

Cabinet

Date: 10th March 2010

Author: Leader of the Council, Cabinet Member for Finance and Benefits and Directors of Finance and Law and Democratic Services

Purpose

Cabinet is requested to consider the release of the second phase of the loan to Digital City (UK) Limited based on progress to date, subject to agreeing a variation on Highworth progress measures and completing the planned risk assessment of the revised 'Forward Business Plan' with Digital City (UK) Limited to ensure that this now reflects commercial, technical and marketing learning from Highworth.

Recommendation

That Cabinet authorises the:

- Variation to four out of the Nineteen Highworth progress measures that formed part of the terms of the October 2009 agreement as set out in para. 2.3.
- Group Director, Business transformation, the Director of Finance and the Director of Law and Democratic Services to undertake the planned risk assessment of Digital City (UK) Limited's revised forward business plan as set out in para. 2.5.
- Chief Executive, in consultation with the Leader of the Council and the Cabinet Member for Finance and Benefits, subject to being satisfied that the assessment of the forward business plan has highlighted no critical risks, to authorise the Director of Finance to make available the second phase of the loan to Digital City (UK) Limited based on the progress to date.

1. Reasons

- 1.1. The Council in October 2009 entered into a loan agreement with Digital City (UK) Limited, underpinned by a Shareholders' Agreement with aQovia UK Limited and Avidity Consulting Limited. The purpose of the loan was to part fund the development and installation of a Wi-Fi network across the Borough providing broadband access and other Wi-Fi related services to Swindon residents, public sector organisations and businesses.
- 1.2. The loan to Digital City (UK) Limited was for a maximum sum of £450,000 to fund a portion of the costs of development and installation of the Wi Fi network. The sum available for initial drawdown was limited to £150,000 until a pilot of the scheme was operational in the Highworth area and all parties had assessed its success and ongoing operational and commercial potential.
- 1.3. The initial Highworth installation phase is complete and there is now a real business imperative to build on this momentum, to continue rolling out the Wi-Fi network across Swindon and to enable income generation that comes with wider coverage.

Further information on the subject of this report can be obtained from Hitesh Patel on Direct Dial No. 464931 or Email hpatel@swindon.gov.uk

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- 1.4. By limiting initial coverage to Highworth some constraints were placed on the original Digital City (UK) Limited business plan. The plan was originally based on rolling out the network across the Borough, installing in multiple areas at the same time and without pausing to review the outcomes of the first phase. Applications providers have been reluctant to commit to investing in developing solutions on the basis of a limited roll-out only. Public and private sector customers and sponsors have expressed considerable interest but have rightly pointed out that they cannot make commitments on the basis of a 'pilot'. This learning has led us to seek practical and commercially pragmatic variations to four of the Highworth progress measures.
- 1.5. Whilst fifteen out of the original nineteen Highworth progress measures have been considered to have been met, four have not been fully met to date. One of the four (Highworth installation) is substantially met whilst the other three could not have been practically achieved in the timescales for reasons outlined in 1.4. These four measures, however, do not represent a significant enough risk to justify placing constraints on generating revenue by slowing down the roll-out of the Wi-Fi network across the rest of Swindon. All four measures are still expected to be achieved, however, variations are requested on the timing and scale of these. In order to facilitate the drawdown of the next phase of the loan a variation is required to the original Loan agreement which is not within officer delegated powers.
- 1.6. It is therefore considered to be absolutely critical and in the best interests of the Council that a clear commitment to the rest of the rollout is signalled by the release of the next phase of the loan as soon as possible.

2. Detail

- 2.1. There has been substantial progress on this project despite installation delays due to snow in December and January and other complexities such as the condition of suitable lamp posts and the need to obtain consent from private owners or Trusts for installations on buildings not owned by the Council. An open presentation to Members on the progress of this project was advertised in the Members Bulletin and delivered on the 18th February 2010 by Digital City (UK) Limited.
- 2.2. The criteria set out in the Highworth Assessment (Appendix 1) were grouped under the following three major outcomes, which had 19 overall measures associated with them-
 - Robust, operational and scaleable Wi-Fi network in place, providing a service for the whole of Highworth;

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- Successful and targeted PR campaign delivered locally and nationally; and
- Effective Sales and Marketing activities and plans in place to deliver short and medium term revenue streams.

2.3. These outcomes have been reviewed and have been considered to be substantially met, however, there are 4 measures that the Cabinet are requested to agree to vary in order for the assessment to be deemed complete and for the drawdown of the next phase of the loan to be enabled.

2.3.1. Measure 1: Originally stated: "Highworth network installed, working and accessible."

2.3.2. **Proposed variation:** Highworth network installed, working and accessible to 90% of households and a commitment made that the two remaining router installations that enable consistent coverage for the outstanding 10% of Highworth will be completed within a week of planning consent being granted.

2.3.3. Reason: Coverage is available across Highworth, however, the strength of the signal needs to be improved in some specific areas, in order to do this, two additional sites have been identified at which extra routers need to be installed and these are awaiting planning consent.

2.3.4. Measure 2: Originally stated: "Private sector sponsorship or commitment to future funding, to the value of at least £20,000, secured by end of Quarter 1."

2.3.5. **Proposed Variation:** Expressions of interest received from the private and or public sector for investment once a Borough wide network is available.

2.3.6. Reason: Private sector view is that unless there is commitment to turn the Highworth pilot into a full scale Swindon network there isn't a compelling reason for them to invest. Having learnt from this feedback, it is clear that the £20,000 measure this is a longer term measure, not a short term measure as originally envisaged.

2.3.7. Measure 3: Originally stated: "Sold – at least 100 private use packages by the end of Quarter 1."

2.3.8. Measure 4: Originally stated: "Sold - at least 25 business packages by the end of Quarter 1."

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2.3.9. **Proposed Variation:** The measures 3 and 4 be combined and changed into a single measure : “Sold - some business and private packages by end March”.

2.3.10. Reason: The delay in having a fully operational ‘back-office’ customer care and billing operation has hindered opportunities to sell. Partly this was due to the funding constraints around the scope of the initial phase, which allowed for only a limited amount of functionality to be developed. The www.getsignal.co.uk site is, however, now able to sell service subscriptions and the varied measure is a reasonable short term test which was the original intention. Leafleting to Highworth households was completed on Sunday the 28th of February and as of Monday the 2nd March 5 packages were sold.

2.4. The sales performance of Digital City (UK) Limited against plan will continue to be monitored on a quarterly basis and this is the appropriate control around medium to long term commercial viability.

2.5. Finally there is an existing measure that does not need to be varied, but is a condition of the next phase of the loan being agreed, namely that the Cabinet authorise a risk assessment of the forward Business Plan be completed and agreed by all shareholders by end of Quarter 1. The review would be undertaken by the Group Director, Business Transformation, the Director of Finance and the Director of Law and Democratic Services.

3. Alternative Options

- The Cabinet can choose to release no further funding until all the terms of the original Highworth Assessment and Drawdown Plan have been complied with. This is not recommended, the risks in lost revenue and in fact the project viability by not rolling out to the rest of the Borough out weigh any benefits from the four measures that are recommended for variation.
- The Cabinet can release some further funding in recognition of the progress that has been made in a number of areas.
- The Cabinet can release the full amount to allow the development of the Borough wide network.

Risk Management

Financial and Procurement Implications

The Council has sought to manage its risk exposure in a number of ways:

- Through ownership of Digital City’s assets, to be purchased at an estimated cost of around £250k, remaining with the Council until the loan is repaid;
- Through the level of loan available to Digital City being limited to one third

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- of the full amount pending sign off of a pilot in Highworth;
- Through an incentive measure whereby Avidity Consulting) has an option to increase its shareholding for a consideration of £1 provided that the loan is repaid within 2 years from the date of first drawdown.

The key risk in delaying further funding is that Digital City will not be in a position to progress full Borough coverage, meaning that the project is likely to stall and the original loan amount of £150k will be in jeopardy. Until such time as the full network is in place the ability of Digital City (UK) Limited to deliver public and private sector sales is significantly diminished.

Legal / Human Rights Implications

Legal and Human Rights considerations have been taken fully into account in compiling this report. It is considered that the recommendations of this report are compatible with convention rights.

Links to Corporate Plans and Policies (in particular to Swindon 2010 Promises)

The success of Digital City UK (Limited) and the Council's shareholding within this company will assist the Council's Medium Term Resourcing Plan.

Consultees

- The Director of Finance (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.
- The Leader of the Council and the Cabinet Member for Finance and Benefits, as signatories to the Briefing Note from October 2009 detailing the proposed agreement with Digital City.

Background Papers and Appendices

Appendix 1 – Highworth Assessment and Drawdown Plan Commentary

Key Decision / Decision in Forward Plan

This is not a key decision and has been included in the Cabinet Forward Plan for March 2010.

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Appendix 1

Highworth Assessment and Drawdown Plan Commentary

Highworth Assessment and Drawdown Plan

The SBC loan to Digital City (UK) Limited will be phased with clear outcomes and measures being agreed for each phase. Successful delivery of these outcomes will allow the next phase of the loan to be drawn down. For Quarter 1 (the first three months following the first drawdown of the loan from Swindon Borough Council) the following outcomes have been agreed :

Outcome 1: Robust, operational and scaleable Wi-Fi network in place, providing a service for the whole of Highworth

Measures:

- Overall Swindon Network design (logical and physical) completed by 30 November 2009.
- Highworth network installed, working and accessible by 30 November 2009, whilst ensuring that Planning requirements e.g. Highworth Conservation Area have been met.
- Web site operational: robust, secure, scaleable, easy to use and accessible by 30 November 2009.
- Network Operations Management: on-going approach and cost projections in place by the end of Quarter 1.
- Customer Support – by the end of Quarter 1 to have a clear plan on how this is going to be delivered to match expected volumes over the 24 months following the end of Quarter 1.
- Risk Assessment for remaining Swindon network roll-out plan based on Highworth learning completed and agreed by all shareholders by end of Quarter 1.

Outcome 2: Successful and targeted PR campaign delivered locally and nationally

Measures:

- Successful Public Relations (PR) Local launch, maximising all available channels to the Council by 30 November 2009.
- Trade Press launch completed by 30 November 2009.
- One national PR event planned and delivered by 30 November 2009.

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- Government and Local Government PR (including local public sector partners) campaigned planned and early messages delivered by end of Quarter 1.
- Councillors particularly from Highworth briefed about the scheme and are broadly supportive by 31 October 2009.
- Risk Assessment of Forward PR plan completed and agreed by all shareholders by end of Quarter 1.

Outcome 3: Effective Sales and Marketing activities and plans in place to deliver short and medium term revenue streams

Measures:

- Pilot projects proposals developed by end of Quarter 1.
- Proposition for CCTV developed and a 'live test' has been conducted as a proof of concept by end of Quarter 1.
- Public sector partners in Swindon approached with compelling commercial proposition and at least one expression of interest secured by end of Quarter 1.
- Private sector sponsorship or commitment to future funding, to the value of at least £20,000, secured by end of Quarter 1.
- Sold – at least 100 private use packages by the end of Quarter 1.
- Sold - at least 25 business packages by the end of Quarter 1.
- Risk Assessment of forward Business Plan completed and agreed by all shareholders by end of Quarter 1.

Where new or additional opportunities arise during Quarter 1, the parties (Digital City (UK) Limited and Swindon Borough Council) may agree to re-prioritise or change the measures related to Outcome 3.

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