

Cabinet
Council

20th November 2012
4th December 2012

Name of Cabinet Member:

Cabinet Member (City Services) - Councillor Harvard
Cabinet Member (City Development) – Councillor Kelly

Director Approving Submission of the report:

Director of City Services and Development
Director of Customer and Workforce Services

Ward(s) affected:

All

Title:

Coventry's Super-Connected City Plan – Urban Broadband Fund (Round 2)

Is this a key decision?

Yes – will result in expenditure and income of over £500,000 per annum.

Executive Summary:

The 2011 Autumn Statement by the Chancellor announced the creation of a new £100m Urban Broadband Fund (UBF), the aim of which was to create up to ten Super-Connected Cities across the UK with Ultrafast (80-100 Mb/s) broadband connectivity – the funding for these ten cities has since been allocated.

In the Budget of 2012 the Chancellor announced an extension of the fund with a further £50m of funding for round two, with the aim of enabling smaller cities to become super-connected. Eligibility for this phase was restricted to cities with Royal Charters and more than 45,000 core urban dwellings, which included Coventry, among a group of 27-cities.

At an initial DCMS (Department for Culture Media and Sport) workshop it was indicated that the £50 million fund would be split between approximately ten successful second city bids – potentially £5m available per city.

Coventry's Super-Connected City Plan was submitted on 17th September 2012 to DCMS with Corporate Management Board support. A decision is due to be announced in the Chancellor's Autumn Statement (5th December 2012) regarding the successful applicants for the Urban Broadband Fund (round 2).

For Coventry the total capital expenditure for this programme is estimated to be £10 million. The bid submitted on behalf of the Council requested £5.05 million from the Ultrafast Broadband Fund (UBF). In addition the Council anticipate leveraging £4.03 million (40%) capital contribution from the private sector and up to £1 million being required from the Council to match other resources.

To deliver the project, internal and external resources will be required to support the procurement of a private sector partner and the delivery of ultra fast broadband across the city. To support this, in addition to using existing internal resources to deliver this programme, it is proposed the Council will contribute up to £1 million to cover revenue costs (internal and external), working with partners where possible to manage the resource requirements.

The Plan calls for the establishment of four pillars of investment:

- full Wi-Fi connectivity for the wider city centre
- ultra fast broadband for key employment zones
- super fast broadband infill for areas of the city not currently connected
- broadband connection capability for socially/digitally excluded areas

The initiative will encourage investment by innovative businesses, position Coventry at the forefront of digitally enabled connectivity and help reduce social exclusion.

Recommendations:

The Cabinet is recommended to request Council to;

- a) Delegate responsibility for acceptance of an offer of grant funding to Director of Finance and Legal Services and completion of the grant funding agreement
- b) Approve the recruitment of a Project Manager, a technical officer and a support officer to coordinate the implementation of Coventry's Super-Connected City Plan (SCCP).
- c) Authorise a contribution of up to £2m from the Council
- d) Award a contract following the receipt of funding and completion of the procurement process

Council is recommended to:

- a) Approve the above recommendations with any modifications requested by Cabinet

List of Appendices included:

Coventry City Council – Super Connected Cities Plan for Urban Broadband Fund Round 2

Other useful background papers:

N/A

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: 4th December 2012

Report title: Coventry's Super Connected City Plan – Urban Broadband Fund (Round 2)

1. Context (or background)

- 1.1 Coventry is competing with up to 27-other cities for a share of £50m under round two of the Urban Broadband Fund (UBF) Super-Connected Cities programme.
- 1.2 Investment in a network of ultra-fast broadband and high speed wireless connectivity, will lead to more innovative companies; an increase in the take up of broadband from both residents and businesses - with a particular focus on Small and Medium-sized Enterprises (SMEs); employment zones and help drive economic growth. There are also strong links with inward investment, the Future Cities initiative and the City Deal.
- 1.3 The bid has been compiled by Analysys Mason supported by Council Officers and submitted to DCMS on the 17th September 2012 - a decision is due to be announced in the Chancellor's Autumn Statement (5th December 2012) regarding the successful applicants for the UBF (phase 2).
- 1.4 The bid's signatories include Councillor Duggins (Cabinet Member (Strategic Finance and Resources)), Chris West (Director of Finance and Legal Services) and Martin Reeves (Chief Executive).

2. Options considered and recommended proposal

- 2.1 A number of funding combinations have been explored as part of the bid submission work with Analysys Mason. The mix of external grant funding from the Urban Broadband Fund, private sector funding and Council resources was seen as the most appropriate mix to secure funding through the bid process.
- 2.2 If Coventry is successful in its application for funding through the UBF (round 2), Officers recommend that the Council accepts this funding and pursues the delivery of the plans set out in Coventry's Super Connected City Plan. To enable this to take place, delegated authority will be required for the Director of Finance and Legal Services to enter into a grant for the funding from DCMS and allocate up to £1m of Council resources towards the capital costs and up to £1m of resources to cover revenue costs.
- 2.2 The only other option available if the funding was awarded to the Council would be to decline its acceptance. This would not support the wider implications for the future economic prosperity and competitiveness for Coventry in an increasingly global marketplace, which a city with ultra fast broadband would achieve.

2.2.1 **Summary of the key details of the bid submission** - there are four key pillars of investment which highlight the areas of interests that the Coventry Bid has focused on.

Pillar	Capital Investment	Areas of Focus and Benefits
1. Step change in fibre	£5.12m	<p>Fibre based broadband provision ranging in speeds up to 1Gbit/s connectivity to science/ technology start-ups and SMEs in the City Centre and Gigabit connectivity to business parks and academic and research institutes.</p> <p>Connectivity to Coventry and Warwickshire gateway area - an area for high economic growth through attracting new businesses.</p> <ul style="list-style-type: none"> • Supports retention of Graduates, • Encourages new businesses clusters • Targets key growth areas
2. City Centre wireless	£1.5m	<p>Wireless connectivity to the city's key tourist sites providing contiguous internet access to business and leisure tourists, mobile workers and students from the 'War Memorial Park' in the South to the 'Arena Park' in the North of the city.</p> <p>Creating 300 new wireless hotspots.</p> <ul style="list-style-type: none"> • Focus on city centre and key tourist sites • Broadband zone in the city centre for leisure and business use • Building on the wi-fi investment by the Council in the city centre
3. Superfast Infill	£2.05m	<p>Provision of superfast broadband "infill" from the Exchange only cabinets to properties, where current commercial providers do not have plans to provide such fibre connectivity.</p>
4. Digital Inclusion	£1.41m	<p>Connecting the most deprived and socially/ digitally excluded communities, mainly in the North East of the city with online services, which will support access to jobs and advice.</p>
Total Capital Investment	£10.08m	

2.2.2 A total **capital investment** of £10.08m, made up of grant, private and public sector investment, all of which are subject to formal approval prior to commitment to the project. The contributions are dependent on the scale of the project, dependent by the amount of grant funding secured.

- Urban Broadband fund £5.05m (50%) - not yet secured
- Coventry City Council £1.00m (10%) – subject to Cabinet/Council approval
- Private Sector Investment £4.03m (40%) – subject to the outcome from procurement

2.2.3 **Revenue resources** will be required to undertake the procurement; which Analysys Mason have costed up to £1m, which includes 75% internal resources and 25% external support. The mix of internal and external resources need to be further refined. The revenue costs of up to a maximum of £1m are to be met by the Council, subject to Member approval.

- 2.2.4 There will be maximum use of internal resources to deliver this programme in order to reduce overall programme revenue costs, but external technical support will be required to successfully implement the programme.
- 2.2.5 If the funding is secured, then the Council will undertake two procurements, one for wireless services (Pillar 2) and one for fixed/ fibre broadband services (Pillars 1, 3 and 4 procured as a single lot), to maximise the number of responses to be received from fixed and wireless, increasing the competition, driving innovation, leverage as much private sector capital as possible, leading to better value for money for the public sector. This approach will transfer risk to the private sector partner(s) whilst also requiring them to invest themselves, ensuring good leverage of public sector funds.
- 2.2.6 The private sector will be asked to design, build, finance and operate the network, including generating demand for use of the service by businesses and residents. The Council will use the contacts it has to support demand simulation, but this will fall onto the private sector to market and pursue.
- 2.2.7 The Council has had some meetings with possible partners to gauge the interest in the market and ensure the model that has been developed for delivery is suitable. The results of the discussion support that the model is tried and tested and the private sector are keen to invest in this type of project.
- 2.2.8 The Council will make their existing spare capacity in the ducts available for use; the financial implications of this will be negotiated as part of the procurement process.
- 2.3.1 **Benefits** - A 'bottom-up' economic assessment of the direct and indirect impact of supplying high speed broadband infrastructure estimates that the incremental benefit over a 15 year period will total £126.4 million (discounted), most of which comes from the positive impact of broadband for businesses.
- 2.3.2 It is estimated that 40 jobs will be directly created through the implementation and operation of the new ultrafast broadband network and that a further 6,000 jobs will be created over a 15 year period as a result of new businesses investing within the proposed intervention area and safeguarding jobs (see 2.3.3)

Figure 2.3.3 Business growth to be achieved with UBF investment (Source: Analysys Mason, 2012)

	2013-2014	2014-2015	2015-2016	Future	Totals
Business start-ups resulting from UBF funding	22	28	34	614	698
Jobs created as a result of UBF funding	200	254	303	5,527	6,284
Anticipated extra Gross Value Added due to UBF (GBP million)	0	0.5	2.1	123.7	126.4

2.3.4 A key area of the bid is to encourage the most socially deprived residents (north east of the city) to access broadband, which is why this has been included as a separate pillar for investment.

2.4.1 The Council Project Team is in the process of gathering information to support the procurement process and firm up the revenue requirements to support the next phase of the project.

2.4.2 If the Council is successful in securing the c£5m from the UBF, the Project Team can swiftly move towards procuring a partner and delivering the project.

3. Results of consultation undertaken

3.1 Extensive consultation has taken place with a range of partners which includes the Serious Games Institute and Coventry University. In addition analysis of a sub-regional broadband survey, which was released in March 2011, has also proved useful.

3.2 Thorough consultation has also taken place by Analysys Mason, a company that worked with Coventry on the 'CSW: BDUK Superfast Broadband' bid. The original procurement agreement of the BDUK bid enabled Coventry to call-off this contract and appoint Analysys Mason who subsequently had a good understanding of the broadband offer for this City.

4. Timetable for implementing this decision

4.1 The timetable for implementation following submission of the bid can be summarized as follows:

- a) Submit Coventry's Super Connected Cities Urban Broadband Fund (UBF) bid to Department of Culture Media and Sport (DCMS) – 17th September 2012
- b) Announcement by Chancellor in Autumn Statement if Coventry has been successful in round two of UBF bid – 5th December 2012
- c) Award contract to preferred bidder (Pillars 1, 2, 3, 4) by June 2013
- d) Delivery of the programme should be complete by April 2014

5. Comments from Director of Finance and Legal Services

5.1 Financial implications

Based on the bid submission, the recommendations in this report will result in additional capital and revenue cost to the Council totalling up to £2m.

The Council's contribution towards the capital costs to implement ultrafast broadband is based on 10% of the total of the capital expenditure as a level of match funding was required by the funding body DCMS. This is assuming the total capital costs are in the region of £10m, so the Council's maximum capital contribution would be £1m. The actual amount required by the Council will be dependent on the funding secured from the UBF, up to a maximum of £1m Council resources.

In terms of revenue funded project costs, approval is being sought for the Council to provide up to £1m to fund both internal and external costs. This is a one off cost and that will be provided to support the project cost through procurement and implementation, however this resource maybe spread over a number of years, depending on the project profile, but the majority of spend is likely in 2013/14.

Funding for this proposal has not been identified within the Council's existing budget. Should the bid be successful this expenditure will need to be factored into the Council's forthcoming Budget Setting process. This would impact upon both revenue and capital budget setting although one option may be to use reserve balances to fund part of the costs. The nature of the bid is such that it will lever in a significant amount of external resource into the city and help to make the city a more attractive place to do business. This latter point is essential as the funding structure for local government becomes increasingly reliant upon the generation and retention of Business Rates going forward.

5.2 Legal implications

The procurement will be compliant with the requirement of the Public Contracts regulations 2006. Wherever possible the grant conditions of funding imposed upon the Council will be imposed upon the contractor. The Council's power to provide broadband will be the general power of competence under the Localism Act 2012.

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

The Super Connected City Plan for Coventry supports the Council's key objective of creating jobs and economic growth. Furthermore the plan supports the Council's Job Strategy and Coventry and Warwickshire Local Enterprise Partnership (CW LEP) Economic Development Strategy.

6.2 How is risk being managed?

The Council has incorporated a risk management strategy in its governance procedures. The Council will follow this strategy in order to identify and manage the risks associated with this project. A project risk register will be maintained for the duration of the project.

Figure 6.2.1: Key risks and mitigations for Coventry's SCCP project:

Risk	Risk level (1= low; 5 = high)	Description of risk	Risk mitigation
State aid	1	Operators may be opposed to the State aid case (i.e. provision of a 'step change')	<ul style="list-style-type: none"> We have tested our proposal with operators to ensure this risk is mitigated. Maintain collaboration with key stakeholders (BIS, DCMS, EC and other cities)
Data availability	2	Difficulty in obtaining required data from operators	<ul style="list-style-type: none"> We have already undertaken initial market consultation with service providers and will undertake a detailed market consultation post award and prior to commencing procurement to obtain this data.
Planning	1	Barriers/delays may arise with regard to the location of street cabinets, use of street furniture where possible, and digging of streets and pavements to lay new fibre	<ul style="list-style-type: none"> Council's planning team will work with operator planning teams to discourage use of retrospective planning and encourage early applications Rt Hon. Maria Miller has announced plans to speed up planning process
Private-sector funding	2	Total private-sector contribution is expected to be 40% and is likely to require	<ul style="list-style-type: none"> Private sector contribution reflects that seen in rural intervention projects. Urban projects are likely to be more attractive and stimulate greater private sector

		the participation of established operators, who may be reluctant to invest in this	<ul style="list-style-type: none"> investment. Design project so that established operators are not alienated (e.g. ensure an open procurement process) Maximise economies of scale across four pillars
Procurement	2	Failure to identify suitable suppliers	<ul style="list-style-type: none"> Conduct pre-procurement exercises and informational activities to ensure that the market is aware of supplier requirements Ensure that incentives exist for established suppliers to participate
Cost	2	Over-run: project goes over the budget	<ul style="list-style-type: none"> A cost contingency of 10% has been included in the cost model Ensure applicants provide a completed cost model during the procurement award process Use fixed price contracts, whereby contractors assume the risk for design and infrastructure delivery based on the Council's requirements
Timeline	2	Project goes over the planned timeframe	<ul style="list-style-type: none"> Ensure early engagement of expert advisors Follow best-practice guidelines for procurement Keep bidders informed at all stages Include a contingency in the project planning for extra procurement time
Delivery	2	Delays and challenges from suppliers	<ul style="list-style-type: none"> Ensure the provision of a supply-side risk register as part of the procurement award process. This will ensure that risks on the delivery side are managed

6.3 What is the impact on the organisation?

Coventry's Super Connected City Plan (SCCP) will help with the transformation of public services. The City Council's 'Customer Services Strategy' states that in the future 'all public services will need to use technology more effectively to communicate with citizens, encourage better two way conversation between organisations and the people they serve and provide better quality and improved value for money services'. Further the Communications Team has set up and used digital technologies and social networking, for example, Coventry has the most successful council Facebook page in the country.

6.4 Equalities / EIA

The proposal through Coventry's Super Connected City Plan (SCCP) of which Superfast broadband 'infill' in areas of the City with limited connectivity and 'Digital Inclusion' are both key elements, further demonstrates the Council's commitment to social inclusion - in this instance through technology. No equality impact assessment has been carried out as the recommendations to not constitute a change in service or policy.

6.5 Implications for (or impact on) the environment

The provision of ultrafast broadband will have positive implications for the environment, which could for example include more efficient ICT service delivery through cloud computing, data centre consolidation and reduced power consumption; reduced need for business and commuter travel - as the technology facilitates flexible/home working.

6.6 Implications for partner organisations?

Coventry City Council, Solihull Metropolitan Borough Council (SBC) and Warwickshire County Council (WCC) are working in partnership committed to the proposal for superfast broadband as stated in the Rural Broadband Fund's 'CSW: BDUK Local Broadband Plan'. Through the Partnership Working Group (PWG) which is associated with the BDUK project; colleagues from SBC and WCC are kept updated regarding developments around the Urban Broadband Fund Super Connected Cities initiative, which is unique to Coventry in relation to our neighbouring authorities and will help strengthen the economic growth potential of the region, particularly around the Coventry Gateway project.

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