. We have engaged with Bouygues who were also engaged in the previous Brixton only proposal. The contractual relationship between the Concessionaire and Bouygues would ensure smooth resolution of any problems. The concession would be in line with the current PFI contract.

2.4 We propose this contract is for ten years with an annual performance review. This contract is below the financial threshold of the Concession Contracts Regulations 2016 which states that the duration of such contracts should be limited and regulation 18(3) specifies that “for concession contracts lasting more than 5 years, the maximum duration of the concession contract shall not exceed the time that a concessionaire could reasonably be expected to take to recoup the investments made in operating the works or services together with a return on invested capital.”

2.5 Three companies responded to the ITT and Arqiva meets the Council’s requirements. Officers believe the projected income can be realistically met. The company has experience of working with local authorities. The significant investment in small cell infrastructure and management by Arqiva is of benefit to all residents and businesses through improved Wi-Fi connectivity across the borough. Further, Arqiva are offering a Lambeth branded service, and operating as the rental host, they are able to offer non-conflicted access to a wider range of providers which means people accessing the Wi-Fi will have greater choice of providers.

2.6 Lambeth Council will benefit from a 20% share of the revenue generated by the network without exposure to financial risk, nor will it have to manage the operational aspect of the scheme as that would fall to the Concessionaire. The estimated revenue to the council is £1m over ten years.

3. **Finance**

3.1 The proposed contract with Arqiva is for a ten year period commencing on 1st June 2017.

3.2 There are no costs to the Council arising from this contract.

3.3 Arqiva the appointed Concessionaire will make an investment of £2.25m into the borough’s digital infrastructure.

3.4 Arqiva would pay £250,000 to the Council on commencement of the contract
4. Legal and Democracy

4.1 The Council has delegated the authority to enact this report's recommendation to the Cabinet Member for Investment and Partnerships, in consultation with the Leader of the Council. Before exercising that authority, it would be prudent to have this paper peer-reviewed by the Procurement Board.

4.2 The Concessions Contracts Regulations 2016 require that contracting authorities competitively procure such contracts where the estimated value exceeds the threshold of £4.2m. As the estimated value of this concession is below this threshold, the Council would be bound only by the requirement to act reasonably, proportionately and transparently when evaluating and selecting organisations to be given the opportunity to exploit the Council's assets.

4.3 The Council will need to ensure that adequate contractual safeguards are in place to ensure that it is not to be held liable for any losses to investment returns or otherwise disadvantaged in the event that relevant assets are subject to, inter alia, maintenance, regeneration or demolition.

4.4 This proposed key decision was entered in the Forward Plan on 7 April 2017 and the necessary 28 clear days’ notice has been given. In addition, the Council's Constitution requires the report to be published on the website for five clear days before the proposed decision is approved by the Cabinet Member. Any representations received during this period must be considered by the decision-maker before the decision is taken. A further period of five clear days - the call-in period – must then elapse before the decision is enacted. If the decision is called-in during this period, it cannot be enacted until the call-in has been considered and resolved.

5. Consultation and co-production

5.1 Previous proposals and the Invitation to Tender (ITT) for Brixton-only WiFi involved consultants and soft market testing as noted as well as consultation with the Business Improvement District (BID). The borough wide proposal extends the benefits of improved Wi-Fi connectivity to local people, businesses and visitors. The infrastructure would provide the basis for further initiatives working with local BIDs, health and housing partners and we would envisage further consultation on such specific plans.

6. Risk management

<table>
<thead>
<tr>
<th>Item</th>
<th>Risk</th>
<th>Likelihood</th>
<th>Control Measures</th>
<th>Risk Owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Failure of installation / maintenance</td>
<td>unlikely</td>
<td>Contractually the Concessionaire is responsible for all operational activity with Bouygues.</td>
<td>Arqiva/Bouygues</td>
</tr>
<tr>
<td>2</td>
<td>Reputational risk – managing expectation from residents and businesses</td>
<td>unlikely</td>
<td>The Council will manage messages to promote this as a positive contribution to Lambeth’s economic development.</td>
<td>Lambeth Council, Head of Communication s</td>
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</tbody>
</table>
7. **Equalities impact assessment**

7.1 An Equalities Impact Assessment (EIA) is not relevant at this stage although advice was sought from the Acting Head of Equalities who has verbally approved this report. The proposal is for a borough wide scheme that will potentially benefit everyone and, in future years, may allow further initiatives supporting vulnerable residents.

8. **Community safety**

8.1 The infrastructure is unobtrusive, would be managed in accordance with the proposal by Arqiva and does not pose any crime or public safety risks. The Highways team have been consulted.

9. **Organisational implications**

9.1 **Environmental**

There is no adverse environmental impact from this proposal. Arqiva has a corporate environment statement.

9.2 **Staffing and accommodation**

None.

9.3 **Procurement**

As noted above, a similar scheme that would only cover Brixton town centre was investigated, consultants appointed and, as set out in Section 1, an Invitation to Tender (ITT) was issued in June 2016 but the small scale of the project failed to attract any potential suppliers. In approaching a more viable borough wide scheme a list of suppliers was sourced from Harrow framework, Camden procurement team and from our previous soft market testing carried out by RNS consultants. We also met with the same consultants before issuing the revised borough wide tender.

Using the list of suppliers sourced as noted above as a distribution list an email with supporting documentation (specification and asset list) was sent out to suppliers seeking proposals.

We sent out ten invitations with specifications (Appendix 1) and received three responses. Evaluation was conducted on the basis of realistic income targets, no financial risk to the Council and a preferred supplier would be one that not only is most economically advantageous to the Council but also delivered social value - digital and social inclusion and supporting local economic growth. Arqiva offered the best overall value.

This is a concession contract a negotiated contract that gives the concessionaire the right to operate a specific business within the London Borough of Lambeth’s jurisdiction, subject to certain conditions. There is no financial cost to the Council.

9.4 **Health**

The potential of Wi-Fi to improve the lives of residents, particularly in relation to health and well-being are well documented and investment in small cell wireless infrastructure will open up opportunities for future use to support residents.
10. **Timetable for implementation**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apply for inclusion on Forward Plan</td>
<td>03.04.2017</td>
</tr>
<tr>
<td>Consult Legal, Finance and Democratic Services</td>
<td>05.04.2017</td>
</tr>
<tr>
<td>Consult Cllr. McGlone</td>
<td>03.04.17</td>
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<td>Decisions Date</td>
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<tr>
<td>Sign off Gateway 3</td>
<td></td>
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<tr>
<td>Execution of Contract</td>
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<tr>
<td>Commencement of Contract</td>
<td></td>
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</tbody>
</table>

10.1 List of measurable aims and outcomes with the date by which they should be achieved. TBC
### Audit Trail

#### Consultation

<table>
<thead>
<tr>
<th>Name/Position</th>
<th>Lambeth directorate / department or partner</th>
<th>Date Sent</th>
<th>Date Received</th>
<th>Comments in paragraph</th>
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<tbody>
<tr>
<td>Councillor Paul McGlone</td>
<td>Deputy Leader of the Council (Investment and Partnerships)</td>
<td>dd.mm.yy</td>
<td>dd.mm.yy</td>
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<tr>
<td>Sue Foster</td>
<td>Strategic Director for Neighbourhoods and Growth</td>
<td>21.04.17</td>
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<td>Martin Crump Finance</td>
<td>Corporate Resources</td>
<td>21.04.17</td>
<td>28.04.17</td>
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<td>Michael O Hora</td>
<td>Corporate Resources</td>
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<td>Henry Langford,</td>
<td>Corporate Resources</td>
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<td>Democratic Services</td>
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<td>Prakash Bijwe</td>
<td>Procurement</td>
<td>21.04.17</td>
<td>27.04.17</td>
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<tr>
<td>Adayomi Idogun</td>
<td>Contract Manager</td>
<td>02.05.17</td>
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### Report History

| Original discussion with Cabinet Member | 03.04.17 |
| Report deadline                      | N/A      |
| Date final report sent               | N/A      |
| Part II Exempt from Disclosure/confidential accompanying report? | No |
| Key decision report                  | Yes      |
| Date first appeared on forward plan  | 07.04.17 |
| Key decision reasons                 | 2. Expenditure, income or savings in excess of £500,000 |
| Background information               | None     |
| Appendices                            | None     |
APPROVAL BY CABINET MEMBER OR OFFICER IN ACCORDANCE WITH SCHEME OF DELEGATION

I confirm I have consulted Finance, Legal, Democratic Services and the Procurement Board and taken account of their advice and comments in completing the report for approval:

Signature: ________________________________ Date: ______________

Post: Jo Phillips, Head of Strategic Business Development

I approve the above recommendations:

Signature: ________________________________ Date: ______________

Post: Deputy Leader of the Council (Investment and Partnerships): Councillor Paul McGlone

Any declarations of interest (or exemptions granted):

Any conflicts of interest:

Any dispensations: