

CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	29 th April 2014
Report of:	Director of Economic Growth and Prosperity / Business Manager – Economic Growth and Prosperity
Subject/Title:	Connecting Cheshire Broadband – Project Extension (Forward Plan Ref: CE 13/14-74)
Portfolio Holder:	Cllr David Brown (Deputy Leader and Strategic Communities Portfolio Holder) / Cllr Don Stockton (Housing, Planning, Economic Development and Regeneration Portfolio Holder)

1.0 Report Summary

- 1.1 **The Connecting Cheshire Project, led by Cheshire East Council, is the fastest deployment of high-speed broadband in the world.** The project is delivering at twice the pace of similar contracts across the country, and has connected 16,000 rural homes and businesses across Cheshire, Halton and Warrington with high-speed fibre broadband in its first phase, with a further 27,000 to be connected in the second phase. By June 2015 the project will achieve 96% fibre broadband coverage, making Cheshire the best connected region in the country.
- 1.2 The project is an excellent example of partnership working, both with our delivery partner BT, and with the local authorities of the Connecting Cheshire Partnership. Indeed BT has expressed a desire to work with the Connecting Cheshire Partnership to extend high-speed broadband coverage further, publically commenting that Cheshire is a county that will be able to achieve 99% fibre coverage.
- 1.3 Building on the success of the project and in support of updated national policy to achieve a national coverage of 95% superfast broadband by 2017 it is recommended Connecting Cheshire Project is extended for a second tranche of activity to reach a more ambitious target of reaching **99% of homes and businesses** with superfast broadband service (speeds up to and greater than 30Mb/second) by 2017, which will return £84m of growth the local economy.
- 1.4 The total cost of the project extension including partner contributions and grants is expected to be £5.1m, with further private sector leverage to be agreed through procurement.

The council's contribution will be up to £1.12m over a 3 year period, 2015-2017.

- 1.5 Availability of high-speed broadband to nearly all homes and businesses will underpin the delivery of the council's corporate outcomes and will act as a platform to make council **"digital"** /online services more universally available, helping to lower demand for services via more costly channels. Furthermore it will offer a step change to Small and Medium Enterprise businesses allowing them to live and work locally while competing globally.

2.0 Recommendations

- 2.1 To approve the extension of the Connecting Cheshire project continuing the rollout of broadband technologies to achieve 99% coverage of superfast broadband by March 2017.
- 2.2 To approve an investment of £1.12m from the Council's capital resources, including £905.9k for infrastructure investment, and £215.7k to support continued project management arrangements from July 2015 through to March 2017. Connecting Cheshire Phase 2 is included in the 2014/17 capital programme approved by Cabinet on 27th February 2014.
- 2.3 To approve that the council can enter into an Open Market Review and procurement process with Broadband Delivery UK (BDUK) to scope and define the project extension, including specific costs, timescales and outputs.
- 2.4 To continue delivery of the project's governance arrangements as part of the Connecting Cheshire Partnership, fulfilling the authority's role of accountable body for the project.
- 2.5 To continue to give delegated authority to the relevant Portfolio Holder and Director of Economic Growth and Prosperity for decision making in relation to the above recommendations set out in 2.1 to 2.3 above.
- 2.6 The Head of Legal Services and Monitoring Officer to be authorised to negotiate and enter into any necessary legal documentation to give effect to the above recommendations as set out in 2.1 to 2.4.

3.0 Reasons for Recommendations

Strong Partnership and Delivery

- 3.1 The Connecting Cheshire project has continued to benefit from high profile and strong partnership working between the 4 participating councils and BT, combined with high levels of stakeholder engagement and public support. It is demonstrating strong progress and is on track to meet 96% fibre broadband coverage by June 2015.

- 3.2 Our local authority partners in the Connecting Cheshire Partnership, namely Cheshire West and Cheshire, Halton and Warrington are also seeking approval to invest in the project extension, recognising high-speed broadband connectivity as a high corporate priority.
- 3.3 BT has expressed a desire to work with the Connecting Cheshire Partnership to extend high-speed broadband coverage further, publically commenting that Cheshire is a county that will be able to achieve 99% fibre coverage quickly, which is a claim not made lightly.

Aligned to Government and European Policy

- 3.4 The project and extension thereof is fully aligned with the original Government policy of achieving 90% superfast broadband coverage across the UK by 2015, which was recently updated to extend coverage to 95% by 2017. Government policy is working towards being one of the best connected countries in the world, and achieving the demanding European Commission Europe 2020 objectives, including 100% superfast coverage by 2020.

Unlocking Grant Funding

- 3.5 In support of revised government broadband policy during February 2014 the Connecting Cheshire Partnership was allocated £2.12m of funding as part of Broadband Delivery UK's Superfast Extension Programme to achieve, or exceed, the 95% superfast coverage target 2017. It should be noted that local match funding is required to release this grant allocation.
- 3.6 Local authority and BDUK funding will also act as a lever to unlock further grant funding including Growth Funds, European Structural and Investment Funds and LEADER funding, amongst others, which will become available in 2015. These can either be used to extend coverage targets for the project, or off-set local authority contributions.

Return on Investment

- 3.7 The project has the potential to deliver substantial economic and social benefits as set out in the Value and Impact study commissioned at the project's inception with 100% coverage generating £1.3Bn GVA growth and 11,000 new jobs by 2025. Furthermore, recent government research commissioned by BDUK has identified that the national rural broadband programme will deliver returns of £20 for every £1 invested representing a significant return on investment to the nation.
- 3.8 Increasing the coverage from 96% to 99% of homes and business across Cheshire East will ensure a further 7,000 rural and potentially isolated premises have access to good quality broadband. Based on the government's return on investment model this could generate £84m of growth in Cheshire East's most rural areas.

4.0 Wards Affected

- 4.1 Majority – subject to state aid intervention rules

5.0 Local Ward Members

- 5.1 Majority – subject to state aid intervention rules

6.0 Policy Implications

- 6.1 As well as seizing the economic, social and environmental opportunity presented by improved broadband technology the Connecting Cheshire Project and extension thereof to 99% coverage by 2017 is fully aligned with local, national and European policy. This will ensure the Cheshire East economy can remain at the forefront of leading economies in the UK, and sustain its continued growth and connectivity.
- 6.2 The European Commission has set targets as part of the Europe 2020 Digital Agenda, requiring 100% superfast broadband coverage (speeds greater than 30Mbit/second), with at least 50% of premises actively using an ultrafast broadband service (speeds over 100Mbit/s) by 2020.
- 6.3 The original Government policy of 90% superfast broadband coverage across the UK by 2015 was updated as part of the autumn 2013 budget extending coverage targets to 95% superfast coverage by 2017, with the aspiration of 99% by 2018. £250m has been made available to support the delivery of this policy through the BDUK Superfast Extension Programme, of which Cheshire has been allocated £2.12m.
- 6.4 Whilst it is BDUK that is seen as conduit for policy regarding rural broadband, support for investment and exploitation is given within the Government's *Information Economy Strategy* (June 2013), *Witty Review* (October 2013), *Eight Great Technologies* (October 2013), and *Connectivity, Content and Consumers* (July 2013). These strategies and policies highlight the need to put digital technology and innovation at the forefront to drive the economic recovery, with improved broadband connectivity being a key enabler to grow the internet economy.
- 6.5 The case for investment into high-speed 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*
 - *All Change for Crewe: High Growth City* (2013)

- Cheshire East *Economic Growth Plan* (2013) - draft
- Cheshire and Warrington Local Enterprise Partnership *Strategic Economic Plan* (2013)
- Cheshire and Warrington Local Enterprise Partnership *ESIF Strategy 2014-2020* (2014)
- Cheshire East Council *Local Plan* (2014)

7.0 Financial Implications

- 7.1 The current £31.4m Connecting Cheshire Project will deliver 96% fibre broadband coverage by June 2015. This £5.1m extension to the project is planned to reach 99% coverage by 2017. A breakdown of costs split by local authority and financial year can be found below.

Total Investment	2014/15 £000	2015/16 £000	2016/17 £000	Total £000
Cheshire East	25.0	551.1	545.6	1,121.7
Cheshire West and Chester	25.0	464.7	459.2	948.9
Halton	25.0	212.5	207.0	444.5
Warrington	25.0	223.1	217.6	465.7
Total	100.0	1,451.4	1,429.4	2,980.8
BDUK Grant				2,118.0
Grand Total				5,098.8

- 7.2 The investment required by Cheshire East Council is £1.12m including £905.9k for infrastructure, and £215.7k project management arrangements from July 2015 through to March 2017. Further details infrastructure and project management costs can be found below

Infrastructure

- 7.2 £2.12m of BDUK grant funding has been allocated to Cheshire to extend the project on the proviso equal match funding is provided. To leverage the full BDUK grant allocation Cheshire East Council is required to provide £905,907 of match funding split across the 15/16 and 16/17 financial years as shown below;

Matched Funding Requirement	2014/15 £000	2015/16 £000	2016/17 £000	Total £000
Cheshire East		453.0	453.0	906.0
Cheshire West and Chester		366.6	366.6	733.2
Halton		114.4	114.4	228.8
Warrington		125.0	125.0	250.0
Total		1,059.0	1,059.0	2,118.0
BDUK Grant				2,118.0
Grand Total				4,236.0

- 7.3 The total investment in broadband infrastructure including partner contributions and grant would be £4.24m. It should be noted at this stage the capital allocation is subject to conclusion of a procurement process.
- 7.4 Additionally other grant funding including European Structural and Investment Funds, Growth Funds, and LEADER funding may become available for the project to bid for in 2015 which could off-set the investment required by the local authorities, or to compliment the investment already made by extending coverage targets.

Project Management

- 7.5 It will be necessary to extend the project delivery arrangements in-line with the duration of the project extension. Assuming Project Management Office (PMO) costs are shared equally between the four partners the council would be required to invest a further £215,717, as shown in the table below.

Project Management Costs	2014/15 £000	2015/16 £000	2016/17 £000	Total £000
Cheshire East	25.0	98.1	92.6	215.7
Cheshire West and Chester	25.0	98.1	92.6	215.7
Halton	25.0	98.1	92.6	215.7
Warrington	25.0	98.1	92.6	215.7
Total	100.0	392.4	370.4	862.8

- 7.6 The scheme will be subject to the Council's governance arrangements and will require approval at the gate 2 stage before resources are committed and spending can commence.

8.0 Legal Implications

- 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 Options for the procurement of the Connecting Cheshire Project extension are currently being explored include; change control to the existing contract, a mini-competition on the BDUK framework, or a OJEU compliant process. It is likely either a change control or mini-competition will be the preferred route to market as an OJEU compliant process may not be viable due to the requirement for local authorities to take into account the European Commission's state aid and competition regulations.

- 8.3 Consideration needs to be given to the timetable for the procurement, as new Procurement Regulations published on the 28th March 2014 are due to come into force in the autumn of 2014. The current regulations permit the use of the negotiated procedure where additional works or services are required that were (i) not initially included or considered in the project initially or (ii) are a repetition of those under the original contract and which are in conformity with a basis project for which the original contract was awarded. In the circumstances in (i) above the aggregate value of the additional services must not exceed 50% of the value of the original contract. The new Procurement Regulations permit the modification of contracts during their term however the application of the new regulations remains to be determined at this time.
- 8.4 The Connecting Cheshire Project will seek State Aid approval for the extension of the project as the UK's State aid scheme managed by BDUK under delegation from the European Commission. As part of this process a new Open Market Review, also referred to as public consultation, will be conducted to review 3 year investment plans of the telecommunications sector across Cheshire.
- 8.5 Any Legal work associated with the project extension will be procured through Council's legal department, with the support of specialist legal assistance as required.

9.0 Risk Management

- 9.1 Extension to the project is not expected to bring any further undue risk over and above that identified in the existing project, and would be managed through the Council's corporate project management framework, and the BDUK assurance framework.
- 9.2 Day to day risk management of the Connecting Cheshire Project extension will be managed under the existing governance and management practises of the current project. The project has implemented rigorous monitoring protocols in order to reduce risk and non-compliance, and has already been subject to a number of scheduled internal and external audits, including ERDF and BDUK audits. Feedback on these audits has been very positive proving that the management and monitoring controls in place are robust.
- 9.3 State Aid compliance and Value for Money will be managed through the BDUK competency centre, with further independent assessment where required.

10.0 Background and Options

- 10.1 The background of the Connecting Cheshire Project is discussed in detail in Cabinet reports issued 29th April 2013, and 16th September 2013, and is

underpinned by the Local Broadband Plan and Value and Impact Study. The following section of the report explains the current progress of the project and rationale for the extension of the project.

Demonstrating success - Connecting Cheshire Project Update:

- 10.2 In December 2013 Connecting Cheshire publically announced the three phases of roll-out which will result in over 96% of Cheshire premises being able to access a fibre broadband service by June 2015. This was combined with a stakeholder event at Oulton Park attended by a wide range of community representatives including Parish Councillors and Digital Champions. The announcement also received wide and favourable media coverage.
- 10.3 To date over 360 roadside cabinet surveys have been completed with over 180 new roadside cabinets having been installed across Cheshire, out of almost 500 expected during the life of the project. These new cabinets are the essential building blocks of the new 'root and branch' fibre networks and house the necessary fibre broadband equipment required for each locality. Combined with the 900 miles of fibre-optic cable that is being laid, they constitute a significant engineering challenge set against a very challenging timescale making the Cheshire roll-out the fastest currently underway in the UK.
- 10.4 To the end of March over 16,000 premises have been reached during the first phase deployment including 17 new telephone exchange areas 'ready for service' from end of March onwards, including Alderley Edge, Lower Peover and Aston. The first area to be switched on was the outskirts of Holmes Chapel and a switch-on event was held with the local community on 18th December 2013 as part of the national 'super-switch-on day' organised by BDUK. Areas in Phase 2 will be live from summer 2014 onwards and phase 3 from winter 2014 onwards.
- 10.5 Over BT 100 engineers and planners are involved in the Cheshire roll-out, plus a number of additional local sub-contractors. A key success of the project to date has been the partnership working between BT and the council's Planning and Highways departments in order to facilitate the necessary road works and approvals required to deploy the fibre infrastructure speedily and minimise disruption to the road network and communities. BT has recognised the positive impact that this work.
- 10.6 The Connecting Cheshire project has recently received external recognition and has been awarded bronze in national the iESE Awards 2014 in the Transforming Local Services category. This further demonstrates the importance and impact of the project for the council.
- 10.7 Through a successful bid submission, initially through the Rural Community Broadband Programme, the Connecting Cheshire Project in March 2014 has been awarded an additional £643k of grant funding from BDUK to provide high-speed broadband to some of the hardest to

reach communities in Cheshire including the areas of Audlem, BurleyDam, Sutton and Wincle. This additional funding is testament to the local communities who have worked tirelessly to support the project team in prepare the business case for grant funding.

- 10.8 Significant advances in broadband technology continue to be made and the Connecting Cheshire Team is working closely with BT to understand how any technology changes will support better speeds and coverage of broadband across Cheshire. Connecting Cheshire has submitted an expression of interest to work with suppliers as part of a £10m innovation fund, where state of the art telecommunications equipment will be piloted. We should learn in the next few months if we have been successful.

Project extension

- 10.9 Based on the high performance and success so far and new opportunities, a strong rationale has been created in support of the Connecting Cheshire project being extended, with the principal considerations as follows:
- i. To build on the successful partnership working achieved to date and deliver a high take-up which in turn can help to ensure that the benefits identified in the Value and Impact study will be realised.
 - ii. The current investment will deliver 96% coverage of high-speed broadband will leave around 19,300 premises not covered across Cheshire, Warrington and Halton, with 7,000 of these being in Cheshire East. These homes and businesses are mainly in rural and outlying communities, and currently suffer from very poor broadband speeds.
 - iii. Not all of the identified strategic employment sites and businesses will be covered by the current project. Extending coverage to these is required to unlock the full economic growth potential within the region as identified in the Value and Impact study.
 - iv. To realise grant funding opportunities including £2.12m awarded to Cheshire by BDUK, and to act as leverage to attract further grant funding including European Structural and Investment Funds, where £5.2m has been allocated to awards ICT investment.
- 10.10 A high-level project plan, see Appendix 1, has been drawn up to detail the key stages and timescales for delivering the project extension.

11.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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