



Rutland County Council

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Meeting: CABINET

Date and Time: Tuesday, 20 November 2018 at 10.00 am

Venue: COUNCIL CHAMBER, CATMOSE

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A G E N D A

7(a) EXCLUSION OF THE PRESS AND PUBLIC

The Committee is recommended to determine whether the public and press be excluded from the meeting in accordance with Section 100(A)(4) of the Local Government Act 1972, as amended, and in accordance with the Access to Information provision of Procedure Rule 239, as the following item of business is likely to involve the disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

7(b) DIGITAL RUTLAND: LOCAL FULL FIBRE NETWORKS FUNDING BID (KEY DECISION)

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CABINET

20 November 2018

LOCAL FULL FIBRE NETWORKS FUNDING BID

Report of the Chief Executive

Strategic Aim:	Sustainable Growth	
Key Decision: Yes	Forward Plan Reference: FP/191018	
Exempt Information	Appendices A and B of this Report contains exempt information and is not for publication in accordance with Part 1 of Schedule 12A of the Local Government Act 1972	
Cabinet Member(s) Responsible:	Mr O. Hemsley, Deputy Leader and Portfolio Holder for Growth, Trading Services and Resources(except Finance)	
Contact Officer(s):	Libby Kingsley, Digital Rutland Project Manager	01572 720983 lkingsley@rutland.gov.uk

DECISION RECOMMENDATIONS

That Cabinet:

1. Notes the opportunity to bid for Central Government (DCMS) Local Full Fibre Networks Funding.
2. Approves commitment of existing revenue budget to further support bid development as outlined.
3. Approves Council Capital match funding to the bid as outlined in Exempt Appendix A.
4. Delegates to the Chief Executive in consultation with the Portfolio Holder the authority to sign a Grant Agreement with DCMS subject to a successful bid outcome, project assurance and value for money assessments.
5. Notes that further reports will be brought to Cabinet for approval.

1 PURPOSE OF THE REPORT

- 1.1 To update Cabinet on the opportunity to bid for Government (Department of Culture, Media and Sport) Local Full Fibre Networks Challenge Fund (Wave 3)
- 1.2 To make a recommendation to Cabinet to proceed with a full bid.
- 1.3 To advise the estimated revenue costs to proceed with a full bid within the existing Digital Rutland revenue budget.
- 1.4 To consider the proposed match funding within the existing Digital Rutland capital budget as set out in Exempt Appendix A.

2 BACKGROUND AND MAIN CONSIDERATIONS

- 2.1 The Digital Rutland Superfast Broadband (SFFB) project has been focussed on delivering superfast broadband across the County. The project has been supported by funding from the Council and from BDUK (Broadband Delivery UK) a part of the Department of Culture Media and Sport (DCMS). Phase 3 of the project is due to complete by spring 2019 when Superfast Broadband coverage in the County is expected to rise to c.97%.
- 2.2 Government focus is now on improving and accelerating ultrafast (gigabit capable) full fibre coverage across the UK. Full fibre broadband is many times faster and around five times more reliable than today's superfast internet services but currently only available to just 5% of UK homes and businesses. Government has set two ambitious targets of 15 million premises connected by 2025 and 100% coverage by 2033 but recognises that the market will not do this in some areas without public intervention.
- 2.3 To support these ambitions Government (DCMS) has launched a Local Full Fibre Networks (LFFN) Challenge Fund Programme managed by BDUK.
- 2.4 The LFFN Challenge Fund Programme aims to stimulate further commercial investment in full fibre networks and services through a number of approaches including providing fibre to the premise connectivity to public sector buildings (upgrades). BDUK is increasingly interested in how the fund can support rural areas and we are ideally placed as a small rural County to provide exemplars and learnings to inform future waves.
- 2.5 The LFFN fund presents an opportunity for Council to bid for funding that:
 - extends full fibre connectivity to a significant number of public sector buildings (Exempt Appendix B)
 - improves commercial investment conditions to provide more gigabit capable broadband in the County
 - brings businesses and homes within reach of full fibre connection points
 - realises a number of strategic benefits for the County
- 2.6 The proposal is that the Council proceeds with a project bid for up to £2.2m of which

the Council will contribute £446k of match funding. The financial implications are discussed in Section 5.

- 2.1 The Digital Rutland SFBB fibre enabled street cabinets have enabled download speeds of up to 80Mbps. However the street cabinets are not aggregation nodes for the purposes of providing the full fibre upgrades (100mb to Gigabit connectivity) required under the LFFN project bid. There is a requirement to lay new fibre and ducting from the nearest aggregation nodes somewhere between the cabinets and the exchange and hence the relatively high costs estimated in Exempt Appendix B.
- 2.2 The Digital Rutland team with BDUK support is continuing to build the proposal and business case for investment ready to present to the BDUK LFFN Investment Panel on 18 December 2018 subject to Cabinet approval. If successful the Digital Rutland Local Full Fibre Network (LFFN) Project proposal will move towards a Conditional Offer with projects expected to undertake a new procurement and new contract to deliver the public sector building connectivity upgrades and claim all spend under the LFFN Challenge Fund programme by March 2021.

3 CONSULTATION

- 3.1 The Digital Rutland team has engaged with key public asset stakeholders to understand their current gigabit capability and therefore eligibility for their assets to be considered for upgrade under the LFFN fund.
- 3.2 The team will continue to liaise with these stakeholders through the LFFN bid development process and prior to a procurement to confirm their interest in an upgrade to a full fibre network and in taking up a 100Mb fibre product under their current or future Internet Service Provider (ISP) Contracts.
- 3.3 Informal engagement with the supplier market is taking place to gauge potential interest in a future procurement should a funding bid be successful. The procurement process would then require wider supplier engagement via Public Information Notice (PIN), Office Journal of the European (OJEU) Notice, Supplier Days and Invitation to Tender (ITT) processes.
- 3.4 Meetings have been held with 3 of the top 4 mobile communications providers to understand their current and planned 3G and 4G coverage in Rutland, the benefits of evolving 5G technologies and the need for investment in full fibre coverage to assist commercial roll out of 5G mobile networks in the future.

4 ALTERNATIVE OPTIONS

- 4.1 **Option A:** (Do not proceed any further with the LFFN bid). This Option relies on the commercial market functioning (both demand and supply side) to increase the full fibre coverage from its present position. Government recognises that 90% coverage of full fibre will be achieved by commercial deployment with momentum already gathering but that market failure will remain for 10% of the UK landmass.
- 4.2 Whilst Rutland features 15th in the top 25 UK authorities for full fibre broadband options (19.32%) this is largely due to fibre provision in the Oakham North housing development and other smaller scale commercial fibre roll outs. Phase 2 and current Phase 3 of the Digital Rutland SFBB project has/will provide full fibre to the

premise connections but these are small in number relative to the Fibre to the Cabinet provisions.

- 4.3 If we are not to proceed with a bid the opportunity to leverage in significant public sector funding would be lost. The stimulus provided by the LFFN fund delivery mechanism to provide for the public sector upgrades and drive further commercial investment in full fibre would be lost and the additional strategic benefits (learning, health, social and economic) not realised. End user connection costs for the vast majority of Rutland business and residential premises would remain high with the Government's Gigabit voucher scheme unlikely to bridge the gap.
- 4.4 The Digital Capital Budget is ring fenced and cannot be used to meet other service commitments. Council would have to return a pro-rata investment share to BDUK under the terms of its grant agreement. (Appendix A). The revenue costs in developing the LFFN bid to date would have been sunk.
- 4.5 **Option B** (Proceed with the LFFN bid). This is the preferred option and would see Council reinvesting the remaining capital funding as match funding towards a successful LFFN bid outcome, leveraging up to £1.7m of additional public sector funding into Rutland.
- 4.6 With this option pushing out the fibre footprint via the public sector upgrades will ultimately reduce end connection costs for SMEs and residents making these viable on a purely commercial basis or part-supported by the Government National Gigabit Voucher Scheme. This will drive further commercial deployment.
- 4.7 As Ofcom regulatory changes take effect and competition in the wholesale and retail markets for fibre products and services intensifies this will drive down the costs for 100Mb and gigabit products and services encouraging greater take up.
- 4.8 With an increased fibre network footprint Rutland businesses, homes and services will be well placed to develop and exploit new technologies and processes requiring higher data requirements in an increasingly digital world and in providing the backhaul for future 5G mobile broadband services.
- 4.9 The economic impact of superfast broadband was calculated by Government to be £20 for every £1 invested. A recently commissioned report by City Fibre (The Economic Impact of Full Fibre Infrastructure in 100 UK Towns and Cities, Regeneris) focussed on 10 economic impacts of full fibre with estimates of £2.2bn improvements in business productivity, £2.2bn in innovation benefits, £2.3bn from new business start-ups and substantial benefits to individual households of £7bn.
- 4.10 **Appendix A and B (Exempt Appendixes)** sets out the higher level of detail to the recommended Option B.

5 FINANCIAL IMPLICATIONS

CAPITAL

- 5.1 Phase 1 and Phase 2 Deployment under the Digital Rutland SFBB project is now completed and the contracted outputs have been delivered with less funding than initially anticipated. A further phase (Phase 3) was contracted through a change control mechanism in January 2018 utilising some of the residual funding. The

Council has remaining funding to commit as match funding to a LFFN bid should it choose to do so.

5.2 The remaining funding is ring fenced and has to be spent on digital improvements i.e. it cannot be used on other services. If the Council chooses not to proceed then some funding will be clawed back by DCMS (as per the funding agreement ratios).

5.3 **Exempt Appendix A and B** contains further Tables and Maps to aid Cabinet's decisions.

REVENUE

5.4 If council decided not to proceed with the LFFN bid (Option A) the financial implications for the council would be the additional revenue costs for the works already completed on the bid application, these costs are estimated at £6k.

5.5 If council decided to proceed with the LFFN bid (Option B) then a further £9k revenue spend to finalise the bid would be required. The overall additional revenue costs for completing the LFFN bid application is estimated at £15k.

6 KEY RISKS AND MITIGATIONS

RISK	IMPACT	COMMENTS
Time	Medium	The programme plan (Exempt Appendix B) for developing the bid , gaining BDUK approvals , procuring and delivering the project is challenging but do-able with sufficient resourcing. The grant will need to be claimed by the March 2021 deadline. Bidders will be asked to outline their capacity to deliver the project to required timescales and provide implementation plans. Delivery controls (milestone dates and gateway assurances) would be established in the contract.
Viability /Scope	High	The full business case will be subject to BDUK assurances, The scope of the project (final list for upgrades and asset holder interest) will need to be confirmed. The project will be managed in line with the Council's project management disciplines and governance arrangements and with sufficient resourcing. Bidder interest will be stimulated through a number of approaches including supplier days.
Finance Bid	Medium	The risk implications for developing the bid are set out in Section 5 of the report and the Exempt Appendix A. The proposed bid value contains sufficient contingency.
Finance Grant	Low/Medium	BDUK grant offer terms and conditions will be subject to review by Council's finance and legal teams. The project board would comprise both BDUK and Council representatives.
Finance Expenditure	Medium	Bidders' survey and costs assumptions would be set out in tenders and contracted. As with any capital project there may be residual risks i.e. unforeseen costs. Joint decisions (RCC, BDUK) will be made with the supplier to provide alternative solutions to keep project to budget.

RISK	IMPACT	COMMENTS
Reputational	Medium	This is a competitive bidding process with no guarantee of success. It requires commitment from the asset holders (non-financial). The collaborative bidding approach with BDUK and our progression through to formal dialogue stage is positive. The project is likely to generate public and media interest. A communications plan will be developed documentation. Regular good communications will be undertaken with all stakeholders.

7 LEGAL AND GOVERNANCE CONSIDERATIONS

- 7.1 If Option B is approved and a successful bid outcome is achieved the Conditional Grant offer and Grant Agreement between BDUK and the Council will be subject to review by RCC/PCC legal services prior to signing by the CEO.
- 7.2 Governance arrangements will be put in place including establishing a project team and project board with representation including the CEO, Portfolio Holder and BDUK with clear terms of reference and delegations. The project would operate using the RCC approved Project Management Framework under the guidance of the RCC Capital Programme Manager.
- 7.3 The Council would need to undertake a new OJEU compliant procurement process to deliver the upgrades including Prior Invitation Notice, OJEU notice, Invitation to Tender and Contract Award process. These documents will be prepared under the guidance of Welland Procurement and RCC Contracts Teams with specialist technical and legal advice sourced under an existing Service Level Agreements.
- 7.4 Project, Procurement and Contract Documentation would also be subject to BDUK LFFN assurance gateway checks.
- 7.5 The procurement would be to supply new full fibre networks upgrades to an agreed list of public sector assets. Memorandum of understandings would be sought from the public sector stakeholders to confirm the final list in advance of the procurement and the project budget scaled accordingly.
- 7.6 The bid submissions will be subject to score and weightings agreed by Cabinet and on the ability to mobilise and deliver within the agreed timescales and budget agreed with BDUK.
- 7.7 The selected network supplier would need to comply with any open access requirements set out in the Invitation to Tender and Contract documentation.
- 7.8 As a consequence of the upgrades ISP providers would be able to offer improved services (between 100Mb and 1GB) over the new network to their public sector customers.
- 7.9 The funding available from the LFFN programme is exclusively capital funding which will be used in line with accepted government practice.
- 7.10 Expenditure evidenced and claimed by the selected network provider and grant draw down by Council would be subject to on-going assurance by the Project Team, Welland Audit and BDUK.

- 7.11 As the focus is on public sector upgrades there are no state aid issues. The project will be designed to minimise the risk of overbuild on current or planned commercial full fibre footprint.

8 DATA PROTECTION IMPLICATIONS

- 8.1 A Data Protection Impact Assessments (DPIA) has been completed. No adverse or other significant risks/issues were found. A copy of the DPIA can be obtained from (report contact person's details).
- 8.2 Council will operate the project and contract to fully meet the requirements of the General Directive on Data Protection and the Data Protection Act at all stages.

9 EQUALITY IMPACT ASSESSMENT

- 9.1 An equality impact assessment screening has been undertaken and there are no adverse effects.

10 COMMUNITY SAFETY IMPLICATIONS

- 10.1 The provision of better broadband infrastructure contributes towards road safety (reduction on physical journeys required) and in facilitating technologies, products and services which build resilience in communities.

11 HEALTH AND WELLBEING IMPLICATIONS

- 11.1 Maximising both full fibre and superfast broadband coverage increases the ability to deliver public services more efficiently and to facilitate the "Internet of Things" whereby devices are talking to each other without human intervention and beneficial to both health and well-being particularly for our most vulnerable residents.
- 11.2 In addition full fibre technology enables better health, education and economic outcomes deemed critical to closing inequality gaps.

12 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

- 12.1 The recommendations if approved would provide full fibre connectivity to a significant number of public sector sites and extend full fibre coverage in the County particularly in our more rural areas.
- 12.2 To support the delivery of the:
- Council's strategic aims and objectives
 - Council's Corporate Plan
 - Rutland's Economic Growth Strategy
 - Draft Digital Rutland Strategy 2018-22 (Report due for Cabinet Approval)

- 12.3 To support inclusive economic and well-being objectives
- 12.4 To support more effective delivery of public services
- 12.5 To stimulate further commercial investment to realise increased resilience and opportunities for our business and communities.
- 12.6 To support the aims and objectives of the Local Full Fibre Network Challenge Programme.

13 BACKGROUND PAPERS

- 13.1 Reports previously provided to Cabinet / Council relating to the Digital Rutland Project
 - Report 43/2011
 - Report 108/2011
 - Report 192/2011
 - Report 145/2014
 - Report 55/2012
 - Report 140/2017

14 APPENDICES

- 14.1 Exempt Appendix A
- 14.2 Exempt Appendix B

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.

Exempt Appendix – Appendix A and B are marked as “Not For Publication” because it contains exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, namely ...

- The projected LFFN upgrade costs is subject to further refinement.
- The list of public sector assets upgrades under the LFFN fund is subject to further review and dialogue.
- Mapping which is indicative to inform political decision.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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