

CABINET	AGENDA ITEM No. 5
4 November 2013	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr David Seaton, Cabinet Member for Resources	
Contact Officer(s):	John Harrison, Executive Director Strategic Resources	Tel. 452520

STRATEGIC PARTNERING WITH CITYFIBRE HOLDINGS

RECOMMENDATIONS	
FROM : Executive Director Strategic Resources	Deadline date : Not applicable
<ol style="list-style-type: none"> 1. That Cabinet approves a strategic partnering agreement with CityFibre Holdings in order to endorse CityFibre Holdings strategy for fibre infrastructure projects in the City of Peterborough funded through private sector investment by CityFibre Holdings. 2. The Executive Director of Strategic Resources in consultation with the Cabinet Member for Resources be authorised to deliver future work streams for connectivity to the fibre network. 3. That Cabinet agree to a Change Control Notice for the Council's existing ICT Managed Service Contract with Serco to enable: <ul style="list-style-type: none"> • The provision of connectivity to the Council of a dark fibre network • Serco to enter into a contract with CityFibre Holdings for the provision by CityFibre (at CityFibre's own cost) of a dark fibre network with connectivity • Serco to implement a new model of provision of the Council's current network infrastructure to a dark fibre model 4. The Executive Director of Strategic Resources to be authorised to agree changes to the ICT Managed Service contract with Serco resulting from provision of the dark fibre network. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to Cabinet following a referral from the Executive Director Strategic Resources.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to seek Cabinet's approval to enter into a partnership arrangement with CityFibre Holdings, referred to in this report as CFH, which enables Peterborough to meet its aspiration to provide wider access to digital services.

2.2 This report is for Cabinet to consider under its Terms of Reference No.

3.2.3 To take a leading role in promoting the economic, environmental and social well-being of the area;

3.2.4 To promote the Council's corporate and key strategies and Peterborough's Community Strategy and approve strategies and cross-cutting programmes not included within the Council's major policy and budget framework.

2.3 The attached report/background information is NOT FOR PUBLICATION in accordance with paragraph (s) 3 of Schedule 12A of Part 1 of the Local Government Act 1972 in that it contains information relating to financial and commercial agreements namely contractual terms of the Strategic Partnership Agreement, and a Change Control Notice to an existing council contract. The public interest test has been applied to the information contained within the exempt annexes and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it as to do so would breach commercial confidentiality. Should Cabinet wish to discuss the content of the exempt annexes in the meeting, the meeting will need to move into exempt session with the Press and Public excluded.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	
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4. STRATEGIC PARTNERING AGREEMENT WITH CFH

4.1 The Council as part of its growth agenda has been in discussion with CFH in relation to their aspirations of building the infrastructure to turn Peterborough into a “Gigabit City”. CFH wish to form a long term partnership with the Council through the Strategic Partnership Agreement contained in exempt annex A.

4.2 CFH builds and operates ultrafast pure fibre networks that bring the huge benefits of Gigabit connectivity to communities throughout the country. The benefits of a pure fibre network over a traditional copper network includes greater speeds, reliability, energy efficiency and cost.

4.3 This partnering agreement demonstrates CFH’s commitment to long term investment in the city. The council will use its community leadership role to engage with our communities to support this major investment to be brought into the city.

4.4 At this stage it is anticipated that CFH’s investment in Peterborough will be an initial £9m with a proposed further £21 million invested over the term of the agreement subject to market demand.

4.5 CFH has chosen Peterborough as a location for private sector investment based on their own reviews of fibre provision in the city and the opportunities this presents for them. A key factor was the Councils forward-thinking in technological development and its environment capital aspirations that a pure fibre network can support. The aspiration of becoming a Gigabit City and a Smart City are intrinsically linked.

4.6 This Partnering Agreement will directly support the work the Council is doing to ensure that it meets its growth agenda. The introduction of an additional fibre provider into the city will support competition in this sector, allow SME’s to utilise the internet for growth, attract new companies from the technology sector and allow residents access to a better choice of broadband service.

4.7 This agreement builds on the investment the Council has already made in the Connecting Cambridgeshire project being delivered by BT to ensure that all Peterborough residents have access to the internet and are not digitally excluded.

4.8 The Council is also working on its response to the impacts of the reform of the welfare benefits system which may initially place greater pressure on some household budgets. Studies have shown that by utilising the internet households can reduce financial outgoings in domestic properties and by providing new employment opportunities for people who otherwise might not be able to take up paid employment.

4.9 The broad outline and benefits from the agreement are expected to be as follows:

- 4.9.1 CFH will initially fund and build a metro fibre ring around the city consisting of approximately 90km of fibre. CFH will undertake extensive demand registration activities to commercially roll out fibre to large business premises in the city (where demand allows) utilising this metro ring as the backbone of the network.
- 4.9.2 In addition to managed bandwidth services for businesses (up to 100Gbps), CFH provides access to dark fibre. Users of dark fibre have the benefits of superior bandwidth, greater flexibility and reduced costs. CFH will make available its dark fibre products to public sector, carrier and enterprise customers.
- 4.9.3 CFH's intention, based on market demand and commercial viability to, is to roll out a Fibre to the Home (residential) and Fibre to the Premise (smaller businesses) network across the city. This brings the benefits of 1Gbps broadband (1024 Mbps – current Superfast Broadband is stated as 24Mbps) to residents and smaller businesses over time. CFH will be providing the funding for the entire network build.
- 4.9.4 In a separate agreement - after the core metro fibre ring has been built Serco will connect a number of corporate sites to it and have access to utilise the “dark fibre” under a long term licence model. The contract for this access will be between Serco and CFH. The Council already has an ICT Managed Service with Serco and they will remain responsible for delivering the service to the Council. The Council will continue to pay Serco for the service as per the ICT Managed Service contract. Details of the Contract Change Notice can be found in exempt annex C.
- 4.9.5 Connection to this core metro ring will see a more robust and resilient ICT Network Service from Serco following a High Level Design submitted to the Council that fundamentally changes the way the network is configured.
- 4.9.6 It is envisaged that all schools in the city will have access to this dark fibre network, giving them access to one of the best networks in the country. Schools currently access the internet and services through the Peterborough Schools Broadband Network via Udata. This will allow schools to have the option to transform the way they operate. Liaison will begin with schools upon approval of this report.
- 4.9.7 Access to this dark fibre network provides an opportunity for the Council to reduce its current connectivity costs (see exempt annex B) and to integrate disparate networks, whilst combining other services such as CCTV and Information Traffic Systems to reduce costs. It will also allow the Council to look to utilise other technologies that the current disparate network doesn't allow for.
- 4.9.8 A shared network is consistent with existing government initiatives such as the Public Secure Network (PSN) which allows government departments to share data securely.
- 4.9.9 This agreement will also help develop competitive digital infrastructure in the city. This aligns with some of the Councils key outcomes contained in the Sustainable Community Strategy 2008–21, which include:
- Investing in sustainable infrastructure to create wider access to digital services. This creates the right conditions for supporting rural communities and businesses [*Priority 1* of the strategy, Creating opportunities – tackling inequality□]
 - The opportunity to provide businesses with the right technology infrastructure required to grow and be competitive in the industries in which they operate [*Priority 4*, Delivering substantial and truly sustainable growth□]

- 4.9.10 CFH will develop business cases to extend the network into the wider community including rural areas and to services.
 - 4.9.11 CFH will develop business cases to drive further innovations and benefits including but not limited to Smart Metering, Smart Grids, Social ISP Services, Innovation Centres and Digital Careers.
 - 4.9.12 CFH will extensively promote Peterborough as a Gigabit City
 - 4.9.13 CFH will initiate and fund an impact study of a fibre network in Peterborough.
 - 4.9.14 CFH will work closely with the council and our communities to ensure that they adopt a flexible approach, utilising skills and local supply chains to meet the needs of the local economy and deliver a network solution for all of Peterborough residents. The work they complete will ensure delivery acts as a catalyst for training, skills development, community engagement and tackling wider issues across Peterborough.
- 4.10 A report commissioned by BT through Regeneris Consulting found that for a typical UK City investment in superfast broadband could lead to:
- 4.10.1 An annual increase in GVA of 0.4% per annum over 15 years. For every £1 a business invests in superfast broadband this will create nearly £14 in additional GVA for the UK economy.
 - 4.10.2 320 business start-ups as a result of Cloud Computing and support for 1,580 home workers.
 - 4.10.3 Around 436 jobs created through business creation and improved business performance.
- 4.11 Their commitment to Peterborough's objectives:
- 4.11.1 CFH are committed to the objectives of Peterborough's Environment Capital aspirations and studies have shown that a pure fibre network utilises less energy than a traditional fibre / copper based network. CFH are working towards IEE Green Accreditation and will become a long term and committed partner to Peterborough.

5. CONSULTATION

- 5.1 As part of the preparation and delivery of the infrastructure build there will be consultation with:
- Internal service users such as the Planning and Highways teams
 - The relevant Cabinet members
 - Schools

6. ANTICIPATED OUTCOMES

- 6.1 Approval to enter into a Strategic Partnering Agreement with CityFibre Holdings and to agree to a Change Control Notice with Serco.

7. REASONS FOR RECOMMENDATIONS

- 7.1 The investment in the city will further enhance the policy around the home of the environment capital, will boost the local economy through business growth and it also will generate new jobs.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 The Council does not enter into such an agreement and the opportunity for investment in the city and the benefits that a pure fibre network could bring to businesses and residents would be missed.

9. IMPLICATIONS

9.1 Financial

- 9.1.1 The Council's costs in relation to the Strategic Partnership Agreement will be recovered from CFH.

- 9.1.2 The total project cost for Serco to deliver an enhanced service to the council is £4,987,745. This is made up of Serco project costs, new network equipment and the licence fee to use the CityFibre network. These costs will be financed from the Invest to Save capital budget.

- 9.1.3 The benefits and savings to the council are outlined in section 4. It is estimated that the net savings generated from this project (over and above cost) will initially be in the region of £4.5m. The summary business case outlining costs and savings is included in exempt annex B. The project complies with the criteria for the use of the Invest to Save capital budget. Further savings opportunities and business cases will continue to be developed.

9.2 Legal

- 9.2.1 The Strategic Partnership Agreement with CFH is not a contract for the supply of goods, works and services to the Council and the Public Contracts Regulations 2006 (as amended) ("the Regulations") do not therefore apply to it.

- 9.2.2 The Strategic Partnering Agreement is based on an understanding that the parties will work together to identify any opportunities relating to fibre technology which bring wider economic benefits.

- 9.2.3 This relationship is not designed to be exclusive, i.e. the Council is permitted to promote similar projects in conjunction with another fibre supplier and there is nothing in the Strategic Partnering Agreement that fixes the prices at which CityFibre Holdings may charge the end users of the fibre network.

- 9.2.4 The Council will not be paying for any of the works carried out under the Strategic Partnering Agreement. State Aid rules will not therefore be breached.

- 9.2.5 The Council has a Best Value duty under section 3 of the Local Government Act 1999 to achieve savings in the way its functions are exercised. The Change Control Notice with Serco and Strategic Partnering Agreement with CFH will enable the savings to be achieved.

- 9.2.6 The Council will be entering into the Change Control Notice with Serco and the Strategic Partnering Agreement with CityFibre Holdings pursuant to its powers contained in section 3 of the Local Government Act 1999, section 111 of the Local Government Act 1972 and section 1 of the Localism Act 2011.

10. BACKGROUND DOCUMENTS

None.

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