

8. West Sussex Gigabit Project

REPORT OF: HEAD OF DIGITAL AND CUSTOMER SERVICES
Contact Officer: Simon Hughes, Head of Digital and Customer Services
Email: simon.hughes@midsussex.gov.uk Tel: 01444 477421
Wards Affected: All
Key Decision: No
Report to: Cabinet
29th September 2017

Purpose of Report

1. This report provides details on a request from West Sussex County Council (WSSCC) for the Council to be included in a proposed procurement for Full Fibre networks in West Sussex called the 'Gigabit West Sussex Programme'.

Summary

2. The report asks that the Mid Sussex Cabinet takes an in-principle decision to participate in the Gigabit West Sussex programme. This involves in principle commitment to including the twenty-year rolled up costs of the existing connectivity leasing costs for the Oaklands campus in the County's procurement. This would amount to £68,000 over twenty years. The financial risks to Mid Sussex are small. Inclusion in the programme may enable faster roll out of full fibre networks in the towns of Burgess Hill and Haywards Heath. This would benefit businesses and residents in these areas.

Recommendation

3. To agree:
 - i. To Include the current 20-year rolled up lease costs for existing connectivity within the Gigabit West Sussex Programme procurement.
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Introduction

Gigabit West Sussex Proposals

4. West Sussex County Council is planning to procure full fibre connectivity to key public sites in eight county towns as part of the Gigabit West Sussex programme. This means providing optical fibre from digital exchanges right up to the buildings. This involves procuring new fibre networks and connecting local authority sites in the towns. The procurement is intended to commence in this year. Districts and Boroughs have been invited to join the programme by the County, taking advantage of the Department of Culture, Media and Sport's Local Full Fibre Networks (LFFN) Programme funding (Wave 1), which has been awarded for the programme.
5. The procurement is intended to provide new end-to-end dark fibre (large bundles of fibre) networks in Worthing, Shoreham, Chichester, Bognor Regis, Horsham, Haywards Heath, Burgess Hill and Crawley through a 20-year lease agreement with a single supplier.

6. The procurement aims to connect sites at 1000Mb (gigabit) speeds. West Sussex County Council is prepared to make the required initial capital investment on behalf of all councils, charging partners annually without any increases in charges, because of, and subject to, LFFN gap funding.
7. The Gigabit West Sussex project will then apply for additional funding under Wave 2. Some of this funding could apply to Mid Sussex.
8. To proceed with the procurement West Sussex County Council are looking for in principle approval for the Council to commit to a 20-year lease of new dark fibre infrastructure as part of a contract between West Sussex County Council and the selected supplier. This will also take advantage of central government gap funding. In doing so, the Council would agree to commit to continue to pay the County Council for passive connectivity to Oaklands in Haywards Heath on an annual basis for the duration of the 20-year period, with no increases beyond the current rates. This is currently £3,400 for 2 lines providing up to 100mb connectivity each. The Council would therefore be receiving up to 2GB connectivity for £3,400 per year, for twenty years, under this new arrangement. This would amount to £68,000 over twenty years.
9. The Gigabit West Sussex Project is testing and demonstrating two approaches to funding full fibre roll out. The approach here is known as 'Anchor Tenancy'; using long-term public sector demand to underpin commercial investment in full fibre. The anchor tenancy investment model works by 'rolling up' and aggregating public sector demand to provide a low-risk foundation on which a higher risk speculative investment can be made. The investing provider deploys infrastructure that can satisfy public sector requirements and that can be extended to provide service to a wider commercial and eventually domestic user base. This latter point is the real benefit to residents and businesses. It means that full fibre can be provided to homes and businesses sooner than other commercial models and ensures greater competition in the market. The model relies on three critical elements to justify the investment:
 - Aggregation: Adequate aggregated public sector spend;
 - Density: Delivery over a sufficiently concentrated area; and
 - Longevity: Commitment over a sufficient time span.
10. This model typically focuses on urban environments that satisfy the density criterion in the investment model. Fibre investment models for small towns and rural areas exist however these are not generally based on anchor tenancy models and are more likely to involve other forms of state intervention. Therefore, the Gigabit West Sussex Programme are also looking to pilot a voucher scheme using LFFN (Wave 2) funding.

Risks

11. The risks relate principally to the roll out of full fibre in less densely populated areas and not to the finances of the Council. In West Sussex, the anchor tenancy model will need to overcome the challenge of how to meet the investment criteria across a large county with few significant concentrations of demand. It is not yet clear what may become possible with the application of additional state funding under LFFN.

12. A successful application of the anchor tenancy model in West Sussex would be of significant benefit to its citizens and businesses, however it would be a mistake to see this as 'job done'. There will be challenges facing the project and remaining afterwards. For example, the anchor tenancy model will only extend to those areas where the criteria can be met, where sufficient public sector demand can be assembled in a sufficiently concentrated area over a sufficiently long period. The inclusion of the 20-year rolled up cost of connectivity for the Oaklands site will not be included in the procurement if the criteria cannot be met for Haywards Heath.
13. The anchor tenancy model effectively implies the creation of a new monopoly. The longevity criterion coupled with procurement rules mean that public sector organisations need to take care not to get locked into long-term service delivery deals that after a few years would compare very unfavourably with the savings that could have been achieved with other investment/procurement models. Bandwidth costs are constantly falling as demand rises, which means long-term service deals may not be best value. While service providers charge for a given amount of bandwidth, if a public-sector body has access to the fibre itself it can upgrade bandwidth almost without limit for a small capital outlay.
14. For Mid Sussex, the risks are small and participation in the programme at this point makes no commitment. Over the coming years, the Council will have an increased demand for bandwidth as it moves to Software as a Service and therefore it would expect to pay more for this increased bandwidth. While it is difficult to project bandwidth costs across 20 years, increased bandwidth for the same cost currently may be at best cost neutral across 20 years or a marginal increase in the latter part of the term. However, offset against the benefit of delivering full fibre connectivity to homes and businesses in the area faster than would otherwise be achieved is a significant economic benefit.
15. The County's programme can also part of the overall approach to delivering full fibre in Burgess Hill. This approach uses tried and tested methods and combines them to accelerate delivery and, crucially, enable local businesses to play a role in constructing and operating the new digital infrastructure:
 - A 'dig once' approach, taking advantage of much lower costs to install new fibre infrastructure during construction, road building and regeneration projects;
 - Enhancing the West Sussex Gigabit programme approach by using private-sector led asset aggregation schemes and publicly-owned infrastructure;
 - Providing more scope for businesses other than the 'main players' to get involved; including local investors, construction and tech businesses; and
 - Encouraging the development of small tech clusters, acting as a springboard for business growth
16. Combining the Council's approach with the Gigabit West Sussex programme is likely to increase the pace of full fibre deployment for Burgess Hill by supplementing public sector demand with business demand and using existing and new assets (ducting) to reduce the cost of deploying fibre.

Conclusion

17. The financial risks to Mid Sussex are small and the inclusion in the programme may enable faster roll out of full fibre networks in the towns of Burgess Hill and Haywards Heath. This would benefit businesses and residents in these areas.