

# DRAFT REPORT TO GMCA

Date: **TUESDAY 29 JANUARY 2019**

Subject: **GM FULL FIBRE PROGRAMME – IMPLEMENTATION**

Report of: **TONY OAKMAN, DIGITAL PORTFOLIO LEAD CEX**

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## Purpose of the Report

Following the successful bid to Government's Department for Digital Culture Media and Sport (DCMS) for £23.8m Local Full Fibre Networks funding (LFFN) in March 2018 a considerable amount of work has been undertaken to finalise this large complex project. Tameside Council has entered into separate arrangements with DCMS for £2.5M of the GM LFFN funding which builds on an earlier phase of the LFFN Programme for its full fibre programme. The total LFFN programme funding for rest of GM is therefore £21.3M.

The Programme is being overseen by the Full Fibre Programme Board, chaired by the GM Digital Lead Chief Executive, Tony Oakman and overseen by Andrew Western, Digital Portfolio Lead. The timetable for the delivery of this programme is extremely tight. It has to be procured by spring 2019 to ensure that this new full fibre network connecting public sector sites (over 450km) can be constructed within the project timeline. All Government funding has to be expended before the end of March 2021.

The programme requires participating LAs and GMCA (Fire & Rescue Service, TfGM assets) to re-channel existing and future revenue spend on broadband connectivity into upfront capital to fix the costs of access to full fibre for the next 20 years and to confirm respective capital commitments.

The GMCA at its meeting on 27<sup>th</sup> July 2018 noted the indicative capital funding requirements required to secure DCMS LFFN funding. GMCA also noted the requirement to secure local funding budget approvals. It also recognised the direct funding requirements from GMCA to fund Programme Management and related costs.

An Inter Authority Agreement is proposed to formalise partner participation and secure government grant funding.

The approach to the procurement of the Programme has been optimised to ensure that partners are able to capitalise funding and deliver the best possible value for money.

## Recommendations

It is recommended that:

- Investment of £1.46M capital from GMCA (Fire & Rescue Service) and £3.384M capital from GMCA (TfGM Urban Traffic Management Control) is agreed based on projected revenue costs for connectivity over 20 years as upfront capital.

- The £21.3m grant DCMS LFFN is allocated between the Districts and the GMCA to maximise full fibre site coverage across each district noting that CA agreement will be sought to the final grant splits following the market response to the procurement.
- Participating district partners are requested to secure their individual financial investment commitment before the end of March 2019 (set out in Appendix A).
- The proposed approach to procurement and contract management is agreed.
- Participating Local Authorities are requested to agree the Inter Authority Agreement to formalise their participation in the GM Full Fibre Programme and secure Government (DCMS) LFFN grant funding.
- The GM Prospectus is put in place by July 2019 to minimise barriers to investment and reduce roll out costs of utilities works across GM.
- Local authorities are requested to provide dedicated local management support for the programme

**CONTACT OFFICERS: PHIL SWAN, GMCA; JOHN STEWARD, GMCA; RICHARD PAVER GMCA**

## 1.0 Background

- 1.1 In March 2018, GM secured 25% of the UK LFFN funding pot to connect over 1300 public sector sites across GM. This will include over 1300 public sector assets. This is expected to encourage further private sector investment of up to £250M and could be worth over £2.1BN<sup>1</sup> to the GM economy over the next fifteen years.** The LFFN Programme would have a transformational impact on digital infrastructure in GM - leading to an increase of full fibre coverage from 2% now to around 25% within three years. Greater Manchester would then have the best high-speed digital infrastructure coverage of any city-region in the UK.
- 1.2 The LFFN Programme is also expected to deliver cost benefits to partners over the medium term and additional cost benefits can be expected from increased competition from providers seeking to provide services to partners over the new fibre network. As a result of this programme, the costs of fibre infrastructure for partners is fixed for 20 years meaning the borrowing costs on upfront capital would be largely offset as there would be no inflation costs.
- 1.3 GMCA, as a conduit for the GM wide bid, and drawing upon project management expertise from TfGM, has satisfied the key gateway requirements for the Department for Culture, Media and Sport (DCMS) grant funding to support the delivery of the GM Full Fibre Programme prior to procurement. A temporary Full Fibre Programme Team is being established to draw upon local technical, financial, procurement and Highways expertise within each of the participating Local Authorities to ensure that the LFFN Programme is delivered within the tight timeframe.
- 1.4 An Inter Authority Agreement will formalise partner participation in the GM Full Fibre Programme and secure Government (DCMS) LFFN grant funding.

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<sup>1</sup> Regeneris 100 Towns and Cities 2018

- 1.5 The grant offer from DCMS requires GM to spend the £21.8M DCMS LFFN funding by the end of March 2021. This is a challenging timescale, which requires the LFFN to be procured during Q1 2019/20 to allow sufficient time for network build – estimated at 12 - 18 months. (grant allocation)

### **3.0 LFFN Programme Scope**

- 3.1 The LFFN Programme will see over 1300 public sector assets connected with full fibre. This includes over 600 local authority sites, 33 Fire and Rescue Service sites and Urban Traffic Management assets.
- 3.1 The GMCA owns UTMC assets across over 700 site locations as part of a wider Intelligent Transport System (ITS), which is managed by TfGM. It connects highway infrastructure including traffic signals, pedestrian crossings, variable message signing and CCTV cameras. All assets are connected back to the TfGM Control Centre and monitored 24/7.
- 3.2 Full fibre connection of UTMC assets across GM delivers the outcomes we are seeking from the programme. Most of these assets currently use slow copper connections limiting opportunities for proactive network management. Full fibre connections would enable dynamic management of the network and faster response times to manage real-time incidents and traffic management. Replacing old dial-up circuits with fibre would also bring forward the introduction of smarter technologies including Internet of Things (IoT) and 5G. UTMC 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 (F&RS) sites are also within the programme scope. The full fibre connections to the Fire and Rescue sites will be fully resilient.

### **2.0 Proposed Procurement Approach**

- 2.1 The participating Local Authorities and the GMCA (collectively referred to as the “**LFFN Stakeholders**”), have agreed to deliver the GM Local Full Fibre Network programme.
- 2.2 TfGM is undertaking the procurement and programme management on behalf of the LFFN Stakeholders. The procurement approach will seek tenders for the delivery of two main contracts – a “Northern” contract and a “Southern” contract, grouped geographically. The “Northern Contract” will be entered into by the GMCA (for TfGM and Fire & Rescue Services assets), and Bolton, Bury, Oldham, Rochdale and Wigan Councils, with each of the contracting parties being severally liable for payment to the successful supplier of the costs associated with the connections to their own identified sites. The “Southern Contract” will be entered into by the GMCA, and Salford, Stockport, and Trafford Councils, with each of the contracting parties being severally liable for payment to the successful supplier of the costs associated with the connections to their own identified sites. The Public-Sector Building Upgrade (PSBU) programme for Manchester CC will be procured using the Crown Commercial Services Framework Lot RM1045 for Technology Services.

- 2.3 GMCA will act as the “accountable body” for the purpose of submitting claims to the DCMS on behalf of itself and the participating Local Authorities in respect of “eligible expenditure” incurred in delivering the GM Full Fibre Programme. Stakeholders will be invoiced directly by the contractor and be responsible for paying the invoices in full from the grant and their contributions.
- 2.4 GMCA and the participating Local Authorities will enter into the following agreements:
- A Delivery Management Agreement with TfGM setting out the role of TfGM in procuring the “Northern” and “Southern” contracts.;
- And;
- Two contracts for the Provision of Deployed Services with the successful supplier, one for the Northern Authorities and one for the Southern Authorities. The contracts will cover different sites but have the same contract requirements and terms and conditions.
- 2.5 The procurement documents will be published via The Chest early in early March 2019. The north and south contracts will provide Dark Fibre Infrastructure (Ducting and Fibre) under an Anchor Tenancy model. Suppliers will be pre-qualified, and shortlisted suppliers will enter into a Competitive Procedure with Negotiation (CPN), for each Contract element.
- 2.6 This aggregated procurement approach reflects suppliers preference for fewer larger bundled contracts and is expected to maximise value for money. This approach has been agreed by Heads of Procurement of each of the LFFN Stakeholders, and discussed with the AGMA Procurement Hub.
- 2.7 GMCA has asked TfGM to provide a lead role in the Procurement of the “Northern” and “Southern” Contracts and GM Full Fibre Programme Management. TfGM will be undertaking this contract management and implementation role within the programme management funding agreed by the CA on behalf of the GMCA and the participating Local Authorities.
- 2.8 The capital investment from each District is fixed will be the maximum required to deliver their mandatory number of sites. This is summarised in Appendix A. However, the DCMS LFFN enabling funding may be adjusted between Districts to take account of price differentials once the tenders have been received. The DCMS grant to Manchester CC will be fixed at £5,000 per site connected through PSBU.
- 2.9 In its contract overview role TfGM will be working closely with local authorities to ensure issues that have the potential to lead to cost over runs are identified early and adjustments made to the overall programme to take account of engineering or logistical challenges with sites as they arise.
- 2.10 All Districts will need to have formal financial approvals for their investment before the end of March, before formal commitment to procurement contracts.
- 2.11 The GMCA will act as the grant recipient from DCMS and that we will then pass the agreed allocation of grant to each LA.

### **3.0 Partner Capitalisation & VAT**

- 4.1 An independent assessment of the capitalisation options has been undertaken and an approach is recommended where each LFFN Stakeholder is responsible for paying invoices related to connection of its own assets. This will then enable funding to be capitalised by the LFFN Stakeholders at source. The procurement approach has been designed accordingly.
- 4.2 VAT can be reclaimed through this process as LFFN Stakeholders will be paying directly for its asset (20 years Indefeasible Rights of Use (IRU) in respect of the FFN connection to its own assets).

### **5.0 Local Authority Agreements and Local Management Requirements.**

- 5.1 The GM Full Fibre Programme Delivery is being led by TfGM LFFN Team, acting on behalf of the LFFN Stakeholders. This role includes oversight of the installation of the fibre network by the suppliers, working closely with the participating LAs and the GMCA; management of overall supplier performance and progress tracking. The TfGM LFFN Team will also need to draw on local technical, financial, procurement and Highways expertise within each of the participating Local Authorities to ensure that the GM Full Fibre Programme is delivered within the tight timeframe.
- 5.2 The delivery of this large complex programme will require the LFFN Stakeholders to enter into an Inter Authority Agreement (IAA) which sets out the support that will be provided to the TfGM LFFN Team by each participating Local Authority. The details of this Agreement is set out in Appendix B. All TfGM programme management costs will be covered within the £1.5m agreed funding

### **6.0 GM Prospectus - Accelerating full Fibre Roll out and minimising disruption**

- 6.1 This programme will lead to the construction of 450km of new full fibre footprint across GM over the next three years. To accelerate market investment in the roll out of full fibre networks the GMCA is working with the market providers and the Government's Barrier Busting Task force to minimise barriers to investment and reduce roll out costs of utilities works across GM.
- 6.2 The GM Prospectus is aimed at unifying the process and approach to full fibre across the market. TfGM is working with local authorities to ensure that this will be in place in July 2019, and is expected to drive wider investment in full fibre.
- 6.3 For the LFFN Programme specifically all the following elements of the Prospectus are being taken forward through the procurement process in conjunction with colleagues in Highways Departments across GM;
- The introduction of GM Standardised Wayleave; based on the Ofcom Code Agreement, has been incorporated into the contractual requirement of suppliers for LFFN programme;

- GM Full Fibre Delivery; adoption of a uniform approach through Highways Street works legislation and co-ordination of agreed measures with participating Local Authority Highways managers including implementation of Street Works regulations, GMRAPs, permanent reinstatements, consistent quality standards across Greater Manchester, to ensure that roll out minimises disruption and implementation delays;
- The adoption of a “dig once” strategy which is achieved by the sharing of data of future planned Highway/Street works, using participating Local Authorities Capital Works programmes and planned revenue activities, working with service providers, to align to the installation of the GM Full Fibre ducting;
- Agreement with participating Local Authorities in their capacity as Highway Authorities around the preferred approach to funding reinstatements where existing assets are in a poor state of repair and have to be replaced during the GM Full Fibre construction works (ie broken paving slabs, fractured carriageways, etc); and
- Supplier engagement and attendance at Streetworks Co-ordination forums and collaborative planning meetings.

6.4 This streamlined approach to fibre roll out is expected to reduce the cost of installation for providers and this reduction in cost is expected to deliver better value for money in the GM LFFN procurement exercise.

## **7.0 Recommendations**

7.1. The recommendations can be found at the front of this report.

## APPENDIX A – PARTNER UPFRONT CAPITAL INVESTMENT

LOCALITY	Total sites in each locality	Total No. of LA/TfGM UTMC/F&RS sites connected through Anchor Tenancy	Up front capital investment based on at least 5% less than current annual WAN spend	KM of Fibre	£ Investment per KM for anchor tenancy	DCMS LFFN ENABLING FUNDING
Bolton	155	68	£750,000	49.1	£71,144	£20.465M funding enables all LAs to connect a minimum of 83% of their sites with full fibre. Each locality benefits from a minimum of £2.1M funding
Bury	128	80	£469,000	49.1	£70,469	
Manchester	102	N/A <sup>2</sup>	N/A	29.1	£70,364	
Oldham	142	63	£1,525,000	59.0	£69,413	
Rochdale	92	68	£926,000	55.5	£71,338	
Salford	232	106	£1,337,000	63.2	£71,572	
Stockport	148	45	£740,000	49.9	£70,693	
Trafford	121	31	£705,000	52.7	£70,655	
Wigan	194	127	£2,051,000	75.6	£70,524	
	<b>TfGM UTMC sites</b>	693	£3,384,000			
	<b>F&amp;RS sites</b>	33	£1,460,000			
<b>TOTAL</b>		<b>1,314</b>	<b>£13,347,000<sup>3</sup></b>			

### LFFN FUNDING SUMMARY

PROGRAMME ELEMENT	DCMS ENABLING FUNDING	COMMENTS
Anchor Tenancy (Bolton, Bury, Oldham, Rochdale, Salford, Stockport Trafford, Wigan, TfGM, Fire & Rescue Service)	£20.465m	DCMS enabling funding used with LA/GMCA (TfGM)/F&RS investment from rechanneling connectivity revenues as upfront capital to connect GM public sector buildings and assets with full fibre and drive wider market investment. <sup>4</sup>
Public Building Service Upgrade (Manchester CC)	£0.835	Manchester CC to deliver direct connections bought from the market.
<b>TOTAL GRANT</b>	<b>£21.3m</b>	

Manchester City Council has chosen to use Public Sector Buildings Upgrade (PSBU) grant through LFFN to connect 167 existing sites with full fibre. DCMS would not fund anchor tenancy in Manchester City Centre because of existing and planned full fibre investment by the market. It should be noted that there will be some anchor tenancy investment in Manchester outside the City Centre through connecting 102 UTMC and Fire and Rescue sites.

<sup>2</sup> MCC will be upgrading 167 sites using Public Service Building Upgrade predominantly city centre (£5,000 DCMS contribution for each site = total of £835,000). Unlike anchor tenancy this does not remove future revenue costs for fibre connection to those sites.

<sup>3</sup> This total is derived from the annual revenue spend (£667,000) of all partners on connectivity over the twenty year period.

<sup>4</sup>Covers nine district areas. Excludes Tameside where full fibre is being delivered through its Cooperative.

## APPENDIX B - LFFN INTER AUTHORITY AGREEMENT SUMMARY

### Local Authority Responsibilities

Each participating Local Authority (LA) will:

- Provide direction and guidance on their own LA assets (and for those GMCA assets which are situated within their LA area), facilitating the engagement of relevant Local Authority officers, and working with business, residents and other interested parties to ensure the delivery of the GM LFFN Programme;
- Provide local direct coordination between the supplier who is procured to carry out the LFFN connectivity within their LA area and any existing LA service provider/integrator (i.e. for WAN services)
- Monitor and review performance delivery of the GM Full Fibre Programme within their LA Area in conjunction with the TfGM LFFN Team (in its role as GM Full Fibre Programme Manager) and the GMCA (in its role as the “accountable body” for the DCMS Grant);
- Provide assistance to TfGM, as required, in the management of the LFFN Programme;
- Provide appropriate support to the supplier who is procured to carry out the FFN connectivity within their LA area and to the TfGM LFFN Team to deliver the Programme within their LA including:
  - **Highways** co-ordination through Streetworks co-ordinators and Highways Managers through GMRAPS and Street works co-ordination meetings; support the Supplier(s) in developing the deployment plan with a view to informing on Highways constraints and sharing visibility of opportunities and challenges;
  - **Property and Estates** co-ordination including building and property access, wayleave agreements, Patch Panel/Fibre Termination locations and fixtures and fitting; testing compliance, building fabric structure agreement for breaking-out, Access terms and inductions for staff;
  - **IT** advice and support as necessary for access to the public sector premises for the installation and configuration of the telecoms equipment necessary for the LFFN connections; approving test plans and attendance at test and commissioning as necessary; monitoring installation work;
  - **Finance**; pay the supplier(s) who is procured to carry out the FFN connectivity within their LA area, in order to be able capitalise the expenditure, in accordance with the requirements of the GM Full Fibre Programme; manage the LA’s own District Contribution towards the cost of connecting their own assets and ensure that the processes of Accounting Treatment of that contribution are followed; and maintain clear and easily identifiable records of expenditure so as to be able to assist TfGM LFFN Team in compiling the DCMS Grant claims which will be submitted to the DCMS on behalf of the GMCA as accountable body;
  - **Supplier** engagement; local operational management of the contracted solution with the suppliers regarding access, performance, delivery, issue resolution, local decision making and instructions to suppliers;

Each participating LA and the GMCA will be required to nominate a Contract Manager to manage the requirements set out above. The function of the Contract manager in respect of a participating LA will be:

- to provide the strategic leadership of the GM Full Fibre Programme within their LA area;
- to act as liaison between the participating LA and the other LFFN Stakeholders and to engage with local businesses and residents and other affected parties;
- to facilitate all and any GM Full Fibre Programme works within their Local Authority Area (particularly in relation to their own LA assets, but also to assist in relation to GMCA assets within their LA area);
- To be accountable and responsible for actions and decisions;
- To be the key point of contact for suppliers;
- To carry out weekly progress meetings.

### **TfGM responsibilities**

- Management of the GM Full Fibre Programme from start to finish;
- With regard to the DCMS Grant agreement, TfGM will:
  - Manage the DCMS Grant claims process, compile all DCMS Grant claims on behalf of the GMCA as accountable body;
  - Comply with all special conditions of the Grant;
  - Ensure that applicable requirements of the DCMS Grant agreement is reflected in relevant contractual arrangements entered into with the suppliers who are procured to deliver the Northern and Southern contracts ;
- Maintain best value for money in all expenditures;
- Produce and submit any required change requests (e.g. changes in respect of the identified sites that are to be connected under the GM Full Fibre Programme) on behalf of the LFFN Stakeholders to DCMS;
- TfGM will be responsible for managing the Northern contract on behalf of GMCA and the five Northern LAs, and for managing the Southern contract on behalf of the GMCA and 3 Southern LAs including but not limited to the following:
  - Be the main point of contact between the GMCA, the five Northern Local Authorities and the supplier in relation to the Northern contract and between the GMCA and the 3 southern LAs in relation to the Southern contract;
  - Determine if Milestone Achievement Certificates should be issued to the suppliers in relation to each of the Northern and the Southern contracts and, if so, warrant to the GMCA (in its role as accountable body in respect of the DCMS Grant) that the relevant milestone has been achieved and facilitate the process of issuing the certificate;
  - Co-operate with any Freedom of Information requests received by the GMCA in relation to the GM Full Fibre Programme and take necessary actions;
  - Manage the suppliers;

- Monitor and control expenditures under the Northern Contract, the Southern Contract and the Manchester Contract and report the same to the LFFN Programme Board;
- Undertake Performance monitoring, reporting and corrective action management; and
- Manage risk, change control and programming.

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