

Economy & Growth Committee

Date of Meeting:	14 March 2023
Report Title:	DIGITAL INVESTMENT PLAN 2023-2025
Report of:	Jayne Traverse – Executive Director - Place
Report Reference No:	EG/34/22-23
Ward(s) Affected:	ALL

1. Purpose of Report

1.1. The purpose of the report is:

To update members on progress within digital connectivity in the Cheshire sub-region and seek necessary approval of the Connecting Cheshire Digital Investment Plan. This plan is important as it shapes the future Digital Support and take-up activities, responds to changes in the wider market and identifies the strategic areas of delivery for the broader sub-regional level Cheshire environment.

While Cheshire East Council is the accountable body for the Connecting Cheshire Partnership, this plan and decision impacts all partnership members and covers the sub-regional development and delivery of digital. The membership of this partnership consists of Cheshire East, Cheshire West and Chester Council, Warrington and Halton Councils.

Historically the Connecting Cheshire Partnership has secured funding to contract with individual suppliers on large scale interventions such as the “Superfast” programme. However, the technological landscape and demand is changing: suppliers are moving away from the traditional gap funded model towards commercial and demand led schemes that require much greater levels of local stakeholder management. In addition, central government are seeking to reengage with the biggest suppliers to contract on scales that not been seen before but which to be successful rely upon local authorities providing close support and local intelligence.

There are close linkages between this investment plans and the Council's 21-25 Corporate Plan and its Digital Strategy which has led to the following opportunities being identified:

Digital revolution – new and emerging technologies are bringing opportunities to rethink how services can be provided. We therefore aim to improve connectivity for all our communities and help residents and business to benefit from the convenience and flexibility it can bring.

Business investment – attracting businesses to continue to invest in the area, to provide more and better paid local jobs, and promote sustainable growth in sectors such as the green economy, food and drink and the visitor economy.

Partnerships – we have strong relationships with our partners across the public, private and third sectors, as such there are potential opportunities to work collaboratively to deliver our priorities.

Furthermore, several key high-level priorities that could be supported have been identified:

- Work together with our residents and partners to support people and communities to be strong and resilient
- A great place for people to live, work and visit
- Thriving urban and rural economies with opportunities for all

The Digital Investment Plan will form a key pillar in meeting the thriving economies priority which refers to the ongoing digital connectivity programme.

2. Executive Summary

- 2.1** This report covers the approval of a new Digital Investment Plan for the Connecting Cheshire Partnership. The partnership covers four local authority areas, Cheshire East, Cheshire West and Chester, Warrington, and Halton. The plan will shape the activities and priorities relating to the outward digital investment and the broader digital agenda for these areas.

The plan itself is a joint plan that has been developed in collaboration with the other partner authorities and their respective Growth Directors. The partnership is chaired by the Head of Economic Development at Cheshire East Council and the Council is also the accountable body for the projects and funding used to deliver the partnership's activity. Therefore, it is important that the plan is formally approved by the Authority in the first instance whilst noting that other partners will be responsible for local approval required in their respective authorities.

Beyond obligations as the responsible authority, the plan itself will be key to shaping many future (outward) digital investments in Cheshire East in alignment with the wider corporate digital strategy. The funds held as part of Connecting Cheshire Partnership are a sub-regional shared fund that is largely derived from returns on previous interventions. This funding is legally ring fenced for the

'furtherance of digital connectivity' and we seek approval from the Committee, as the accountable body, for the strategy in order to utilise the funds and target areas/issues that will derive maximum benefit to Cheshire East and the wider sub-region.

The plan seeks to properly align staffing provision (currently due to end in 2023) with the current committed delivery projects which are due to end in 2026. In the absence of this there is a real risk that delivery would cease or become sub optimal and Cheshire would not be able to derive maximum benefit from the wider digital investment that is taking place.

3. Recommendations

It is recommended that approval be given to:

- Adopt the Digital Investment Plan as the guiding strategy and plan to shape future outward facing Digital Investments and outward Digital Support activities of the Authority, utilising the ring-fenced Digital Funds.
- Note the current misalignment between project delivery up to and beyond 2026 and the staffing which is currently in place until 2023.
- Provide delegated authority to the Executive Director Place to ensure that the staffing required to support delivery and implementation of the interventions currently being undertaken as outlined in the Digital Investment Plan.
- Approve the establishment of a £500,000 "Alt Tech" grant scheme to support the hardest to reach premises across the Cheshire sub-region and delegate to the Executive Director Place the authority to determine the terms on which it operates, noting that it may be delivered by a partner authority.
- Approve a £300,000 business support package to ensure that businesses across the Cheshire sub-region have the skills necessary to harness the benefits of digital growth.
- Approve a £120,000 package of measures to stimulate local demand led digital upgrades and provide for stakeholder engagement to ensure that local communities are supported as they strive to upgrade digital services
- Provide delegated authority to the Executive Director of Place to enable the above projects, initiatives, and activities that support the plan to be implemented Funds.

4. Reasons for Recommendations

- 4.1.** Digital support to residents, local businesses and other stakeholders is an ongoing requirement and is increasing in areas and localities with a lack of current commercial or other provision as more services and opportunities for development move online into the Digital arena. The lack of adequate access, or the skills to access digital technologies is creating an increasing 'digital divide' and increasing what is often termed 'digital exclusion'.

Historically projects and activities undertaken via the Connecting Cheshire Partnership have successfully delivered large scale capital infrastructure connectivity and support activities that have led to broad benefits, uptake of digital services and alleviated many issues. However, our model of delivery is shifting to demand-led, community centred schemes which are smaller scale and have greater need for direct local community involvement, commitment and the increased complexity of having to access grants or vouchers to enhance connectivity. This is in parallel to continuation of delivery with the government's national agency for digital investment, BDUK, so requires careful planning and implementation to ensure that funding does not overlap or conflict and is targeted at the areas that have the greatest need, will reap the greatest benefit and do not have commercial or other means of support available.

There is an experienced team in place to ensure ongoing delivery, however this team has uncertain funding which will cease in September 2023 without approval to continue and deliver both the new activities and complete already committed and underway Digital projects. The approval of the Digital Investment Plan will provide certainty, continuity and ensure that projects are delivered successfully.

The approval and adoption of the plan itself will be key to shaping many future (outward) digital investments in Cheshire East. Currently there are many areas of digital need and many opportunities to provide positive support, the adoption of a digital plan will provide clarity on key areas of support and direction.

Many local authorities nationally have developed Digital Strategy plans for their local area, our plan will help secure the long-term economic viability of the area with many services or products sourced and consumed digitally, in addition to the major shift to remote working. It will also help to ensure that Cheshire & Warrington are, and continue to be an area that people wish to work, live and invest in.

It is envisaged that the plan will improve local resilience by facilitating greater use of enabling and communication technologies that are increasingly vital and were heavily relied on by many during the COVID crisis. Despite the lifting of restrictions many of the tools and technologies used have become the standard and continue in use, those residents and businesses that are not able to access these technologies are significant disadvantaged, often termed 'digital exclusion'.

The plan not only addresses issues, but also looks to harness the opportunities presented by digital and will support locally based SME businesses to improve and/or expand their digital capabilities for both economic security and growth.

5. Other Options Considered

5.1. Other options include:

Do nothing / Reject the Digital Investment Plan

This is not recommended as a clear plan is required and expected by several stakeholders. It would also likely create the perception that the Authority is unable to make decisions and raise questions on its ability to meet Digital Fund obligations and manage these funds on behalf of partner Authorities, there would also be a number of negative issues:

- Residents in poor connectivity areas will continue to suffer from inadequate provision and face digital inequalities.
- Reputational damage to the authority, members and stakeholders who have an expectation that support will be provided and received.
- Government bodies who oversee the funding and re-investment obligations may require the funds to be returned so they will either return to the EU or invest nationally.
- It would lead to the disbandment of the Connecting Cheshire Partnership as individual partner Authorities will have to develop their own strategies and implementation plans.
- There would be a loss of a specialist and experienced team that have managed the cross-border projects and complex environment of funded projects and State Aid/Subsidy Control compliance requirements.
- With no local support or involvement there will be no control over national interventions such as Project gigabit and less benefits will be derived from the schemes and projects.
- Lack of connectivity, especially for rural businesses will impact economic growth and investment and may lead to either a migration or closure of local businesses.
- Would not support the National commitment to ensure digital connectivity provision for all.

5.2. An options appraisal is covered in the following table:

Option	Impact	Risk
Do nothing / Reject the Digital Investment Plan (outright)	Uncertainty would be created on future Digital Investment and issues created on already committed projects.	Loss of the Digital Investment Fund. Loss of experienced and skilled delivery staff. Damage to local economic prospects and in some instances business viability. Reputational damage with partner authorities. Reputational damage with funders. Reputational damage with local residents and other stakeholders.

6. Background

Members will recall that the Economy and Growth Committee received a briefing paper 'Digital Connectivity – Update' at its meeting on the 30th November 2021. This paper provided the Committee with a detail explanation of the projects the Connecting Cheshire Partnership is responsible for and for information is attached as Appendix 2.

Connecting Cheshire is a public partnership leading the delivery of improved broadband over the Cheshire region. Since 2012 it has managed the investment of over £40m into fibre-based broadband, connecting over 100,000 premises and assisted hundreds of local businesses.

The success of previous projects and high levels of business and residential take up of services, has generated gainshare and the return of funding that constitutes the Digital Investment Fund. This has enabled further support to be provided at minimal or no cost to Authority taxpayers and places the partnership members in a good position to continue support, which is not the case in all Authorities nationally.

The partnership comprises the four local authorities of Cheshire East (CEC), Cheshire West & Chester (CWAC), Halton and Warrington Borough Councils and works with stakeholders to deliver Digital projects, support businesses and residents and provide enhanced connectivity across Cheshire.

As highlighted in the introduction there has been a shift in both the underlying Digital needs, delivery and funding mechanisms of digital support with smaller scale interventions and projects required to continue to address issues.

Therefore, there is a need to adopt a new digital plan that will shape and direct digital investments over the next few years. It will not just provide direction to those involved in digital delivery but will also be beneficial in outlining the areas of support that are planned or considered to the broader audience. This report is intended to explain the surrounding issues to the plan (as opposed to details within the plan) and it is intended that the digital plan itself be studied and understood alongside this report.

7. Consultation and Engagement

Consultation on the Digital Investment Plan has taken place with the Connecting Cheshire partner members during 2022. Partners were asked to raise their local requirements, strategies and targets in order to inform the plan and ensure that the plan did not just meet local requirements, but included agreed priorities that were agreed as joint priorities and targets for intervention or support.

As part of the on-going demand stimulation, communications and stakeholder engagement, the team consult with MP's and stakeholders regularly to understand the level of intervention required in parish, town, ward and constituency areas relating to the furtherance of digital connectivity.

The requirements have also been shaped and informed by general liaison and discussion with many stakeholders including members, officers, the LEP and public views derived from local engagements and enquiries.

For additional information the Digital Investment Plan was considered and approved at the Growth Directors meeting held on 26/01/23.

8. Implications

8.1. Legal

Legal has no comment to make on the report. Legal may have a role to play in advising in the context of any investments that spring from the plan if adopted; but other than that sees no need to comment further at this stage.

8.2. Finance

The proposed work being undertaken through the Digital investment plan will be funded through a ring fenced investment fund derived through a gainshare mechanism in the legacy superfast contracts. These were "gap funded" contracts that ensured the benefits of high take up would be shared with funders at the expiry of the contract. The first superfast contract has reached the point of expiry and is currently being closed. Gainshare has been received by Cheshire East as accountable body for Connecting Cheshire and contract signatory with BT Openreach.

The return of gainshare has been reflected in the Council budget and a corresponding capital programme has been established. It should be stressed that the beneficiaries of the fund include partner authorities in Halton, Warrington and Cheshire West. There is a clear need for the authority to recognise the needs and wishes of those partners as well as BDUK who were a primary funder of the early schemes. Consequently, the Digital Investment Plan has been developed alongside those partners.

Previous Council decisions to enter into the Digital Cheshire project and the Voucher top up scheme have accounted for a proportion of the available funding. A further BDUK funded extension to Digital Cheshire has created a misalignment between the funding of the existing project management function and the planned delivery end dates for the interventions. Approximately £3.6m of the gainshare funding remains to be allocated through the Digital Investment Plan.

The main financial implication of the decision is that it will align the management of the delivery of existing digital interventions (Digital Cheshire and Gigabit Broadband Voucher Scheme) to their respective end dates. Due to the way projects were originally funded and the time limits on their funding there was a significant risk that all project management and delivery staff would have ceased being funded in 2023 whilst the project activity was funded up to 2026.

Approximately £1.9m of the available £3.6m has been identified for staffing to 2026. This should be subjected to a robust business case approval and working with sub regional partners to examine potential efficiencies and synergies.

The decision also provides funding for a sub-regional Alt Tech Grant scheme to provide support to those premises and localities where gigabit broadband is not a feasible option. Such a scheme will need to be designed and approved under the Authority's grant policy before it is established if it is to be delivered by Cheshire East. The potential for other partners leading on the delivery but being funded from the Digital Investment Fund exists if this provides a more optimal solution.

Business support has been a component part of all previous superfast contracts and the Digital Investment Plan seeks to build upon the work coming to an end under Digital Cheshire in 2023 to provide a seamless link. External procurements will need to be undertaken for this element. In addition, it is recognised that if Cheshire is to maximise the benefits accruing from government funded digital schemes then there is a need to support these efforts with an active demand stimulation and stakeholder management program. It should be recognised that the market is moving away from the Council procuring direct market interventions in favour of facilitating and supporting local communities with demand led schemes and government procured infrastructure delivery contracts.

Not all of the projected funds have been accounted for leaving the potential for further activity in the future subject to the necessary approvals being obtained.

8.3. Policy

The plan supports opportunities identified within the current corporate plan including Digital revolution, Business investment and Partnerships.

It also supports several key high-level priorities including work[ing] together with our residents and partners to support people and communities to be strong and resilient, also to make Cheshire East a great place for people to live, work and visit.

It also supports published targets to ensure rural premises in the area are able to access Superfast connectivity speeds as a minimum.

8.4. Equality

The plan itself, and projects or activities encompassed are based on addressing evidenced need and in many cases, such as infrastructure relate to premises as opposed to individuals and business support that relates to business entities.

8.5. Human Resources

Staff involved in existing delivery are a mix of fixed term and permanent staff. Some fixed term staff have contracts that expire as early as June 2023 and there is uncertainty on future staffing plans. The approval of the plan would not just address uncertainties on an individual level but would provide a longer-term staffing plan that would aid delivery and ensure that the necessary skills and experience are retained.

Note that as a Connecting Cheshire Partnership and sub-regional plan the HR implications impact other Authority partners.

8.6. Risk Management

Key risks relating to this report are financial and reputational.

Financial risks surround the fact that the Digital Fund, due to arising from returns on previous projects that were linked both to ERDF funding and BDUK funding. This funding must be re-invested in Digital Projects to adhere to legal, compliance and contractual obligations, if this funding is not invested it is required to be returned to the funder for either National use or return to the EU and would be lost to the local area.

Partner risks surround the fact that the Digital Investment Fund is a shared fund that is held by Cheshire East on behalf of CEC itself and also the Connecting Cheshire partners. If it was perceived that CEC were preventing partners from investing funding in their own Authority areas, or the fund was being put at risk due to no clear investment plan then this could lead relationship difficulties which could lead to reputational damage (and legal complexity) if partner wished to withdraw from the partnership and requested a proportional share of the funds transferred to their own control

Other reputational risks surround not achieving published targets such as rural connectivity, in particular not achieving targets against a background where funding was available but no plan to meet these was agreed or actioned and this was perceived to be the prime reason for failure.

Currently high-level risks are flagged via the Digital Strategy Programme Board. While not a recommendation an area that would benefit from clarification is the reporting and escalation route that should be applied to key and any significant risks impacting the Digital Investment Plan, or projects or activities which are part of this plan. Should such risks only be reported and escalated via this route or would additional reporting route(s) be beneficial for risk management and response.

8.7. Rural Communities

The Cheshire region contains a high proportion of rural or remotely located areas that have in many cases suffered from poor digital connectivity. This poor connectivity is not just a problem in terms of residents unable to access digital services but has also impacted the economic development of these communities, as businesses that increasingly rely on digital communications or routes to market do not wish to be located in areas where they would be disadvantaged by poor connectivity, so many establish themselves elsewhere. Established businesses suffer a disadvantage and are unable to access the productivity or other benefits of digital connectivity and are constrained in their economic growth.

Rural and semi-rural areas with already pre-existing issues of lack of employment opportunities and other exclusion issues could experience further adversity if digital support is not provided. The plan contains a blend of infrastructure connectivity and business support aspects that address many issues and will enable business growth, help generate the wider economic benefits and improve local employment opportunities.

The Gigabit Voucher Top scheme, proposed Alt Tech and some other activities referenced within the Digital Plan are specifically targeted at rural areas and premises. It is anticipated that these will greatly assist in driving rural take up, engagement and addressing specific rural issues with Digital connectivity and uptake.

8.8. Children and Young People/Cared for Children

The plan does not specifically target children and young people, however the provision of infrastructure enabling remote learning and also access to support services may be an indirect beneficial impact.

The Digital Investment Plan will include a dedicated individual who will be responsible for representing the interest and requirements of each Authority within the partnership. This will ensure that local requirements are considered and addressed, and that local needs of Children and Young people are not overlooked in broader schemes and interventions.

8.9. Public Health

There is no direct impact on the public health of residents in Cheshire East, however provision of infrastructure enabling access to online health services and support may be an indirect beneficial impact.

The Digital Investment Plan will include a dedicated individual who will be responsible for representing the interest and requirements of each Authority within the partnership. This will ensure that local requirements are considered and addressed and that local Public Health needs are not overlooked in broader schemes and interventions. Additionally, there has been an historic low take up of NHS Digital Services, the plan will therefore look to develop a pilot scheme with the NHS to help address their current needs.

8.10. Climate Change

There is no direct impact on climate change or carbon emissions, however provision of infrastructure enabling remote working (and other online services) could reduce business and employment related transport journeys and emissions.

Access to Information	
Contact Officer:	Alex Buckley, Digital Programme Manager alex.buckley@cheshireeast.gov.uk
Appendices:	The Digital Investment Plan accompanies this report and is Titled as "CONNECTING CHESHIRE - DIGITAL INVESTMENT PLAN"
Background Papers:	The Economy & Growth Committee Paper referenced is titled as "Economy Growth Committee - Digital Connectivity Update 13_11_2021"