

Appendix 2

Part A report

Date: 7th January 2020

Subject: Greater Manchester LFFN Programme

Report of: Cllr Elise Wilson, Portfolio Lead Leader for Digital City Region, Sara Todd
Portfolio Lead Chief Executive for Digital City Region

PURPOSE OF REPORT

This report follows a paper agreed by GMCA in March 2019, which set out the process for procurement of the Greater Manchester Local Full Fibre Network (LFFN) Programme.

This report summarises the outcome of the tender process for the Greater Manchester Local Full Fibre Network (LFFN) programme. GMCA are advised that a preferred provider has been identified for each GM Arc (North and South) to deliver the Public Sector Anchor Tenancy (PSAT) element of this programme following a PCR2015 compliant procurement process.

It confirms partner capital investment and seeks agreement on a simplified and consistent approach across all GM Local Authorities for the way in which digital infrastructure is delivered (see GM Prospectus at Appendix A).

Further details are contained within the accompanying Part B report as they are commercially confidential.

RECOMMENDATIONS:

GMCA are asked to:

1. Agree to enter into a grant funding agreement with DCMS to secure the grant element from DCMS for the GM LFFN programme for up to £21.3M (this may be up to £1.7m lower to reflect Salford City Council moving to a Public Sector Building Upgrade model – para 2.6).
2. Approve the allocation of £835,000 from the DCMS LFFN grant, to Manchester City Council for the purposes of Public Sector Building Upgrade.
3. Approve the allocation of £90,000 from the DCMS LFFN grant, to Salford City Council for the purposes of Public Sector Building Upgrade.

4. Commend Manchester City Council and Salford City Council to follow a Public Sector Buildings Upgrade model under a separate Grant Funding Agreement direct with DCMS.
5. Note the decision of GMCA (01st March 2019) that the decision to select up to two providers under single supplier framework contracts was delegated to the GMCA Treasurer. The providers will be used by the GMCA, and also each participating LA to enter into a contract in their own right for each locality, in accordance with the recommendations in the Tender Outcome Report (Part B report).
6. Agree to GMCA entering the Inter Authority Agreement (IAA) with local authority partners.
7. Agree and welcome the publication of the GM Prospectus as the agreed basis for all Authorities to work consistently across GM for working with any provider looking to install fibre to minimise disruption to residents, minimise cost of installation and maximise private fibre investment. This prospectus will form an integral part of the IAA and is approved as the basis to work with the successful bidders.
8. Delegate authority to the GMCA Monitoring Officer to review and complete all necessary legal documentation and award and enter into contracts.

CONTACT OFFICERS: Phil Swan (GMCA), Alison Gordon (GMCA)

Report authors must identify which paragraph relating to the following issues

Risk Management – see paragraph - **3.10; 3.18; 3.21**

Legal Considerations – see paragraph - **3.1, 3.10, 5.1, 5.2**

Financial Consequences – Revenue – **3.12, 3.18**

Financial Consequences – Capital – **1.5, 3.12, 3.18, 3.20**

Number of attachments included in the report:

Appendix A – GM Prospectus

BACKGROUND PAPERS:

GM Digital Strategy (February 2018)

GMCA Board Papers and Decision Notice (1st March 2019)

TRACKING/PROCESS		GREEN
Does this report relate to a major strategic decision, as set out in the GMCA Constitution		No
EXEMPTION FROM CALL IN		

Are there any aspects in this report which means it should be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?		Financial Grant Funding Agreement until approved by DCMS – expected by 31 st January 2020
Transport Committee	Overview & Scrutiny Committee	
	15 th October (Corporate)	

1. BACKGROUND

- 1.1 In March 2018, GM secured £23.7M (25% of the UK LFFN Wave 2 funding allocation) from DCMS as part of the National Productivity Infrastructure Fund, to connect over 1300 public sector sites across GM with full fibre. Based on similar projects in the UK, the overall programme aims to encourage further wider private sector investment of up to £250M.
- 1.2 The Greater Manchester LFFN Programme bid highlighted the transformational impact on digital infrastructure in GM, which would lead 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.
- 1.3 The GM LFFN bid also anticipated the delivery of cost benefits to public sector partners over the medium term and additional cost benefits expected from increased competition from providers, seeking to provide services to partners over the new fibre network. The GM LFFN programme anticipated the costs of full fibre infrastructure for partners would be fixed for 20 years, meaning the borrowing costs on upfront capital would be offset, as there would be no inflation costs. This is the model local authorities have used to calculate and agree their contribution to the GM LFFN programme.
- 1.4 The Programme Procurement overall anticipated that a minimum 1300 public sector sites and assets would be connected by over 450km of new fibre across GM. The GM bid covered three elements:
 - an anchor tenancy component in which councils and GMCA (FRS and GMCA/TFGM Traffic Controls Systems assets (UTMC)) invested in or brought forward expected future revenue expenditure, to secure greater impact and develop networks in localities.
 - a specific, tactical public sector site upgrade component relating to Manchester City Council where there was already considerable fibre networks and risk of overbuild.
 - an extension to the existing Digital Infrastructure Cooperative work in Tameside.
- 1.5 It was agreed that the Digital Infrastructure Cooperative component would be managed separately with DCMS awarding £2.5m of the GM LFFN grant directly to Tameside. The grant agreements for the other two components would be via the GMCA.

- 1.6 The grant offer from DCMS requires GM to defray all DCMS LFFN funding by the end of March 2021. This is a challenging timescale, which requires the GM LFFN programme to be procured and mobilisation underway by January 2020 to allow enough time for network build without being in breach of the Grant Funding Agreement.

2. **FINANCIAL AND COMMERCIAL UPDATE**

ANCHOR TENANCY AREAS AND AUTHORITIES

- 2.1 Following a rigorous Public Contracting Regulations 2015 compliant procurement process, a provider has been selected as preferred provider to deliver the Greater Manchester LFFN Anchor Tenancy Programme across the Northern Arc and a provider selected as preferred provider across the Southern Arc.
- 2.2 The key points from the tender process are summarised in Part B of this report. However, these include:
- Public sector partners will get 30 years connectivity instead of 20 years for the same cost - 50% longer Indefeasible Rights of Use (IRU) is being offered – This means that whilst partners investment was calculated based on a proportion of connectivity spend over 20 years – LAs, GMCA/F&RS and GMCA/TfGM will benefit from 30 years access to full fibre.
 - In excess of 200 additional public sector sites will be connected at no additional cost to local authority partners and GMCA/FRS and TfGM. The majority of local authorities will benefit from having at least 40% more sites connected.
 - Partner contributions will not exceed the capped upfront capital contributions agreed in March 2019.
 - Will deliver up to 2,717Km of new full fibre across GM with 97% provided via existing ducting which will minimise disruption – which will be supported by the adoption and implementation of the GM Prospectus aimed at simplifying administrative processes and providing a consistent public sector approach to the roll out of full fibre broadband in GM. Whilst work to recondition ducting will be needed, the total length of new dig is estimated at only 9km and is largely in short segments to connect individual sites.

- Residential and business premises passed will be up to 45% of GM rather than the 25% originally forecast, significantly increasing the potential reach for wider roll out, and offering future opportunities for smart city development.
- Better service options: Local public sector services will be free to procure services from any provider across the open access network.
- Social value: This includes planned apprentice appointments, working to increase digital skills in Greater Manchester and reducing homelessness.

2.3 The provider has determined the funding split (DCMS grant and partner contribution) required to deliver the full fibre network within each locality, from the overall budget available for this Programme. Local partners and DCMS grant will fund all the mandatory sites identified by local authorities, GMFRS and GMCA/TfGM. Across GM, the provider will also connect a significant number of “additional” sites within the stated budget at no extra cost to the public sector.

2.4 The partner Local Authority capital funding requirements will not exceed the levels agreed by local authorities in March 2019 and is the result of bringing forward of 20 years of future fibre connectivity costs. All relevant local authorities have worked since March 2019 to have the necessary delegated authorities in place to enable them to confirm funding and sign respective contracts by the end of November 2019.

PUBLIC SECTOR BUILDING UPGRADE

2.5 As anticipated, the success of our DCMS bid (the largest allocation in the UK) has triggered some wider market investment in full fibre in the City Region. Coverage in most of the local authority areas outside of Manchester remains below 5%. However, in Salford coverage has increased from 10% in 2018 to over 45% as a result of investment by Openreach in the past 18 months. This has led to DCMS concern about LFFN grant being used to overbuild fibre that has already been delivered without intervention.

2.6 Following discussion with DCMS and Salford, it has been agreed that the Salford City Council sites should be removed from the Anchor Tenancy procurement and that a smaller number of eligible sites should be delivered through Public Sector Buildings Upgrade (PSBU) model. This is in line with the approach that was adopted for the Manchester City Council sites. These Salford City Council sites will receive a flat rate grant contribution which will be the same as the Manchester PSBU sites. The contribution of £5,000 is calculated on the average cost of equipment and cabling upgrades, as an average across all sites proposed. The new contract for Salford will be delivered outside of this LFFN anchor tenancy procurement and will be directly contracted or procured alongside the Manchester City Council contract, utilising the Crown Commercial Services Frameworks.

ANCHOR TENANCY DELIVERY TIMESCALES

- 2.7 In order to meet DCMS funding timescale it will be necessary to move to formal contract agreement and signatures by early February 2020 at the latest. Soft mobilisation will commence during January, with more formal mobilisation immediately post contract award. Works will commence on site from Spring 2020. All DCMS funding must be defrayed by 31st March 2021.
- 2.8 The majority of activity across both Northern and Southern Arcs is programmed to be completed before 31st March 2021. DCMS grant allocation will be prioritised in all areas before utilising GM partner capital funds to complete the work.

3 GM DIGITAL INFRASTRUCTURE PROSPECTUS – ACCELERATING FULL FIBRE ROLL OUT AND MINIMISING DISRUPTION

- 3.1 The GM Digital Infrastructure Prospectus forms an integral part of the Inter Authority Agreement, which has been prepared alongside the LFFN Programme. Its purpose is to remove traditional barriers and to support the standardisation of delivery across a diverse geographic area. The Prospectus will establish Service Policies that will achieve a consistent high standard of delivery, by the LFFN provider for the Northern and Southern Arcs, including reinstatements, exploring dig once opportunities and coordinating with local works, wayleave arrangements and planning policy. This will allow Providers to deliver quickly, but also will reduce disruption through the agreement of a common high standard approach with local authority partners.
- 3.2 The Prospectus has been prepared in partnership with local authority leads and in conjunction with colleagues in Highways Departments across GM. The Prospectus will also have a wider role in encouraging future market investment across GM and demonstrating through its piloting on LFFN, that GM is open for business in terms of further fibre and telecoms investment. The document will be refined further during contract mobilisation and formally adopted before the end of the year. It will necessarily be an evolving document that agrees GM processes and protocols, but updated over time to reflect all UK regulatory changes. The GM Prospectus is attached at Appendix A.

4 INTER AUTHORITY AGREEMENT

- 4.1 The delivery of this large complex programme requires the LFFN public sector partners to enter into an Inter Authority Agreement (IAA). This confirms the funding contributions; the support that will be provided by the GMCA LFFN team to each participating Local Authority and the general agreed contract management approach. This is seen as an important part of the GM LFFN Programme by DCMS – who were keen to ensure they had confirmation of commitment and grant funding obligations from all GM partners.
- 4.2 The IAA will act as the principles document by which the partners will engage on the project and will include a copy of the GM Prospectus, terms of reference, roles and responsibilities, funding allocations and the draft contract documents. A copy of the IAA has been shared and supported across all partner authority officers and legal teams have been consulted.

- 4.3 It is proposed that GMCA agree to become party to the IAA with local authority partners, with authority delegated to the GMCA Monitoring Officer to review and complete all necessary legal documentation.

5 RECOMMENDATIONS

- 5.1 Recommendations can be found at the front of this report.