



PRCC.39 12/13

Prosperous Communities
Committee

9 April 2012

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Subject: Rural Broadband Investment

Report by:

Chief Executive

Contact Officer:

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Purpose / Summary:

To provide the committee with an update on the findings of the Rural Broadband Working Group and endorse its recommendations.

RECOMMENDATION(S):

1. That a further Report be provided to committee on the 4th June 2013 informing them of the outcome of the investment exercise being undertaken.
2. That Committee note the headline business case stated below in appendix 1.
3. That Committee task Growth officers via the Growth Board to contact the mobile phone companies to encourage them to invest in additional radio base stations in the area to improve mobile phone coverage. Findings to be reported back the Prosperous Communities Committee Chairs Brief on a regular basis
4. That Committee task Localism officers via the Localism Board to work with Community Lincs and other relevant organisations to produce a plan to support increasing community interest and use of broadband within the District. This should include working with officers within the Universal Credit Pilot and to ensure maximum usage of village halls and understand the number of digitally exclude citizens within West Lindsey. Findings to be

5. Committee to task Planning Officers, via the Growth Board to; raise with developers the topic of high-speed broadband during their discussions to encourage the installation of the appropriate infrastructure on and into development sites. Findings to be reported back the Prosperous Communities Committee Chairs Brief on a quarterly basis.

IMPLICATIONS

Legal:

There are legal implications with respect to seeking an investment partner in respect to state aid. The investment brief has been reviewed and checked by Legal to ensure that wording used in the Investment Brief is clear that WLDC are to engage the market using market investor principles and not via the provision of a grant (state aid).

Financial :

There are no financial implications at this stage of the process.

Staffing :

There are no staffing implications at this stage of the process.

Equality and Diversity including Human Rights :

The proposal supports broadband access to residential and business communities that are currently digitally excluded because of socio economic and geographic reasons.

Risk Assessment :

There are no implications at this stage of the process.

Climate Related Risks and Opportunities :

There are no implications at this stage of the process.

Title and Location of any Background Papers used in the preparation of this report:

n/a

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

Context

The Rural Broadband working group had been tasked by C&I Committee to determine possible solutions to addressing the poor level of broadband speeds within the district. In doing so the group had spoken to a number of suppliers and assessed the potential of various technical solutions and opportunities that they could provide.

An investment proposal was presented to the Council by a local internet service provider (ISP). A review of the proposal deemed it was not commercially or financially viable in addressing in the Councils Corporate Aims. The concept of wireless broadband provision to the district was however felt to be a viable approach to complement BDUK, and provide an immediate solution to those parts of the district that would not benefit from the superfast broadband a) for a further 12 and 36 months or b) not benefit at all. Market research was undertaken via a Prior Information Notice (PIN) posted on Source Lincolnshire which resulted in detailed dialogue with service providers to understand possible solutions to achieving greater broadband speeds within the district.

The outcome of the market research, in tandem with the findings of the Rural Broadband Working Group was to go to the market to understand the feasibility of the Council entering into a joint venture with an ISP to deliver against the objectives stated within the Corporate Plan. An Investment Brief has been constructed based upon the findings of the Broadband Working Group, market research, legal advice (Lincolnshire Legal) and financial advice (S151 Officer); and will follow market investor principles.

C&I and Leaders Panel endorsed the Investment Brief being issued to test the market to see if a viable Wireless Broadband investment can be found to address the issues of poor broadband connectivity within its rural communities and address issues of digital exclusion and provide the Council with a commercially viable investment.

Timeline for progression shown below:

Timeline	Start	Complete
Investment Brief Issued via Source Lincolnshire	15/03/2013	15/03/2013
Deadline for clarification questions	29/03/2013	29/03/2013
Deadline for proposals to be received	19/04/2013	19/04/2013
Assessment of proposals	22/04/2013	26/04/2013
Invitations to present to Commercial Board	29/04/2013	29/04/2013

Presentations held	06/05/2013	10/05/2013
Clarification Period	13/05/2013	17/05/2013
Evaluation of responses and recommend an investment.	20/05/2013	24/05/2013

1 Introduction

Headline Business Case

The viability of any investment will be assessed against the criteria as detailed below.

Strategic Case

The proposal supports the strategic aims of the Council as detailed in the Corporate Plan (see fig 1 below):

Fig 1

Theme	Priority	Outcome	Measure
An accessible and connected district where all have the best opportunities in life to help themselves and others (Theme 1)	Communities are able to meet their local needs sustainably.	Connecting citizens and communities to each other with information and social media.	Percentage of population covered by high speed broadband
	That all communities in West Lindsey achieve their full potential and provide the services and infrastructure local people need.	Market Rasen becomes a vital and vibrant town which is capable of identifying its priority needs and addressing them through effective community engagement and action	Broadband speeds
A prosperous and enterprising district (Theme 3)	An environment where an increased number of businesses and enterprises can grow and prosper.	West Lindsey has the right physical conditions that allow businesses to grow and prosper.	Speed of broadband across the district

An investment into a viable wireless broadband solution also supports the strategic decision of WLDC being an ‘Entrepreneurial Council’ (see Fig 2) and its approach to addressing future funding deficits by focusing on income and trading to ensure sustainability an income from non-traditional sources to meet district needs.

Fig 2- Some of the key characteristics of our Entrepreneurial Council approach are:

- | |
|--|
| 1. greater commercial focus where all managers understand their finances, seek opportunities to generate income and are innovative in designing new approaches that provide more with less subsidy |
| 2. collaborative and partnership focus where elected members and managers work with partners to develop more integrated services |

Commercial Case

Superfast broadband is limited in availability in both West Lindsey and Lincolnshire and the BDUK FTTC is estimated to be a 3 year roll-out with the first year being the development of the infrastructure.

Alternative technologies to Wireless (other than traditional Broadband) are not widespread and/or fit for purpose currently in West Lindsey i.e.

- o satellite (does not compare as viable alternative technology but has a place as the technology of last resort)
- o ADSL (available but does not compare as viable technology)
- o mobile technology (available but does not compare as viable technology due to limited 3G coverage and no 4G current or planned 4G coverage)

There is an immediate rural market for both residential and business users for example:

1. The average connectivity speed along the Trent valley is less than 1mb.
2. In Caistor and Market Rasen the speed average 3.1mb and 4.4mb respectively but typical speeds are between 0.3 and 3.5mb.
3. Market Rasen and Caistor (including Middle Rasen) account for 16% of West Lindsey's businesses (the largest outside Gainsborough) and have a combined population of 4182.
4. Source - uSwitch and Economic Development WLDC

Market Opportunities

Wireless broadband providers offer a cost effective infrastructure and rapid deployment vehicle to quickly exploit the current gap in the market.

Wireless technology enables superfast broadband to be accessible to those digitally excluded due socio economic and/or geographic reasons (as no credit checks are required and the technology is not dependant on FTTC).

The Government's policy of digital by default provides a commercial opportunity to generate an income from social landlords and stock holding authorities by digitally enabling tenants – the benefits to these organisations is increased channel shift, enabling tenants to apply Universal Credit (online) and reducing postal costs. Note: - additional income can be made from paid sponsors of the home portal e.g. NHS, DWP, ethical lenders and Councils wishing to promote services online.

Schools are able to procure the own broadband services and wireless offers a cost effective solution to the traditionally LEA models (with typically greater speeds in rural areas).

The CCTV/security services market provides a readymade market for wireless broadband to exploit as the technology once installed, across a region, enables a service to be provided to the market that is both portable and secure. The installation cost of this service is low and provides the opportunity to sell a competitively priced product to the market with excellent returns.

WLDC is an attractive partner to a commercial provider as: -

- o It offers prospective investors the brand recognition which instinctively promotes confidence and trust amongst West Lindsey residents and further afield as a Council brand.
- o It provides access and commercial insight within West Lindsey and the Greater Lincolnshire in respect to both private (commercial and domestic) and public markets.

Financial Case

The financial case will be informed by the responses received from the market providers to the Investment Brief. Some of the opportunities for the Council are: -

1. Generate a sustainable financial return for the Council to support its commercial aspirations and to reduce its reliance upon central government funding. Minimum of 5% ROI.
2. Securing a financially viable investment in broadband services that enables rural business communities to grow and residents to access services online that benefit them financially (social return).
3. Securing a viable financial investment in a business that is seeking to expand its business into other areas of the county and exploit new markets for its services (to provide a sustainable financial return in excess of bank rates and traditional investment streams - nb this will need to be tempered with 'value' of returns but it is felt that both of these are not mutually exclusive).
4. Facilitate the generation of greater tax income through increased Broadband Speeds across West Lindsey by enabling the right physical conditions that allow businesses to grow and prosper (minimum of 24mbps)
5. Cost effective development of a network of broadband hotspots across the district to provide the coverage to support a district wide agile workforce, promoting community cohesion and economic regeneration.

Operational Case

The operational case will be informed by the responses received from the market providers to the Investment Brief. Some of the key operational requirements are: -

- o Providers have the operational capability to meet the commercial aspirations of the Council. The ability to 'hit the ground running' in respect to a technical solution, to support and roll out an aggressive marketing strategy, the capacity and capability to service consumers in respect to customer services (billing, credit management and technical help desk).
- o Providers have the technical ability to maintain and manage a wireless infrastructure and the capacity and capability to build up that infrastructure in the next 12 months.
- o Providers have the sales and marketing capability to rapidly build up the customer base over the next 2 years and are able to provide a variety of packages that are attractive to consumers in respect to both cost and quality.
- o Wireless providers, to minimise the 'technology switch', must ideally be able to provide FTTC via the BT Openreach network to retain customers wanting that technology. Note: customer retention will be a key element to protecting the market value of the business and positioning it to withstand future superfast broadband competition and making it financial attractive to an acquisition should larger players enter the wireless market.

Legal Case

Through the Localism Act 2011, Part 1, General Powers of competence, we have the legal right to enter into any partnership agreement to provide a paid for service.

Procurement Lincolnshire has advised that the exercise required to procure the services of a commercial partner does not need to follow OJEU rules as telecoms are not covered under this legislation. Lincolnshire Legal has been involved in the construction of the Investment Brief and approved that document as being fit for purpose to issue to the market via Source Lincs (which is circulated EU wide) following market investor principles.

West Lindsey District Council is covered by State Aid law which prohibits the giving of state resources above a specified minimum level to individual undertakings

operating in a market where the effect would be to distort or potentially distort competition and where there is an effect on trade between member states of the European Union. This investment is structured to avoid the application of State Aid law and any proposal which it the Council believes would lead to giving unlawful State Aid would be rejected as part of the assessment.

S151 Officer Comments

Subject to receiving suitable submissions the legal and procurement advice identifies the potential to undertake an investment of this nature. Members have previously allocated funds for this type of investment (through the Economy and Jobs fund).

However, Members need to be aware that the approach set out here does not (and is not intended to) meet procurement regulations and it should be noted that this is an investment and not a procurement exercise as such WLDC could not enter into a contract for public works, supplies or services. A fuller evaluation around the viability of individual submissions will be undertaken once these have been received, with recommendations as so any future action.