

Report of Simon Cowen Full Fibre Programme Senior Responsible Officer

Report to Neil Evans Director Resources and Housing

Date: 6th November 2020

Subject: Leeds Full Fibre Programme authority to spend £7.02M to enable the delivery of the Leeds Full Fibre Programme

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number: 1 LFFP Capital Invest to Save Business Case FINAL	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Summary

1. Main issues

As part of the Leeds Full Fibre Programme and the contract award to BT Plc on 27th February 2020 to deliver a full fibre network to 1381 sites across the Leeds MD and provide network services for a period of 10 years to the Council and Health Partners, the LFFP Programme Team seek to request authority to spend £7.02M as outlined in the LFFP Capital Invest to Save Business Case.

2. Best Council Plan Implications (click [here](#) for the latest version of the Best Council Plan)

The Full Fibre Programme aligns with the Sustainable Infrastructure strand of the Best Council Plan - Strengthening digital and data 'Smart City' infrastructure and increasing digital inclusion.

It also delivers against the 21st Century Infrastructure and Leeds as a Digital City 12 Big Ideas from the Inclusive Growth Strategy.

3. Resource Implications

All identified resources are covered under the DIS ESP Essential Services Programme.

Recommendations

The Director for Resources and Housing is recommended to:

1. Note that this decision is a direct consequence of implementing previous Key Decision (D48405, dated 13th February 2019) and was in the contemplation of the decision maker at the time the decision was taken and the award of contract to BT Plc, commencing in March 2020 for a period of 10 years with an estimated total value of £20.3M; and
2. Provide authority to spend on the capital sum required as outlined in the LFFP Capital Invest to Save Business Case of £7.02M

3. Purpose of this report

- 1.1 This report relates to key decision no. D48405 'Full Fibre Network Programme for Leeds' taken on the 13th February 2019 that granted approval to undertake a procurement exercise for a partner to build and deliver a full fibre gigabit capable network for Leeds City Council and partner buildings across the Leeds Metropolitan District (Leeds MD), and that agreement be given for all budgets, where there is a connectivity requirement, to be incorporated within the 'Full Fibre Programme', in order to achieve a greater coverage, cost saving and benefits realisation and further to the award of contract to BT Plc, commencing in March 2020 for a period of 10 years, and with an estimated total value of £20.3M.
- 1.2 This report seeks approval from Neil Evans, Director of Resourcing and Housing to provide authority to spend on the capital sum required as outlined in the LFFP Capital Invest to Save Business Case of £7.02M. By doing so, Leeds City Council can honour its commercial obligations to BT Plc and continue to deliver a full fibre network to 1381 sites across the Leeds MD, and provide network services for a period of 10 years to the Council and partners.

2. Background information

- 2.1 The February 2019 Executive Board approved a recommendation to enter into a procurement exercise for the provision of gigabit capable fibre infrastructure build and corporate network services. A detailed specification was prepared and a supplier day was arranged to engage with the market.
- 2.2 Leeds City Council awarded a contract to BT Plc on 27th February 2020 for a full fibre network to replace the existing contracts with Virgin Media Business (incumbent) for the Corporate WAN, ICT4Leeds schools and its Health Partner sites.
- 2.3 The COVID pandemic and lockdown resulted in Openreach prioritising critical national infrastructure NHS orders which directly impacted the completion and final approval of the LFFP financial model and business case.
- 2.4 The LFFP Programme team now has a developed financial business case and needs to seek authority to spend on the capital required in order to progress the development of the fibre rollout and to pay BT for the work now underway to deliver fibre infrastructure across the Leeds MD.
- 2.5 The joint Leeds City Council and BT Programme Team are currently delivering Phase 1 of the work, migrating all core corporate sites from the incumbent VMB

network onto the new Full Fibre Network and managing the underlying infrastructure delivery of full fibre to all c. 1400 assets on the site list.

3. Main issues

- 3.1 As noted above, Leeds City Council awarded a contract to BT Plc on 27th February 2020 for a full fibre network to replace the existing contracts with Virgin Media Business (incumbent) for the Corporate WAN, ICT4Leeds schools and its Health Partner sites.
- 3.2 The COVID pandemic and lockdown resulted in Openreach prioritising critical national infrastructure NHS orders which directly impacted the completion and final approval of the LFFP financial model and business case.
- 3.3 The LFFP Programme team now has a developed financial business case and needs to seek authority to spend on the capital required in order to progress the development of the fibre rollout and to pay BT for the work now underway to deliver fibre infrastructure across the Leeds MD.
- 3.4 The LFFP Programme Team seek to request authority to spend £7.02M as outlined in the LFFP Capital Invest to Save Business Case.
- 3.5 As part of this process, our 'Invest to Save' capital business case will be submitted to the FPG (Financial Performance Group) for review and approval on 16th November. At the same time we are going to request to add the requirement to seek authority to spend on the capital borrowing amount required by the programme as a key decision to the 'list of forthcoming key decisions'.
- 3.6 Following the due process described above it is the aim of the programme to obtain approval to spend on the capital sum required.
- 3.7 The Capital funding requirements for this programme as a maximum are as follows:
Based on the profiling of the Council's immediate requirements the programme requires the following funding.
Openreach Full Fibre Infrastructure Build (FFIB) to c. 1400 sites at a cost of £6.4M
Connection charges at a cost of £3.2M
CCTV and UTC Line Shift and Camera Upgrade respectively at a cost of £1.0M
Giving a total capital requirement of £10.6M
£3.6M capital has previously been approved in the capital scheme and will be spent in the first two years of the contract on FFIB build, therefore no borrowing is required until the second year of the contract.
Therefore the overall borrowing required to fund this programme will be no more than £7.02M.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 Following receipt of the final tender submissions, the Senior Responsible Officer has briefed and consulted Councillor James Lewis, the Deputy Leader and Executive Member for Resources and Sustainability.

- 4.1.2 The 100% Connectivity Board and DIS SLT have been kept updated throughout the duration of the procurement process.
- 4.1.3 Corporate Finance have also been consulted.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 As the team have not yet had access to detailed design proposals, it has not been possible to undertake comprehensive equality screening at the current time. An initial 'Phase 1' screening assessment has been undertaken and is appended at appendix A.
- 4.2.2 No individuals or groups will be discriminated against as part of the public services network proposal which essentially has a remit to provide improved and upgraded connectivity between public sector buildings and assets.
- 4.2.3 Instances may arise where particular areas (yet to be determined) receive a degree of access to enhanced broadband connectivity and commercial broadband services as part of the ongoing rollout, once work commences on the network build. Although the Council and health partners cannot specify or lead a commercially-driven roll out or necessarily influence the areas where private, commercial investors wish to offer services, it is envisaged that a by-product of this programme would be to assist in the availability of better connectivity to some of the most deprived areas of Leeds.
- 4.2.4 While not a core element of the Council services being procured, it is anticipated that the Full Fibre Programme will deliver opportunities to improve digital inclusivity in areas (such as rural or deprived areas) that may otherwise suffer digital exclusion.

4.3 Council policies and the Best Council Plan

- 4.3.1 The Full Fibre Programme aligns with the Sustainable Infrastructure strand of the Best Council Plan - Strengthening digital and data 'Smart City' infrastructure and increasing digital inclusion.
- 4.3.2 It also delivers against the 21st Century Infrastructure and Leeds as a Digital City Big Ideas from the Inclusive Growth Strategy.

4.4 Climate Emergency

- 4.4.1 Widespread proliferation of full fibre networks will also:
 - 4.4.1.1 Allow greater use of environmental sensors in LCC property, social housing stock, traffic management and air quality monitoring and support the recent Climate Emergency Declaration made by the Council in reducing emissions to net zero by 2030.
 - 4.4.1.2 Reduce the number of car journeys and improve air quality – making it easier for businesses to explore greater use of remote and home working.
 - 4.4.1.3 Support greater use of telecare to help reduce travel associated with the management of medical conditions.

4.5 Resources, procurement and value for money

- 4.5.1 The Council currently spends around £1.2M per annum on Wide Area Network (WAN) connectivity under the current PSN contract with Virgin Media Business. Approximately £250K is recouped from schools customers as part of a managed WAN service offered by DIS.
- 4.5.2 It is intended that the programme will be funded by borrowing against this forecasted spend over a period of 25 years which is the duration of the IRU, in order to provide the funding required to undertake the bulk of the necessary investment.
- 4.5.3 The total capital funding requirement is £10.6M
- 4.5.4 £3.6M capital has previously been approved in the capital scheme and will be spent in the first year of the contract on FFIB build, therefore no borrowing is required until the second year of the contract.
- 4.5.5 Therefore the overall borrowing required to fund this programme will be no more than £7M.
- 4.5.6 The LFFP's business case affordability is predicated on winning an amount of business from partners like Schools. We have kept this requirement to a minimum to ensure it is achievable. Once the fibre build has been completed in 2022 the programme will aggressively market the opportunity to other Leeds institutions like Colleges and Universities, Private Care Homes, Hospices, Blue Light organisations etc. The opportunity to drive revenue from LFFP is significant and only limited by the ambition to achieve it.

4.6 Legal implications, access to information, and call-in

- 4.6.1 This decision is a direct consequence of implementing previous Key Decision (D48405, dated 13th February 2019) and was in the contemplation of the decision maker at the time the decision was taken. As such, this is a significant operational decision that is not subject to call-in.
- 4.6.2 Appendix 1 of this report contains information relating to the LFFP Capital Invest to Save Business Case detailing the financial model and affordability plan for the LFFP Programme.

4.7 Risk management

- 4.7.1 The programme will be delivered using the Council's agreed project management methodology and a programme risk log will be maintained and risks managed, monitored and escalated through the governance process as necessary.
- 4.7.2 A high level assessment of risks associated with this programme is detailed below:

1	Delivery implications due to a Coronavirus second wave	There is a risk to the migration of LCC Core Sites onto the LFFP network by the end of December if there is a further lockdown. This could impact	High	High	All engineering resource is classified as essential workers however there are implications that would bring delay due to the closure of buildings. LCC has agreed that it will extend with VMB any sites that can't be migrated in

		the programmes ability to migrate all sites due to the implications that a 2 nd lockdown would bring.			time but this will incur additional costs.
2	Assets	The current financial model is based on an analysis of the current site asset list. Due to the current financial situation that the Council finds itself in due to the public health crisis, there may be the requirement to dispose of a large number of assets which would have a direct implication on the financial model.	High	High	The programme team are pro-actively managing the financial model on a monthly basis and are in regular dialogue with Asset Management. Where such changes arise these will be modelled and communicated to the relevant stakeholders.
3	CCTV and UTC Services	The ability to deploy CCTV and UTC camera services onto the LFFP network are dependent upon the relevant services approving change requests for the upgrade of camera's from analogue to digital. If this CR is not approved, the migration of the camera services can't take place as analogue hardware will not work on the new network.	Medium	High	The LFFP team is in dialogue with key stakeholders to move this forward however it is imperative that approval is provided quickly due to the time constraints that the Programme is working to and due also to the ageing infrastructure that the CCTV and UTC services rely upon.
4	Resource	Ability to resource the delivery of the programme	Medium	Medium	BT Plc has offered to support the deployment and the team by a rate card.

5	Cost duplication	Dual running of incumbent services with incoming contractor services	Low	Medium	Specified in contract requirements.
6	Incumbent Exit	Migration from incumbent to selected bidder services. Failure to exit by December 2020 will result in additional charges equal to £1.2m	Medium	High	The Council is liaising with Virgin Media Business regarding the possible extension of a number of sites should there be issues with migrating all LCC Core sites by the end of December. It is to be noted that costs will be incurred for any sites that required to be left on the VMB network in order to maintain services at the end of December if the Programme cannot migrate them all in time.
7	Forecast Revenue Assumptions	There is a risk that the minimum revenue forecast assumptions made in the financial model may not be met, impacting the annual net savings detailed in the affordability table in this document	Low	High	As part of the engagement with third parties and the Council's health partners there are positive indications that the Programme Team will meet the targets detailed in the forecast model. Further, the Council has written confirmation that the CCG and GP surgeries will join the LFFP network from Year 4 and that BT have guaranteed the 5G income (£1.8M) over 10 years.
8	Maintaining a Service	The Council is in exit provision with the incumbent network supplier Virgin Media Business. At the end of December 2020 the current VMB contract will cease. Leeds City Council must ensure that service is maintained for all corporate sites and the services that depend upon	Medium	High	Ensure that there is a managed migration of LCC Core Sites from the incumbent VMB network to the new Leeds Full Fibre network in order to provide a continuity of service. Please also see Risk Item 6.

		connectivity. If we do nothing the Council will at the very worst case suffer a loss of Connectivity to every single building as the current connections will be ceased after this point.			
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5. Conclusions

- 5.1 Engagement with services and directorates has been a core part of the Leeds Full Fibre Programme.
- 5.2 Updates have also been provided to senior officers through presentation and discussion at the 100% Connectivity Board chaired by Martin Farrington, Director for City Development.
- 5.3 The LFFP now needs authority to spend on the capital sum outlined above in order to proceed with the ambitious plans as set out in the Executive Report approved in February 2019 (D48405).

6. Recommendations

- 6.1 Director for Resources and Housing is recommended to:

Note that this decision is a direct consequence of implementing previous Key Decision (D48405, dated 13th February 2019) and was in the contemplation of the decision maker at the time the decision was taken and the award of contract to BT Plc, commencing in March 2020 for a period of 10 years with an estimated total value of £20.3M; and

Provide authority to spend on the capital sum required as outlined in the LFFP Capital Invest to Save Business Case of £7.02M

7. Background documents¹

- 7.1 Full Fibre Executive Report:

<https://democracy.leeds.gov.uk/documents/s184652/Full%20Fibre%20Cover%20Report%20V3%20010219.pdf>

¹ The background documents listed in this section are available to download from the council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.