

TRAFFORD COUNCIL

Report to: Executive
Date: 15th July 2019
Report for: Decision
Report of: Executive Member for Housing and Regeneration

Report Title

Greater Manchester Local Full Fibre Networks Programme Report

Summary

Report on Trafford Council's participation in the Greater Manchester Local Full Fibre Networks Programme ("GM Programme") which aims to increase the region's full fibre coverage from 2% to 25% within three years and is a key component of the GM Digital Strategy. Greater Manchester has secured £23.8m capital funding via the Department of Culture, Media and Sport's (DCMS) Local Full Fibre Network Challenge Fund and with £21.3m match funding from existing network budgets will connect over 1,300 public sector sites or assets.

Recommendation(s)

That the Executive:

1. Notes the content of the report;
2. Approves the Council's proposed participation within the GM Local Full Fibre Network Programme as detailed in the report;
3. Approves the Council's proposed £705,090 capital contribution as detailed within the report;
4. Delegates authority to the Corporate Director for Finance and Systems, in consultation with the Corporate Director for Governance and Community Strategy to agree the terms and conditions of, and enter into all legal documentation associated with the GM Programme including, but not limited to:
 - a) the Inter Authority Agreement
 - b) the Framework Agreement
 - c) the Delivery Agreement
5. Delegates authority to the Corporate Director for Place, in consultation with

the Corporate Director for Finance and Systems, to add or remove Council buildings from the programme.

Contact person for access to background papers and further information:

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Background Papers: None

Annex 1: GM WLT Full Fibre Report 29th Jan 2019.

Annex 2: Draft Site List.

Relationship to Policy Framework/Corporate Priorities	The outcomes from the programme support a number of the Council's strategic outcomes within the corporate plan, but specifically the Successful and Thriving Places , and Greener and Connected outcomes.
Relationship to GM Policy or Strategy Framework	The GM Local Full Fibre Networks Programme is a key component of Greater Manchester Digital Strategy.
Financial	Estimated capital expenditure from the Council of £705k to be financed by prudential borrowing over a 20 year period (<i>final report to refer to gross capital cost for Trafford to be confirmed</i>). The annual borrowing costs will be £47k p.a and will be financed from savings in the IT network expenditure budget. STaR and the AGMA Procurement Hub are working closely with the TfGM team to oversee the procurement approach.
Legal Implications:	GMCA & TfGM are leading the GM Programme (TfGM as project managers) and have appointed Hill Dickinson's expert Telecoms department as their chosen legal representatives. Hill Dickinson provided State Aid advice to GMCA & TfGM and assurances to all participating authorities. To negate the risks of State Aid, Hill Dickinson advised GMCA on the manner in which the funding is drawn down from DCMS and drafted the procurement documentation (specification) ensuring that the funds relate to mandatory sites which are Council owned premises. Further, Hill Dickinson drafted the key legal documentation which this report seeks approval for the Council to enter into those agreements. Trafford Legal have considered and provided advice on all 3 documents. Trafford Legal will continue to support
Equality/Diversity Implications	Not Applicable
Sustainability Implications	Not Applicable
Resource Implications e.g. Staffing / ICT / Assets	Resources will be provided from within the core establishment for Trafford elements. TfGM will run the GM Programme.

Risk Management Implications	Covered under section 4 of the report. Risks will be managed within the programme.
Health & Wellbeing Implications	Not Applicable
Health and Safety Implications	Not Applicable

1. Background

- 1.1 Only 1.94% of premises within Trafford have full fibre connectivity (as at November 2018). The GM average is 2% and nationally it is 5%, which is significantly behind most developed countries. Households and businesses are increasingly accessing fibre broadband for internet connectivity and other digital services. While this provides some improvements to speed and reliability, most fibre services still rely on slow copper telephone lines to connect each property to the fibre network. The number of properties that have Full Fibre to Premises in Trafford needs to increase to maximise the full potential of fibre, and to future-proof Trafford's digital infrastructure in support of economic growth.
- 1.2 Increasing the percentage of premises that have full fibre connectivity is a key component of GM Digital Strategy. GM secured £23.8m funding in April 2018 from Department of Culture, Media and Sport (DCMS) to support this ambition.
- 1.3 The subsequent GM Programme aims to increase the level of fibre to premises from 2% to 25% over the next three years through aggregating demand to deliver fibre connections to public premises including Council, Fire Service and Transport for Greater Manchester (TfGM) properties or assets. Under the programme GM will also look to standardise planning policy and introduce a 'dig once' approach that will remove barriers to investment from infrastructure suppliers and reduce the disruption to residents across the region. Please see Annex 1 for further background details on the project.

2. GM Local Full Fibre Networks Programme

- 2.1 The GM Programme plans to deliver full fibre to over 1,300 assets across the region. The programme is overseen by the GM LFFN Programme Board, which is chaired by the GM Portfolio Chief Executive for the Digital City Region, Tony Oakman.
- 2.2 The DCMS funding is for capital expenditure only, with stipulations that avoid State Aid by delivering full fibre directly to Council owned premises. This means that the DCMS funds can only be used for connectivity to public sector assets and the procurement of the physical fibre in the ground (referred to as dark fibre). The programme and funding will not cover the network services that operate over this fibre, so Trafford Council will directly fund this element for its Council buildings in line with existing arrangements.
- 2.3 Trafford Council's network contracts have previously been procured on a 3-5 year basis and bundle the dark fibre in the ground together with the services that operate over the network. The GM Programme intends to split the fibre element

from the network service elements, so that a different and longer term relationship can be established with the fibre providers. Under the GM programme public sector organisations will procure the fibre element of their network for a minimum of 20 years which will provide the fibre provider with greater stability and a platform from which they can invest and expand their fibre network to private and business premises throughout the locality. This is the main purpose of the programme and similar DCMS funded schemes in Milton Keynes, Aberdeen and Edinburgh have seen rapid expansion in full fibre to premises from the private sector following an initial public sector investment.

- 2.4 Trafford's inclusion in the GM Programme intends to stimulate economic growth across the borough and supports the work and skills agenda; it is not an IT driven initiative. The financial model developed by the GM team suggests Trafford Council will make a small saving on its current network costs.
- 2.5 The GMCA owns, and TfGM operates assets that form the GM Intelligent Transport System, these include traffic signals, pedestrian crossings, variable message signing, and CCTV cameras. Full fibre connection of these assets will enable dynamic management of the network and faster response times to incidents and traffic management, as well as opening opportunities for future Internet of Things and 5G uses. These assets are principally located along the radial routes across GM and are therefore complementary to the connection of Local Authority and Fire and Rescue Service sites.

3. Trafford Council's position – June 2019

- 3.1 Trafford Council have identified a list of 31 Council owned or operated sites that require fibre network connectivity. This was based upon the existing IT network to Council premises, with adjustments for known changes to the property estate.
- 3.2 A further 90 sites or public assets have been identified within the borough of Trafford for inclusion within the GM Programme which extends the dark fibre network coverage within Trafford to 121 locations. These will be funded and managed by the asset owners, GM Fire Service and TfGM.
- 3.3 Trafford Council's contribution is based upon the network expenditure during 2018/19 on the 31 sites for inclusion. The calculation is:
- i. The Council spent £117,515 in total on the network contract for these sites.
 - ii. As the GM Programme only covers the fibre in the ground element (i.e. it doesn't include the services that operate over the network – see point 2.2) it has been calculated that 40% of each organisations expenditure is required as a contribution to the GM Programme.
 - iii. As Trafford Council already benefits from full fibre connectivity across most of the sites a further 10% reduction to the contribution has been applied. Therefore Trafford Council's contribution to the programme represents 30% of the 2018/19 network expenditure.

- iv. The Full Fibre network will have a minimum lifetime of 20 years, so the annual contribution is multiplied by 20 to arrive at the total contribution due as the contract is agreed.

a. Trafford Council Network Expenditure 2018/19	£117,515
b. 30% Contribution for Full Fibre Programme	£35,255
c. Trafford Council's Capital Contribution (20x(b))	£705,090

3.4 As the GM Programme is built around splitting the fibre element from the services element of a traditional network procurement, the figures in the table above only include 30% of the Council's current expenditure (modelled over 20 years) for the fibre in the ground (dark fibre) element. The remaining 70% of the existing funds will be needed to procure the service element of the network. The service element of the network is not covered by the GM Programme and will be procured in a more traditional approach via a 3-5 year contract. The actual costs of the service element will not be known until procurement is underway but the GM team believe that the full 70% will not be required so savings should be delivered from participating in the project.

3.5 It is expected that the cost of borrowing capital will be offset by the anticipated inflationary increases.

4. Risks and Challenges

4.1 The GM Chief Finance Officers have considered and overcome a number of financial challenges over the last 12 months. External advice from Hill Dickinson LLP was sought by the GMCA on the approach to capitalising the existing revenue funding over 20 years and a solution has been provided. The recommended approach proposes each organisation is responsible for paying invoices related to connection of its own assets, enabling each organisation to capitalise its funding contribution. The subsequent procurement approach has been designed accordingly and is further detailed below. VAT can be reclaimed through this process as each organisation will be paying directly for its assets.

4.2 The DCMS funds are time limited and eligible expenditure must be incurred and withdrawn by 31st March 2021. The GM Programme is due to continue until March 2022 so DCMS have confirmed that the grant can be applied to expenditure incurred in the earlier stages of the programme rather than proportionally on a site by site basis.

4.3 The new network to be procured under the GM Programme will not be fully operational until some point between late 2020 and 2022. Therefore, the existing network contract (currently with Virgin Media) would need to be extended beyond the present contract end date of December 2019. The terms and conditions of any contract extension will need to be determined to mitigate double running costs as the sites migrate to a new provider.

4.4 The GM Programme aims to change the way in which fibre network services are procured and managed by splitting the dark fibre and service elements. Potential

suppliers have expressed an interest in this new model during a number of supplier events but it is relatively unproven and could potentially lead to more complex support arrangements. For instance, the existing network is managed and maintained by a single provider, which is currently Virgin Media. Under the GM Programme, the cable element will be installed and maintained by the contracted provider whilst the network overlay (the service that 'lights up' the cable and activates the network) will be installed and maintained independently by another.

- 4.5 It is difficult to predict with absolute certainty whether dark fibre will remain the infrastructure of choice in 15-20 years. However, the dark fibre that will be laid as part of this programme will have no ceiling on capacity so it is expected that it will be able to meet the Council's requirements over the full 20 years and beyond. The Government and DCMS believe this to be the case hence the £23.8m investment in the GM Programme.
- 4.6 The issue of disruption to the highway network has been identified at a GM level. Under the programme GM will look to standardise planning policy and introduce a 'dig once' approach that will remove barriers to investment from infrastructure suppliers and reduce the disruption to residents across the region. A prospectus is currently being co-developed to provide information and share best practice on how to mitigate this disruption. In particular, the focus is to minimise further disruption to locations which have recently been altered, had street works completed or recently resurfaced highways.
- 4.7 It is specified in the procurement process that potential suppliers will undertake full consultation with Building owners, Estates, Planning and Highways teams as part of the works. It is also expected that all Suppliers will undertake full consultation with residents and local communities during delivery stages and as part of the pre-planning for the project. This will be done in conjunction with the Council.
- 4.8 Work has commenced at both an internal and a GM level to co-ordinate the project timelines with the communications team. The communications team will continue to be closely involved with the project in order to keep the public informed of any necessary disruption and effectively communicate the council's objectives for the project.

5. Benefits

- 5.1 The programme will deliver 50km of new dark fibre network across Trafford that will pass 30% of total premises (32,000). It is estimated that this will trigger an additional £25m of private investment in fibre within Trafford and a gross value added (GVA) increase of £277m over 15 years. It will also place Trafford in a good position to encourage commercial investment to support deployments of 5G masts and base stations as the rollout of next generation 5G mobile begins in 2020.

5.2 The scale of the GM Programme is expected to accelerate market investment in the further roll out of full fibre networks across GM, however this can only be achieved if it is cost effective for the private sector to do so. The costs of fibre roll out can be significantly reduced if all GM Local Authorities adopt common processes and criteria to utilities infrastructure delivery. The GM Programme incorporates coordinated action to remove barriers to private investment through several initiatives which collectively form the GM LFFN Prospectus. These include standardised wayleaves; consistent regulation; a “dig once” approach to increase viability for commercial investment in GM; supportive planning policy; open access mapping of all GM Infrastructure; and for it to be incorporated within Planning Policy and Guidance to ensure future developments have full fibre provision. The GM Team has been working with all local authorities to ensure that this will be in place in July 2019. Key elements of the Prospectus are being taken forward through the GM Programme-procurement process in conjunction with Trafford’s Highways Departments. This will minimise local disruption and is expected to deliver better value for money in the GM Programme procurement exercise.

5.3 A National Gigabit Voucher scheme is being run in conjunction with the programme that provides financial support to businesses who wish to access new fibre services. There are approximately 170,000 businesses across GM that are in close proximity to the proposed fibre network sites.

5.4 The GM Programme intends to increase the level of fibre to premises from 2% to 25% over the next three years which would result in GM having the best high speed digital infrastructure coverage of any city-region in the UK.

6. Procurement and Local Authority Agreements

6.1 The timescales set by DCMS are challenging and require the new network to be procured during Q2 2019/20 to allow sufficient time for the network to be built.

6.2 TfGM is undertaking the procurement and programme management on behalf of the LFFN Stakeholders (GM Local Authorities, GMCA and GMFRS). This role includes procurement of the delivery contracts; oversight of the installation of the fibre network by the suppliers; working closely with the participating authorities and the GMCA; management of overall supplier performance and progress tracking. Local authorities will be responsible for their own procurement costs, draw down from the framework, and on site project management costs.

6.3 GMCA will act as the accountable body for DCMS LFFN funding and will be the grant recipient from DCMS, passing on the agreed allocation of grant to each authority. TfGM will act on behalf of the GMCA and the participating authorities in providing DCMS with the monitoring information it requires in order to make payment of GM Programme grant funding to the GMCA.

6.4 The GM Programme will be delivered through two main single supplier contract areas – a Northern Framework and a Southern Framework, grouped geographically. A single Southern Provider is to be appointed to install full fibre

connections to all the sites identified by Salford, Stockport and Trafford Councils, as well as all of the sites in the ownership of the GMCA which are within these areas. The Southern Provider will also enter into a Contract with the GMCA to install full fibre connections to sites in the ownership of the GMCA within Manchester District. The procurement approach allows tenderers to bid for either or both the Northern and Southern contracts. There will be four individual Authority Contracts under the Southern Framework, one for each Local Authority.

- 6.5 During the procurement process GM will ask potential suppliers to consider connecting a list of additional sites at no additional cost. Suppliers should see this as an opportunity to extend the reach of the new network to commercially beneficial business and private dwelling areas. Trafford have submitted a list of 45 additional sites that will be considered as part of this process, including a number of schools.
- 6.6 The delivery of this large complex programme will require Trafford Council to enter into an Inter Authority Agreement (IAA) which sets out the funding contributions; the support that will be provided by the TfGM LFFN Team to each participating Local Authority and the general agreed contract management approach. The Framework Agreement is the document which governs the relationship between the Lead Authority (GMCA), Trafford Council and the Supplier to deliver the services. The Delivery Management Agreement will set out the role of TfGM in the delivery of this Programme. It is expected that all TfGM programme and project management costs will be covered within the agreed budget sourced from the DCMS funds.
- 6.7 The procurement process is progressing well with an excellent response from across the market. Tenders were invited on 8th June and the deadline for responses is 10th July 2019. Following shortlisting at the end of July, tender negotiation is expected to be complete by the beginning of September. The grant agreement would then be finalised with DCMS before the end of September and contracts let on 1st October. These timescale necessitate that delegated authority would be required to enable Trafford Council to agree a contract with the most suitable tenderer. At that stage, the precise capital funding figure and the number of local authority sites to be connected with full fibre using funding together with DCMS grant will be known.

7. The case for participation

- 7.1 Increasing full fibre to premises coverage across the region is a key component of the GM Digital strategy. It is expected that this programme will lead to increasing coverage from 2% to 25% over the next three years bringing a wealth of economic and digital benefits to the region.
- 7.2 Full fibre networks are recognised as important enabling infrastructure to drive economic growth. The full fibre programme will provide fibre providers with a platform from which they can invest and expand their fibre network to private and business premises following an initial public sector investment. The programme supports the ambitions in the Greater Manchester Strategy (GMS) for GM to be recognised as a top five European digital city region and drive economic growth

through the nurturing and developing of existing and new businesses while boosting productivity. A key component of the GMS is to secure future proofed world class digital infrastructure that fully supports commercial activity and long term sustainable economic growth. The GMS provides the framework for the GM Industrial Strategy which will set out the approaches to increasing productivity to increase outputs and wages; ensuring appropriate digital infrastructure will be critical to achieving this. The full fibre programme will also support the delivery of the GM Work and Skills Strategy which will set out the path to delivering a work and skills system to meet the needs of GM's growth ambitions.

7.3 The Trafford Economic and Housing Framework identified the key growth interventions required to help maximise economic and housing growth in Trafford. The Framework recognises that ensuring excellent digital connectivity will be important in facilitating increased productivity and economic growth in the borough. Trafford has historically benefited from excellent digital connectivity, with 99.7% of premises covered by superfast broadband. However as technology continues to develop Trafford needs to increase the number of properties with full fibre connectivity to future-proof its digital infrastructure, maintain its competitive position as a business and investment location, and maximise its potential for continued economic growth. Increased access to full fibre connectivity will help to unlock improved business productivity and innovation within Trafford. It will help to support increased investment and the creation of new start-up businesses. The increased ability for companies to support more flexible working arrangements will also help to reduce barriers to work. Through its participation in the programme Trafford can deliver against its objectives to secure increased productivity and sustainable economic growth.

7.4 Trafford Council is in a relatively good position with most of the Council owned or operated properties already benefitting from full fibre to the premises. Some of the other GM authorities are not in this position, so will achieve IT benefits as a result of this programme. From an operational IT perspective Trafford's involvement in the programme provides no additional benefits and potentially creates a more complex support environment. From a strategic IT perspective, the expected changes to the supplier market could reduce like-for-like costs and the expected improved fibre coverage across the borough should help propagate the use of emerging digital technologies to improve people's lives.

Other Options

Trafford Council could continue with its existing approach to procuring a fibre network for public buildings. This would use the traditional approach of bundling the fibre in the ground, along with the services that operate over the fibre, from a single supplier typically for a 4-5 year period. This would not involve leasing the fibre over 20 years and may mean that Trafford doesn't benefit from an expected growth of private fibre to premises across the borough, and subsequent economic growth realised by GM localities participating in the GM Programme.

Trafford could potentially still participate in agreeing and adhering to the Investment Partnership Prospectus which will implement standardised approaches to laying fibre across the borough and GM.

Consultation

There has been no public consultation at this time regarding this programme from a GM or Trafford perspective. It is specified in the procurement process that potential suppliers will undertake full consultation with Building owners, Estates, Planning and Highways teams as part of the works. It is also expected that all Suppliers will undertake full consultation with residents and local communities during delivery stages and as part of the pre-planning for the project. This will be done in conjunction with the Council.

This programme will not influence decisions about Council buildings, but will incorporate decisions made elsewhere. No additional funding is required as existing funds allocated to network provision will be used at match funding with the DCMS contribution.

Reasons for Recommendation

Increasing full fibre to premises coverage across the region is a key component of the GM Digital strategy and supports Trafford Council's Green and Connected priority. Participation in the GM Programme aims to increase full fibre to premises coverage from 2% to 25% over the next three years which is expected to bring a wealth of economic and digital benefits to the borough. The GM Programme also incorporates coordinated highways approaches across Greater Manchester to remove barriers to private investment in fibre networks.

Finance Officer Clearance PC.....
Legal Officer Clearance JS.....

CORPORATE DIRECTOR'S SIGNATURE (electronic) 

To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.