

# ECONOMIC DEVELOPMENT & CULTURE COMMITTEE

## Agenda Item 12

Brighton & Hove City Council

<b>Subject:</b>	<b>Ultrafast Broadband Bid 2012: Wired for Growth</b>		
<b>Date of Meeting:</b>	<b>21 June 2012</b>		
<b>Report of:</b>	<b>Strategic Director Place</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Max Woodford</b>	<b>Tel: 29-3541</b>
	<b>Email:</b>	<a href="mailto:max.woodford@brighton-hove.gov.uk">max.woodford@brighton-hove.gov.uk</a>	
<b>Key Decision:</b>	<b>Yes</b>		
<b>Ward(s) affected:</b>	<b>All</b>		

### FOR GENERAL RELEASE

#### 1. SUMMARY AND POLICY CONTEXT:

- 1.1 In the March 2012 Budget Statement the Chancellor announced an additional £50m to provide ultrafast broadband for cities. This is in addition to £100m previously announced in 2011 by DCMS for 10 Super-Connected Cities (including London, Edinburgh, Cardiff, Birmingham, Manchester, Leeds/Bradford, Newcastle & Bristol).
- 1.2 Brighton & Hove has been invited to submit proposals to accelerate Superfast Broadband provision in the city and to extend provision of Ultrafast Broadband. A formal Invitation To Tender (ITT) has been recently issued by the Department for Culture, Media & Sport (DCMS) with a September 2012 State Aid compliant submission deadline. The bid submission will be similar to that recently made by core cities such as Birmingham and Bristol. The business case sought from the government, is sustainable economic development and business growth. If successful, the additional government funding on offer to Brighton & Hove is thought likely to be in the region of £5-10m with options for match funded investment from broadband infrastructure providers such as BT Openreach, Virgin Media or others able to provide broadband infrastructure to business. Delivery by a reputable provider is likely to be subject to a procurement exercise drawing on approved frameworks or on OJEU compliant procurement process. Compliance with EU State Aid rules will be essential.
- 1.3 A small officer team with support from Wired Sussex has convened to outline the business case for the bid and define a specification for a specialist consultant to draft the technical aspects of the bid and to handle complex and potentially contentious State Aid issues.

#### 2. RECOMMENDATIONS:

That the Economic Development & Culture Committee agrees to:

- 2.1 Note the recommendation of the allocation of up to £150,000 by Policy & Resources Committee on 14<sup>th</sup> June 2012 from unallocated general reserves to support submission of an Ultrafast Broadband Bid to government, costs including expert consultancy and legal costs;
- 2.2 Support submission of a bid to the government in accordance with the timetable and criteria when published;
- 2.3 Delegate finalisation of the bid to the Strategic Director Place.

### **3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:**

- 3.1 'Ultrafast Broadband' is defined (Dec 2011) by the lead government department, Culture Media Sport, as providing a minimum download speed (rateable rather than actual) of at least 80 megabits per second upgradeable to 100 megabits per second (Mbps). This compares to 'Superfast Broadband' speeds of 24 Mbps. The government attaches significant importance to the capacity of Information Communications Technology (ICT) infrastructure in sustaining the UK's international economic competitiveness and hence has sought to bolster and accelerate the pace of private sector investment with targeted public sector investment in identified 'Core Cities' and, as anticipated, growth potential cities such as Brighton and Hove.
- 3.2 Many businesses and public sector agencies in the city are increasingly reliant on the broadband infrastructure of the city and wider region to cost effectively access their customers, suppliers and clients. For some years Brighton and Hove has earned a reputation as a leading 'Creative & Digital Media' city in the UK. However, we are no longer alone in making this claim nationally or internationally. As such, if existing businesses are to compete effectively and we wish to continue to attract leading edge new companies to locate and invest in the city, the ICT infrastructure underpinning our business sectors needs to be world class.
- 3.3 It is also the case that access to public services will become increasingly dependent on accessing the web and it is in the wider social interests of the city to ensure a robust and inclusive infrastructure.
- 3.4 A small officer team, with support from Wired Sussex, has convened to outline the business case for the bid and define a specification for a specialist consultant to draft the technical aspects of the bid and to handle State Aid issues.

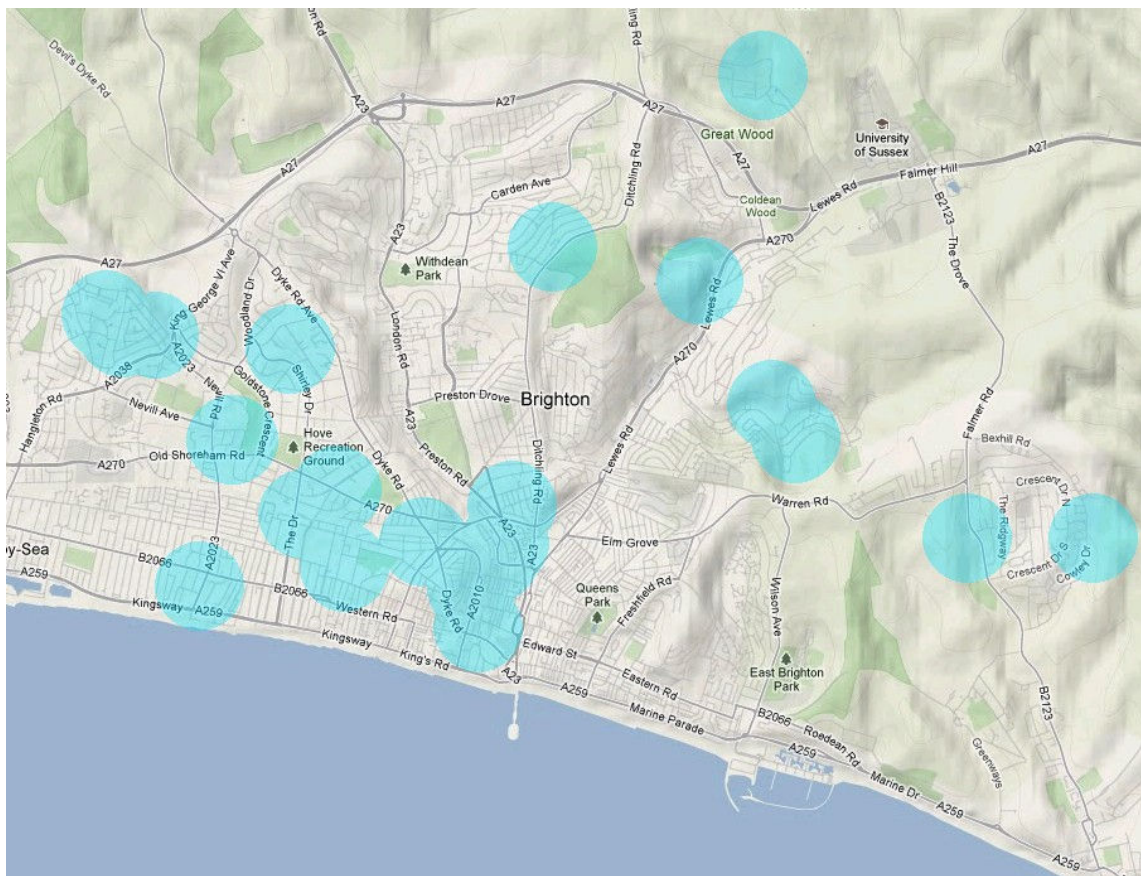
#### **Bid Business Case**

- 3.5 The city's broadband network continues to be upgraded and is dependent on: a) the economic need and willingness to pay of businesses and consumers; and, b) the investment plans and funding commitments of infrastructure providers – mainly BT Openreach and Virgin. Businesses in the city have 4 main broadband infrastructure options:
  - i) Direct and bespoke provision by very large companies where the requirements are substantial and the costs significant;

- ii) Ethernet connection to the main network via a broadband provider business package. This provides significant bandwidth and thus up and down load capacity but comes at a cost of some tens of thousands pounds per year;
- iii) Standard broadband connections using entirely fibre optic cable connection (Fibre To The Premise-FTTP) or copper cable connection to the premise and fibre optic cable to a nearby cabinet (Fibre To The Cabinet-FTTC). These come in a variety of cost options and will be the same or similar to the offers to the home user;
- iv) Micro businesses and freelancers may use wireless internet at various locations around the city, either free at cafes or through subscription services. However, free public wireless connection is not available on any scale in the city at present.

3.6 In theory 99.42% of the population is currently estimated to be covered by 'superfast' broadband in Brighton & Hove. However, most areas experience differences between advertised 'up to' broadband connection speeds and the reality of day to day to service. This is largely due to 'contention rates' (i.e. the number of concurrent broadband users on the network at any one time) that can affect speed, capacity and reliability of service due to the 'bandwidth' and exchange constraints of the infrastructure network. As business and domestic applications using broadband technology increase in size and volume, this will rapidly slow the responsiveness of the network and thus constrain the growth potential of dependent businesses. As set out below there may be some significant areas of the city where limited capacity is likely to be affecting the business community/

**Figure 1: 'Slow Spots' 2Mbps & Less**



- 3.7 The bid submission will need to collate and present expert evidence to support the case for public investment to accelerate and extend the existing pace of private sector investment. A sub-optimum digital infrastructure is no longer sustainable for local businesses competing in a global sector. Without investment in the city's broadband infrastructure, the UK and south east will be unable to capitalise on the business innovation harnessed in the city. Ultimately the foothold established in this highly competitive and fast changing sector is at risk of being lost. Spin-off economic opportunities will not be realised.

***Investing for sustainable business growth***

- 3.8 Based on the information available to the project team, the recommended goal is to enable the creative and digital media sector hosted in the city to continue to expand as a distinct but integral part of the South East and London digital economy with global reach. Through the bid, we are seeking to equip the city and the businesses that locate within it with a broadband infrastructure and business network to match or exceed that of our global competitors:

- ✓ an ongoing commitment to upgrading digital infrastructure in the city and thereby optimise the business potential from developments in the Information Communications Technology industry;
- ✓ enabling residents and visitors to the city to experience the best in information service technology;
- ✓ ensuring our digital infrastructure is accessible to and inclusive of all sections of our community in helping to meet household, income and public service needs & requirements.

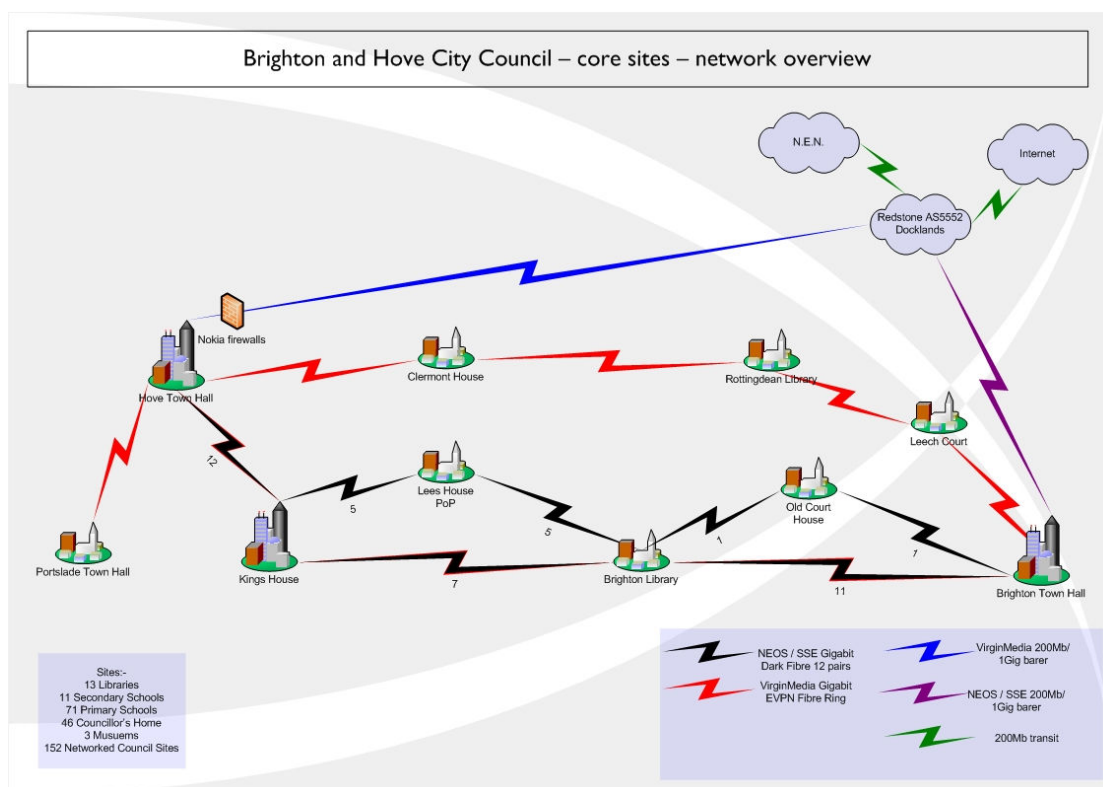
- 3.9 The initial work of the project team suggests a fourfold public/private investment approach including:

**Wireless City** - A commercially sponsored roll out of outdoor web access for phones, tablets and other portable devices within the central commercial and business districts of the city, including the sea front. Work undertaken by Westminster Council suggests a 'concessionary agreement' procurement route. Investment will include a network of low voltage wireless units mounted primarily on council property assets notably lamp columns and buildings.

**100% coverage of superfast broadband** - Subject to match funding commitments from the main infrastructure providers, this will accelerate and extend the roll out of new exchange cabinets across the city providing more extensive fibre optic cable to the cabinet (FTTC) and where fundable, more widespread fibre optic cable to the premise (FTTP).

**Commercialisation of 'dark fibre'** - The City Council has 12 pairs of fibres which leased from SSE. This provides connectivity between 5 BHCC 'locations' – HTH, KH, BTH (including Barts House), Jubilee Library and the central museum / pavilion complex. There is also a 'legacy' connection to Lees House at the bottom of Dyke Road which is a key point of presence on several national networks. This is represented in Figure 2. Further work can be done to explore the potential for letting some of this capacity on a commercial basis, subject to the contractual position with SSE.

**Figure 2: Council 'dark fibre' network**



**Ultrafast Site Specific** - This may include a variety of development locations such as Station Gateway, New England & North Laine Business Quarter, Lewes Road Knowledge Corridor (From Sussex University to Valley Gardens - including ex Amex offices & new Hospital sites), the Seafront & Cultural Quarter, Hove Station area, Shoreham Harbour, the Marina and Black Rock site.

3.10 Timing is currently estimated as:

- May Bid criteria & opportunity announce expected from Govt
- Jun Appoint appropriate consultants & complete detailed bid & clarification with officials
- Sep Bid submission to Ministers
- Oct Govt announce successful bidders
- Nov Commence implementation & formal procurement.

#### 4. COMMUNITY ENGAGEMENT AND CONSULTATION

4.1 No significant community or wider business engagement has been undertaken to date. Phil Jones from Wired Sussex is supporting the officer project team and may be able to provide quick feedback and input on commercial needs and the business case for the bid. Engagement has commenced with BT Openreach and officers are seeking to open up a similar dialogue with Virgin and any other broadband infrastructure providers. Once the scope of the bid is clear the project team will initiate consultation with key business representatives to seek their input and support in making a robust and evidenced business case.

## 5. FINANCIAL & OTHER IMPLICATIONS:

### Financial Implications:

- 5.1 The Targeted Budget Management Provisional Outturn 2011/12 report to Policy & Resources on 14<sup>th</sup> June 2012 recommends the allocation of up to £150,000 to support the delivery of Superfast Broadband provision in the City and to extend the provision of Ultrafast Broadband throughout the city. The costs will support consultant and legal costs associated with the preparation of the business case to support the delivery of the bid to the government.

If the bid to the government is successful, the additional government funding on offer to the city of Brighton & Hove is thought likely to be in the region of £5m out of a total fund of £50m with potential for match funded investment from broadband infrastructure providers.

*Finance Officer Consulted: Rob Allen*

*Date:28.5.12*

### Legal Implications:

- 5.2 The Council can rely on its economic development and general competence powers in participating in the bid. Expenditure of any sums awarded by the Government must comply with the Councils Contract Standing Orders, Public Contract Regulations and the EU Procurement Rules. There is a risk that the investment will be classified as State Aid, in which case it might need to be authorised by the EU, depending on whether it falls within one of the tolerated exceptions. Legal risk here will be reduced by the lessons' learned from the first tranche of authorities granted funding, and also by engaging consultants at an early stage to help design the bid in a way which complies with the State Aid rules.

*Lawyer Consulted: Bob Bruce Principal Solicitor*

*Date:28.5.12*

### Equalities Implications:

- 5.5 A more effective and affordable broadband infrastructure that improves access to all sections of the community can bring significant advantages to the daily lives and future prospects of city residents.

### Sustainability Implications:

- 5.6 An effective and efficient broadband infrastructure creates opportunities to reduce the cities carbon footprint such as reducing the need to travel.

### Business impact

- 5.7 There is a strong imperative to use available public funds to improve the resilience and competitiveness of the local economy and extend the benefits of global reach. A world class broadband infrastructure will be critical to the efficacy of the City Investment Prospectus currently in development.

### Crime & Disorder Implications:

- 5.8 Broadband is an essential part of the regulatory infrastructure of the city. Particular attention will be directed at 'wireless' provision on police and emergency service communications systems.

Risk and Opportunity Management Implications:

- 5.9 The government have opted to vest State Aid compliance with successful bid authorities. State Aid rules in this field are complex and it has been estimated that up to £100k may need to be provided for in terms of seeking expert legal opinion and in managing compliance with EU monitoring.

Public Health Implications:

- 5.10 Broadband access can play an important part in managing information dissemination concerning public health.

Corporate / Citywide Implications:

- 5.10 The Council has an important facilitating role to play in supporting submission of a bid that offers economic and social benefit to the city.

**6. EVALUATION OF ANY ALTERNATIVE OPTION(S):**

- 6.1 The Council is not obliged to bid for the public funds announced by the Chancellor however this may be widely perceived as a failure of civic leadership.
- 6.2 The final bid will consider options in the light of government guidance.

**7. REASONS FOR REPORT RECOMMENDATIONS**

- 7.1 In addition to seizing the government invitation to bid, the outcomes sought include:
- Competitive advantage for Brighton & Hove businesses particularly the creative & digital media sector and the visitor economy;
  - Enhanced digitalisation of public services;
  - Site specific value & marketing uplift (e.g. Block J New England Quarter);
  - Greater regional economic significance & influence (e.g. link to 'Tech City' in London);
  - Enhanced digital inclusion.

**SUPPORTING DOCUMENTATION**

**Appendices:**

None.

**Documents in Members' Rooms**

None.

**Background Documents**

On line bidding documentation

[http://www.culture.gov.uk/what\\_we\\_do/telecommunications\\_and\\_online/8830.aspx](http://www.culture.gov.uk/what_we_do/telecommunications_and_online/8830.aspx)