

Report to Cabinet

23 January 2020

By the Leader & Cabinet Member for Economic Development and Parking

DECISION REQUIRED



Horsham
District
Council

Not Exempt

Extending Ultrafast Public Connectivity

Executive Summary

The purpose of this report is to consider a further extension of ultrafast broadband to the Council's buildings. The report recommends that the Council use West Sussex County Council's existing contract with CityFibre to achieve this rollout. The 2019/20 West Sussex councils' business rate pool will fund the contract this CityFibre for its first seven years.

Recommendations

Cabinet is recommended:

- i) to approve in principle that the Council enter into an agreement with CityFibre for an extension of the Council's full fibre connectivity using the West Sussex County Council's framework and the seven year revenue model.
- ii) to delegate to the Chief Executive, in consultation with the Leader, the final approval of sites and contract detail subject to approval of funding of £802,440 from the business rates pooling being approved by West Sussex Leaders.

Reasons for Recommendations

- i) This change will make the Council's services fit for the next seven years from the date of build, expected to be in the second half of 2022.

Background Papers

September 2017 Cabinet report on Gigabit West Sussex

September 2018 Cabinet report on 75% Localisation of Business Rates 2019-20 Pilot Scheme

Wards affected: Broadbridge Heath, Denne, Forest, Holbrook East, Holbrook West, Roffey North, Roffey South, Trafalgar

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Background Information

1. Introduction and Background

- 1.1. In September 2017, Horsham District Council's Cabinet agreed to join a countywide project, led by the County Council to roll out ultrafast broadband to some of the Council's buildings. In May 2018, West Sussex County Council awarded a contract for gigabit capable dark fibre infrastructure. Network construction is completed in Horsham and nearing its end in the rest of West Sussex.
- 1.2. Horsham District Council has continued to work with West Sussex County Council and the other West Sussex Districts and Boroughs to maximise the benefits of gigabit-capable full fibre across our areas and our operations.
- 1.3. This report looks at how to achieve a further roll out to the rest of our public service sites in Horsham town.

2. Relevant Council policy

- 2.1. The further roll out of our public connectivity supports people and businesses to deal online with us by ensuring we have excellent connectivity at all our points of access. It also supports us to provide value for money in our services because all will be able to use the most up to date digital technology based on this network.

3. Details

- 3.1. This report proposes a roll out of dark fibre to another fifty-four Horsham District Council sites in Horsham. These sites can achieve coverage using a call off from West Sussex County Council's original 2018 framework contract with CityFibre.
- 3.2. CityFibre propose to use an underused Horsham District Council site as a location for its fibre exchange in Horsham. The dark fibre network will roll out to another fifty-four sites in Horsham town. The details of which sites are most financially advantageous to the Council has yet to be finalised.
- 3.3. This proposal is similar to that agreed by Adur and Worthing Councils' Joint Strategic Committee with CityFibre on 2 April 2019, Crawley Borough Council's Cabinet on 27 November 2019, Chichester District Council's Cabinet on 3 December 2019 and Arun District Council's Cabinet on 9 December 2019.
- 3.4. The countywide business rates pool for 2019/20 focusses on the roll out of superfast broadband. This project is included in the list of potential projects for the pool to support. 100% funding of the build costs of project by the pool has been recommended by West Sussex Chief Executives and informal discussions indicate the West Sussex Leaders will formally approve the recommendation when they meet.
- 3.5. To use this network to support its operations, once built, the Council will need to enter into an agreement with an internet service provider to light the network. Indicative costs from other organisations suggest the light up cost will be in the region of £1,400 a year for each site. However, this is rapidly moving industry and this could change by the time the network is live, likely to be during 2022/23.

4. Next Steps

- 4.1. The West Sussex Leaders' Group is scheduled to make its decision on the allocation of funding to this project on 5 February 2020. The Chief Executive and Leader will finalise the detail of the agreement with CityFibre. Build will begin about six months after approval. CityFibre have scheduled the completion of project for the second half of 2022.

5. Views of the Policy Development Advisory Group and Outcome of Consultations

- 5.1. The Local Economy & Parking Policy Development Advisory Group looked at the range of commercial and public full fibre options under consideration by the business rate pool in October 2019. Their interest is in the further roll out of fibre to businesses throughout our area. They support any project that leads to more fibre in our area.
- 5.2. The Finance & Assets Policy Development Advisory Group considered the proposal at its meeting on 13 January 2020. The Group supported the proposal.
- 5.3. The Monitoring Officer has commented on the legality of the use of the call off and potential state aid issues. The Head of Finance and the Director of Corporate Resources have reviewed the financial implications of the report.
- 5.4. The Director of Place accepts the use of one of the Council's less used sites from the operational portfolio as location for a fibre exchange.
- 5.5. The County Council's Project Team leading the full fibre projects countywide, and who let the original framework, commented on this report.
- 5.6. Close working with the other councils within the county is ongoing through the Everything Connects working group as well as the County Chief Executives and Leaders groups who oversee the governance of the Business Rates Retention Pool pilot.

6. Other Courses of Action Considered but Rejected

- 6.1. The Council could let its own contract for the roll out of fibre in Horsham town and not use the call off framework. This would incur procurement costs and time. It might, or might, not yield a more attractive price.
- 6.2. The market will eventually deliver fibre to the premise across our district. Horsham town has already attracted some interest from other companies. One operator has sought space to set up a stall in our market to sell fibre to the home using OpenReach ducting in some parts of Horsham early in 2020. These companies' rollouts might provide an option to connect Horsham District Council's sites in the town using the companies' fibre to the premise solutions. However, the cost, timing and coverage of these is unknown.

7. Resource Consequences

- 7.1. CityFibre has offered the Council two financial options.
- 7.2. The first is a revenue option with an expected cost of connecting these fifty-four sites of £54,000 set up cost and £8,910 a month for a minimum of seven years, a total cost to the Council of £802,440.
- 7.3. The Council could alternatively use a capital model where the Council would pay £1,458,000 set up cost. £27,000 non-recurring revenue and £5,400 a year in advance after that. This option is for a minimum committed term of 30 years.
- 7.4. From the first fourteen years after roll-out, the Operational Expenditure Model in paragraph 7.1 is the most advantageous model to the Council. From fifteen years to thirty years' after go-live the capital model, assuming no increase in the ongoing annual fee, is the more advantageous model.
- 7.5. The financial decision depends on how long the Council believes the network will last and whether it wants to allow itself alternatives after seven years.
- 7.6. It is expected the countywide Leaders' Group will make a decision whether to fund the seven-year model from the 2019/20 business rates pool at its meeting on 5 February 2020. The roll-out schedule provided by CityFibre suggests the first payment, that occurs when 90% of the circuits are complete, will occur in September or October 2022.
- 7.7. CityFibre propose to use one of the Council's unrented operational premises or land as a fibre exchange for this project.
- 7.8. In addition to the cost of a roll out of the dark fibre network the Council will need to procure a network service provider to "light up" the network. Indicative costs from other organisations suggest around £1,400 a site, or £75,600 a year assuming we light all fifty-four sites. These costs are the same with either model. A programme for use of the new network will be developed and these costs addressed as part of future budget setting processes.
- 7.9. Beyond the seven-year term the Council will have a choice whether to continue to use the network or not. CityFibre has suggested the contract will contain a 10% reduction for further years. Assuming a 10% reduction is achievable at this stage and the light up costs do not increase then the revenue account from 2029/30 will face increased costs, including light up costs, of around £172,000 a year.

8. Legal Consequences

- 8.1. Section 1 of the Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing legislation.
- 8.2. Section 1 of the Local Government (Contracts) Act 1997 confers power on the local authority to enter into a contract for the provision of making available assets or services for the purposes of, or in connection with, the discharge of the function by the local authority.

- 8.3. Under the Public Contract Regulations 2015 where a Public Authority is to enter into a contract for the supply of goods & services, and the value of those goods and services exceeds a financial limit of £181,302 any procurement exercise to contract for those goods and services must be conducted in accordance with the Regulations and any failure to do so may be declared as anti-competitive and in breach of the Regulations.
- 8.4. Legal advice on the project proposal has been obtained to ensure that the project does not breach the rules on state aid.

9. Risk Assessment

- 9.1. Key risks arising from this project are:

- Procurement challenge arising from the use of the framework.
- Build delays.
- Commercial roll out from another organisation potentially meaning a better agreement could have been achieved before the build is complete.

10. Other Considerations

- 10.1. This project has no negative impacts on any minority group and could aid our reduction of carbon plans through the use of technology rather than travel.
- 10.2. The roll-out of fibre will lead to road digging throughout the streets affected. This will temporarily affect residents and businesses in our area.