
A separate report is submitted in the private part of the agenda in respect of this item in accordance with Schedule 12A of the Local Government Act 1972 as amended. The grounds for privacy are that it contains information relating to the financial and business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption under Schedule 12A outweighs the public interest in disclosing the information.

Cabinet
Council

10 April 2014
10 April 2014

Name of Cabinet Member:

Cabinet Member (Strategic Finance and Resources) – Councillor D Gannon

Director Approving Submission of the report:

Executive Director, Resources

Ward(s) affected:

All

Title:

Metropolitan Area Network (MAN) Disposal

Is this a key decision?

Yes - This decision has financial implications exceeding £0.5m.

Executive Summary:

In 2009 the Council constructed a city wide fibre optic cable network known as the Metropolitan Area Network (MAN). The MAN replaced rented leased lines and data circuits to all main Council buildings and local schools and libraries in the wider Coventry area, to provide faster and more resilient internet access. Since its delivery, the Council has been working to commercialise the MAN with a view to creating regeneration and financial benefits for Coventry.

The Council have undertaken an open competitive process to invite bids for the MAN asset from the market. CityFibre are the preferred bidder from this process. CityFibre are a company who specialise in building fibre optic infrastructure and are involved in similar schemes in Bournemouth, York and Peterborough.

If the recommendation is approved the deal with CityFibre will enable Coventry to become a 'gigabit' City with superfast broadband speeds attracting inward investment and driving socio-economic benefit and reinforcing the Council's mantra that Coventry is 'open for business'.

Recommendations:

Cabinet is requested to recommend that Council:

1. Authorise the disposal of the Metropolitan Area Network to CityFibre on the terms set out in the Private Report to make Coventry a Gigabit City, leverage investment into the City and generate income for the Council to support existing ABC savings targets.
2. Delegate authority to the Executive Director for Resources and the Council Solicitor, in consultation with the Cabinet Member (Strategic Finance and Resources), to enter into contracts within the financial parameters detailed in the private report.

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List of Appendices included:

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

Yes - 10 April 2014

Report title: **Metropolitan Area Network (MAN) Disposal**

1. Context (or background)

- 1.1 In 2009 the Council constructed a city wide fibre optic cable network known as the Metropolitan Area Network (MAN). The MAN was constructed to provide reliable, high speed internet connectivity between Council buildings.
- 1.2 The MAN was primarily an invest to save project that enabled the Council to provide a high speed, low cost, scalable data network and internet access for schools, libraries and other Council establishments. Construction of the MAN enabled the Council to eliminate the significant cost of line rental to commercial broadband providers.
- 1.3 The secondary ambition was to commercialise the asset using spare ducting capacity on the main network and use this to generate increased income for the Council. However, market testing yielded little appetite from the Telecoms industry in collaborating to commercialise the asset.
- 1.4 The Council were approached by CityFibre, an organisation who specialise in building fibre optic infrastructure. CityFibre expressed interest in purchasing the asset from the Council.
- 1.5 Following these discussions, the Council ran a wider competitive process to invite bids for the asset from the Telecoms market with key players being invited to bid in order to identify whether there were other parties interested in the asset and on what terms.
- 1.6 The process outlined the following objectives which the Council wanted to achieve through any submission:
 - To secure long term risk free operation over the fibre network for Council facilities
 - Quality of service guaranteed
 - Maintaining Council's existing position of free usage for a proposed period (in the region of 15+ years)
 - Operating cost savings from current operation of the network
 - Scalability for future known and unknown Council requirements
 - Significantly increased value generation – either from sale of assets with capital receipt, future guaranteed income generation from lease payment or profit share or both from both commercial and residential income streams.
 - Commercialisation proposals requiring capital investment to be funded by the bidder
 - Council to retain existing commercial income
- 1.7 As a result of the competitive process a deal has been agreed for CityFibre to purchase the MAN from the City Council. CityFibre are a company listed on AIM and have a track record of constructing high speed fibre optic networks in UK cities with schemes in Bournemouth, York and Peterborough.
- 1.8 The details of the sale agreement are commercially sensitive and are included in the private report.
- 1.9 The deal with CityFibre will enable Coventry to become a 'gigabit' city with superfast broadband speeds attracting inward investment and driving socio-economic benefit and reinforcing the Council's mantra that Coventry is 'open for business'.

2. Options considered and recommended proposal

- 2.1 The options available to the Council are either retain the asset and forego the regeneration and financial benefits or agree the recommendation and agree disposal of the MAN.

Option 1- Decline request to purchase

- 2.2 The Council could choose to decline the request to purchase. The implications of doing this would be that the Council would not generate significant revenue from commercialisation as the resources and capabilities are beyond the means of the Council.
- 2.3 In addition there is likely to be investment required to maintain the asset in the medium term which is not built into the capital programme.
- 2.4 This option is not recommended because the Council does not possess the expertise or capability to fully commercialise the asset and deliver the 'gigabit city' outcome, returns or investment that CityFibre can bring.

Option 2- Proceed with disposal of the MAN to CityFibre

- 2.5 If the Council proceeds with disposal of the MAN to CityFibre, this would achieve significant regeneration and economic benefits through the investment that CityFibre would bring in making Coventry a 'gigabit' city.
- 2.6 In addition the Council will receive the benefits outlined in the sale agreement which are commercially sensitive and are included in the private report.
- 2.7 This option is recommended for the reasons outlined above.

3. Results of consultation undertaken

No consultation has been undertaken.

4. Timetable for implementing this decision

If agreed the disposal process is expected to complete by the end of April 2014.

5. Comments from Executive Director Resource

Financial Implications

- 5.1 The disposal of the MAN will provide additional revenue for the City Council and this income will contribute to the delivery of the ABC commercialisation savings target.

Legal Implications

- 5.2 The Council has a legal obligation to dispose of any asset for the best price it can obtain. As a property asset the Council undertook an open disposal process to ensure it could satisfy section 123 of the Local Government Act 1972. The power confirms that consideration may include other benefits such as free use, income and repair and maintenance obligations as well as a monetary purchase price.
- 5.3 Additionally, in accordance with the Localism Act 2011, a local authority does have a general competence power to do anything that individuals generally may do, which includes the power to dispose of this type of asset.

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / LAA (or Coventry SCS)

If adopted the proposals will make a financial contribution to the Council whilst supporting existing ABC savings targets. The gigabit city benefits also links to the Council plan goals to promote the growth of a sustainable Coventry economy.

6.2 How is risk being managed?

There are a number of risks associated with the disposal of the MAN. These are commercially sensitive and are detailed, along with mitigating actions, in the private report.

6.3 What is the impact on the organisation?

If adopted the proposals will result in the disposal of the MAN asset.

6.4 Equalities / EIA

There are no issues to consider in respect of the duty under section 149 of the Equality Act 2010.

6.5 Implications for (or impact on) the environment

None

6.6 Implications for partner organisations?

None

Report author(s):

Name and job title:

Sarfraz Nawaz
Finance Manager

Directorate:

Resources

Tel and email contact:

024 7683 3634

Email: Sarfraz.nawaz@coventry.gov.uk

Enquiries should be directed to the above person.

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Lisa Commane	Assistant Director Major Projects and Transformation	Resources	12/03/14	12/03/14
Kevin Malone	Assistant Director ICT	Resources	12/03/14	13/03/14
Lara Knight	Governance Services Team Leader	Resources	14/03/14	17/03/14
Michelle Salmon	Governance Services Officer	Resources	02/04/14	02/04/14
Barrie Strain	Senior Accountant	Resources	12/03/14	12/03/14
Names of approvers: (officers and Members)				
Sarfraz Nawaz	Finance Manager	Resources	11/03/14	11/03/14
Richard Bean	Solicitor	Resources	11/03/14	11/03/14
Chris West	Executive Director	Resources	17/03/14	17/03/14
Councillor D Gannon	Cabinet Member (Strategic Finance and Resources)	-	17/03/14	17/03/14

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