

CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	17 th September 2013
Report of:	Director of Economic Growth and Prosperity and Business Manager - Economic Growth and Prosperity
Subject/Title:	Connecting Cheshire Project Update
Portfolio Holder:	Councillor David Brown, Deputy Leader and Cabinet Member for Sustainable Communities. Councillor Don Stockton, Cabinet Member for Housing, Planning Economic Development and Regeneration.

1.0 Report Summary

- 1.1 Our objective is to make Cheshire, Halton and Warrington one of the best connected regions in the country, and to ensure our businesses and citizens have the support and skills to exploit the benefits of faster broadband and digital services. This project is focused on achieving the council's objectives of economic growth and enabling communities – improved connectivity and infrastructure create high growth businesses and result in wide-ranging social benefits, including assistive technology to enable people to remain independent and in their own homes.
- 1.2 This report provides a progress update on the development and delivery of the Cheshire, Halton & Warrington Local Broadband Plan. The Connecting Cheshire Partnership is ahead of schedule to deliver fibre broadband with speeds in excess of 24Mbps to a further 80,000 homes and businesses by the summer of 2015, increasing high speed broadband coverage to 96% of premises. It is estimated full coverage of fibre broadband will generate £1.3 billion of growth to the economy and create 11,000 jobs by 2025.
- 1.3 Following the appointment of BT as the telecommunications partner in April 2013, the project has completed its mobilisation phase and has commenced a period of detailed work with Openreach, BT's local network division, beginning the process of engineers surveying locations so to inform the deployment plan.
- 1.4 The survey work will be completed in December, with announcement of which localities will be included in the first phase of the roll-out at a similar time. Further rollout announcements per phase will be made on a quarterly basis thereafter, with the fibre build being completed by April 2015. BT anticipate the first of five deployment phases to commence in late 2013.
- 1.5 Connecting Cheshire is one of the country's most ambitious broadband programmes with a rapid deployment schedule. Running in parallel with the

fibre deployment will be a programme of demand stimulation, business support and digital inclusion. This will be focused on ensuring a fast take-up of faster broadband, and providing support to help as many people and businesses as possible to exploit the benefits of being online.

- 1.6 Peninsula Enterprise (working with Groundwork Cheshire) have been selected as a partner to deliver a tailored programme of business support for eligible Small and Medium sized Enterprises (SMEs) to help them exploit the benefits of faster broadband and digital technology. The £1.5m contract will provide a minimum of 12 hours active consultancy or support to 900 businesses over a two year period (which is above our contracted amount with ERDF of 830). The programme is expected to create 478 new jobs and enable 415 businesses to improve their performance (GVA). Service delivery to SMEs is expected to commence early September.
- 1.7 The Chief Secretary to the Treasury announced on 27 June 2013 that the Government will provide a further £250 million of funding to support increased coverage of superfast broadband to 95% of UK premises by 2017 (£150 million in 2015-2016 and £100 million in 2016-2017). This funding will need to be matched by local bodies to create a potential public funding pot of £500 million. Government will also be engaging with suppliers to identify potential solutions towards reaching 99% coverage by 2018.
- 1.8 The Council and the wider Connecting Cheshire Partnership is committed to extending the coverage of high speed fibre broadband to the final 4% of premises and is working with government to secure further funding from sourcing including Rural Community Broadband Fund (RCBF), Broadband Delivery UK (BDUK), and European Structural and Investment Fund (ESI).

2.0 Recommendation

- 2.1 To receive the project update and endorse the appointment of Peninsula Enterprise to deliver the Connecting Cheshire Superfast Business Support Programme.

3.0 Reasons for Recommendation

- 3.1 Detailed in report

4.0 Wards Affected

- 4.1 All

5.0 Local Ward Members

- 5.1 All

6.0 Policy Implications

6.1 The case for investment into Superfast Broadband for Cheshire East has been established in the following key policy documents:

- Cheshire East Three Year Plan 2013 - 16
- Cheshire East Sustainable Community Strategy: Ambition for All (2010)
- Cheshire East Economic Development Strategy (2011)
- Cheshire East ICT Strategy 2013 -16
- Cheshire All change for Crewe (2011)
- Cheshire and Warrington Local Enterprise Partnership Business Plan (2012).
- Cheshire and Warrington Local Enterprise Partnership Strategic Economic Plan (*forthcoming*)

7.0 Financial Implications

7.1 The Connecting Cheshire – Superfast Broadband project comprises three distinct elements; Capital Infrastructure, the Business Support Programme and the Programme Office Costs. Given the Infrastructure contract and the Business Support contract have been agreed, and the staffing arrangement for the project team finalised, the financial position is confirmed.

7.2 The total cost of the project is £31.26m with Cheshire East Council contributing £1.13m. The tables below show the gross cost of each element of the project, the phasing over financial years and the funding streams additional to Cheshire East Council.

Project Element	2013/14 (£'000)	2014/15 (£'000)	2015/16 (£'000)	TOTAL (£'000)
Infrastructure	5,088	22,140	1,260	28,488
Business Support	563	750	187	1,500
Programme Office	234	618	420	1,272
TOTAL	5,885	23,508	1,867	31,260

Funding Stream	2013/14 (£'000)	2014/15 (£'000)	2015/16 (£'000)	TOTAL (£'000)
ERDF	2,943	11,754	303	15,000
BDUK	748	3,252	0	4,000
Cheshire East B.C.	245	700	180	1,125
Cheshire West & Chester B.C	303	882	221	1,406
Halton B.C.	35	109	26	170
Warrington Council	120	324	91	535
BT (Supplier)	1,491	6,487	1,046	9,024
TOTAL	5,885	23,508	1,867	31,260

7.3 Future funding opportunities will be investigated to extend the coverage of superfast fast broadband in line with government and European targets.

8.0 Legal Implications (Authorised by the Borough Solicitor)

- 8.1 Section 2 of the Local Government Act 2000 gives Local Authorities power to take steps which they consider are likely to promote the economic, social or environmental well being of their area - or its inhabitants. However, no action can be taken which would contravene any specific statutory prohibition, restriction or limitation. Regard must also be had to the Community Strategy. The actions proposed in this report fall within this power.
- 8.2 The Connecting Cheshire Partnership has received significant legal assistance in order to arrive at a mutually beneficial contractual arrangement with project partners, taking into account the grant funding criteria set by BDUK and particularly ERDF regarding challenging timescales to complete the project by spring 2015.

9.0 Risk Management

- 9.1 A detailed risk position was included in the Connecting Cheshire update paper to Cabinet on 7th May. By exception below are the high level risks and the mitigation activities in place to reduce risk. Risk is regularly reviewed through the project's governance model including Executive Management Board (EMB). A full risk log is available on request.
- 9.2 An overarching risk within the project is failure to meet the ERDF audit requirements resulting in claw-back of grant. To mitigate this risk dedicated resources have been recruited into the project team to manage data and information. A Quality Management System (QMS) will be used to ensure compliance, and relationships with other ERDF funded projects are also being used to ensure experiences and knowledge are shared to avoid common mistakes.
- 9.3 A key risk concerning the infrastructure workstream is that it fails to meet the outputs, timescales and deadlines agreed with the principal funder (ERDF). To reduce this risk BT has agreed an accelerated deployment plan with the objective to overachieve against agreed targets. This will reduce risk, maintain confidence with project's funders and offer fibre broadband services earlier than planned.
- 9.4 There is a similar risk regarding the underachievement of the ERDF outputs within the required timescales for the business support aspect of the project. Several risk management actions have been put in place, including rapid mobilisation of project resources, the transfer of risk to the business support provider (through contractual obligations), and agreeing a delivery schedule that exceeds the requirements of the ERDF grant funding agreement.

10.0 Background

Project Delivery and Infrastructure:

- 10.1 The Councils across Cheshire East, Cheshire West & Chester, Halton and Warrington have formed the Connecting Cheshire Partnership tasked with the delivery of faster broadband speeds for our businesses and indirectly our residents by 2015. The project is a real opportunity to give the sub-region a much needed economic and social boost; a study conducted in 2012 estimates full coverage of fibre broadband will generate £1.3 billion of growth to the economy and create 11,000 jobs by 2025.
- 10.2 The Connecting Cheshire project will replace long copper cables with state-of-the-art fibre optics, which will increase broadband speeds significantly. When considering the existing commercial rollout of fibre broadband regionally, availability of fibre services will increase from 80% (as it is today) to over 96%. Homes and businesses in the final 4% are often remote, technically difficult to service, and have very long copper line lengths. With technology advancements and the identification of further funding, there is a desire to increase the coverage of fibre broadband to homes and businesses in the final 4%, making Cheshire one of the best connected regions in the country.
- 10.3 Project mobilisation was completed in June and the technical survey and design phase has commenced. This implementation planning will ensure the project can deliver both an efficient and speedy deployment, whilst benefitting from opportunities to optimise the network and remove some of the anomalies inherited over decades whereby premises are not always served by their nearest exchange or cabinets.
- 10.4 To assist with the implementation planning, cross-cutting working groups within each partner Local Authority have been established, involving Planning and Highways departments along with the Connecting Cheshire Deployment Team. Clear communication lines are being developed through these groups to ensure that rollout plans are informed by local intelligence. Beyond these operational working groups, a Strategic Board and a Business Steering Group is being established to help inform the strategic decision making across the project.
- 10.5 Announcements of the initial deployment phase will be made once the survey and design phase is complete in December. The first phase will achieve, and if at all possible exceed, the introduction of fibre service to 76 cabinets, which will mean an additional 15,257 premises can take up a superfast broadband service by the end of March 2014.
- 10.6 The fibre deployment will be delivered in five phases with completion due by April 2015, followed by an infill programme (3,508 premises) to offer a minimum of 2Mbps broadband speed to those premises where a fibre solution is not currently possible.

- 10.7 As the Infrastructure and Business Support Contracts have been agreed it can be confirmed the total project cost is £31.26m. Public sector contributions to the project are £22.40m which is made up of £3.24m Local Authority, £4m BDUK, and £15m ERDF. BT is providing £9.02m match to the total sum.
- 10.8 The Chief Secretary to the Treasury announced on 27 June 2013 that the Government will provide a further £250m of funding to support increased coverage of superfast broadband to 95% of UK premises by 2017 (£150m in 2015-2016 and £100m in 2016-2017). This funding will need to be matched by local bodies to create a potential public funding pot of £0.5bn. Government will also be engaging with suppliers to identify potential solutions towards reaching 99% coverage by 2018.
- 10.9 Connecting Cheshire will actively explore the potential to secure further funding that may be available to enable the project to deploy additional fibre within the existing project partnership structure. To this end there is strong strategic engagement with the Cheshire and Warrington Local Enterprise Partnership to promote digital connectivity and services in the strategic economic plan.

Demand Stimulation and Digital Inclusion:

- 10.10 New branding for Connecting Cheshire was introduced in August to provide a more impactful, consistent and flexible design format. Connecting Cheshire will be the umbrella brand covering all aspects of the project including the demand stimulation and business support programmes.
- 10.11 The project will deliver a demand stimulation and digital inclusion workstream that will build on our successful demand registration campaign that has received over 9,000 registrations to date. The principal objective of this work will be to ensure a fast take-up of fibre broadband and to ensure those currently off-line or low users of the internet can gain the digital literacy skills and confidence to exploit the technology more effectively.
- 10.12 Once the infrastructure deployment is underway, the key objective with communities and stakeholders will be to ensure they are proactively engaged in the process via 3 phases that will form a repeatable cycle of local engagement during the life of the project:
- **Prepare:** once timescales are announced, the project will raise awareness with communities of the fibre roll-out locally. This will include the likely timescales, local impacts such as new cabinets and civil engineering or road closures, switch-on date, benefits of fibre, demand stimulation and how to switch to fibre (including links to ISPs), and the recruitment of volunteer Digital Champions.
 - **Launch:** the project will build on the above measures by increasing local awareness of the switch-on date and communicating with local PR and media.

- **Exploit:** the benefits of digital inclusion and availability of digital literacy resources will be promoted by the project and partners, such as the Library service, Life Long Learning and the voluntary sector. Local businesses will be encouraged to enrol in the support programme.
- 10.13 The Connecting Cheshire website (www.connectingcheshire.org.uk) will be used as the primary information resource into the project. A revised website for the project is in development with BT and is expected to be live late September; this will include the project background, deployment information/where and when, a post-code checker, FAQs plus generic information, advice and case studies on the benefits of fibre broadband. There will also be dedicated sections on business benefits and links into the Business Support Programme, the project's Digital Inclusion and Digital Literacy provision and resources for the Digital Champion network.
- 10.14 Whilst delivering the social, environmental and educational benefits resulting from faster broadband, the project will also support the wider 'digital by default' agenda underpinning the future provision of public services.
- 10.15 Digital Champions will provide a community learning network to deliver individual support and assistance, which will build on and complement a wide range of digital literacy support already available locally and nationally. At present there are around 100,000 people off-line across Cheshire, the majority of whom are elderly, disabled or on a low income. Assisting the 'off-line' population to gain the skills and confidence to use the internet and communicate digitally will ensure there is a reduction in digital exclusion both in terms of broadband speeds and skills.

Business Support Programme:

- 10.16 The procurement process for the Business Support Programme provider commenced 22nd March with the release of the Pre-Qualification Questionnaire. Five of the eleven PQQ responses submitted were invited to tender for the contract on 13th May. During tender evaluation four of the tenderers were invited through to interview, which upon completion resulted in Peninsula Enterprise (a business unit of Serco), with Groundwork Cheshire as a named sub-contractor, being selected as the preferred bidder on 1st July. Following a period of due diligence the final contract award was given on 7th August. The £1.5m contract will ensure 900 business are provided with a minimum of 12 hours support, which is 70 more businesses above the project's target
- 10.17 The Superfast Business Support Programme will focus on business efficiency, innovation and transformation through digital technologies. The services provided will consist of: an enquiry service and website; introductory events programme; a tailored diagnostic and action plan for SMEs; specialist ICT expertise; links to other relevant business support; and further follow up activities. The Superfast Business website has been developed to provide a comprehensive knowledge hub and supporting resources, including registration onto the programme (www.ccbusiness.co.uk).

- 10.18 Highly specialised advice will be provided by a pool of approximately 40 expert advisers, based within the local area where possible, who will be able to advise on niche and growing subject areas, and also broker additional support outside of the programme. The local advisers themselves are expected to experience growth and knowledge transfer from their involvement in the programme, which will be captured and monitored as part of broader impact reporting.
- 10.19 Peninsula Enterprise has begun their mobilisation phase. Delivery of the programme will commence early September with the first 25 SMEs completing the 12 hours support package by the end of October.
- 10.20 As a result of the business support programme, it is expected a minimum of 478 gross new jobs will be created and 416 of the SMEs will experience business growth by the end of 2015, leading to an impact of £19.5m increase in GVA by the end of 2017. During this period reporting on additional outputs as a result of the programme, such as the number of jobs safeguarded, apprenticeships created and the growth of local providers involved in the programme will also take place.
- 10.21 Further background information can be found in the Connecting Cheshire update report provided to cabinet on 7th May 2013.

11.0 Access to Information

- 11.1 Background papers relating to this report can be inspected by contacting the report writer:

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