

North Lanarkshire Council

Report

Transformation and Digitisation Committee

approval noting

Ref KH/YW

Date 13/05/20

DigitalNL - Infrastructure

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Executive Summary

This report updates committee on the outcome of initial market discovery and engagement activity; an essential pre-requisite regarding establishment of a Connectivity Partnership with the council, which will look to deploy a world-class network infrastructure across North Lanarkshire and ultimately drive forward economic growth to tackle areas of digital exclusion. This project is both complementary and critical to delivery of the council's approved Digital and IT Strategy, as it will provide the supporting infrastructure to enable the effective roll-out of the council's DigitalNL transformation programme to its services, residents and local business community.

In 2019, the Council concluded a DigitalNL Infrastructure Outline Business Case (OBC) which identified North Lanarkshire would benefit significantly from increased connectivity: firstly through the Council's Digital NL Transformation programme, and secondly, with wider economic benefits arising from tackling areas of digital exclusion caused by rural isolation or deprivation, increasing access to employment and learning opportunities, improving health and social mobility, and a series of other positive outcomes.

Following Committee approval of the OBC in September 2019, the Council issued a Prior Information Notice and engaged with suppliers to test the inherent OBC assumptions and ascertain market interest in the proposed Connectivity Partnership model. This comprised of 3 key stages: a Supplier Engagement Day, one-to-one meetings (of one-hour each) and issue and completion of a questionnaire. Throughout these 3 stages, strong interest has been expressed by the market to the Council's proposed approach. In summary, there is a consensus across all suppliers that the Council's vision regarding connectivity and consequential outcomes and outputs is entirely achievable.

This report seeks approval to commence the initial stages of procuring a network connectivity partner to invest jointly through a competitive dialogue or other negotiated process in developing a world-class digital infrastructure in North Lanarkshire. The report also seeks approval to continue to utilise externally sourced technical advisors to aid the preparatory work involved in finalising the ITT, with an additional sum of £30,000 requested for financial year 2020-21.

Recommendations

It is recommended that the Transformation and Digitisation Committee:

- 1) Note the contents of the Report;
- 2) Approve the preparatory work necessary to finalise the ITT in respect of a network connectivity partnership; and
- 3) Note that details of resources necessary for completing future stages of the procurement e.g.: ITT evaluations, contract award etc., will be included as appropriate in future reports to committee.

The Plan for North Lanarkshire

Priority	Improve economic opportunities and outcomes
Ambition statement	(5) Grow and improve the sustainability and diversity of North Lanarkshire's economy
Priority	Enhance participation, capacity, and empowerment across our communities
Ambition statement	(18) Ensure our digital transformation is responsive to all people's needs and enable access to the services they need
Priority	Improve North Lanarkshire's resource base
Ambition statement	(24) Review and design services around people, communities, and shared resources

1. Background

- 1.1 The council's DigitalNL transformation programme has three key aspirations: to digitise council services, upskill staff and residents, and stimulate economic growth. It has been recognised within the Council's approved Digital and IT Strategy that the development of a digital economy and place will improve connectivity within North Lanarkshire's communities and support inward investment and economic regeneration. Through digital transformation and responding to technological change, North Lanarkshire can become a SMART region to Live, Learn, Work, Invest and Visit.
 - 1.2 The Digital and IT Strategy has identified that digital transformation both internally within the council and externally across North Lanarkshire is central to the council achieving its priorities and ambitions within The Plan for North Lanarkshire. The council requires to effectively embrace, expand and use technology to ensure council services are designed and delivered to support the changing needs of local communities and businesses.
 - 1.3 It is recognised that whilst improvements to the wider North Lanarkshire digital infrastructure have been undertaken both commercially and through the rollout of the Digital Scotland Superfast Broadband programme, there remain pockets of low connectivity and in some areas there has been a low take-up of available services. In addition to this, the council's own networking infrastructure now requires to be upgraded to meet the future digital and connectivity requirements of the council including the use of digital curricula in learning and teaching anticipated to increase significantly in the foreseeable future.
 - 1.4 An initial piece of work was carried out in late 2018 to produce a Digital Economy and Place ambition strategy for North Lanarkshire as part of the Digital NL programme. This Ambition aimed to improve connectivity within the council's own estate and our communities in order to drive forward economic regeneration and growth, tackle areas of digital exclusion (through rural isolation or deprivation), and support inward investment. The Ambition also recognised supporting programmes of activity around **digital skills and inclusion** (for communities, those in education, businesses, health and social care and the Council's own workforce), **digital business** (to support local businesses to build digital capability and exploit new models, enable smart working environments and support digitisation of key sectors) and **data**.
 - 1.5 To support this Ambition, an Outline Business Case was produced in 2019 which highlighted the significant benefits that investment in a world-class digital infrastructure and the provision of universal connectivity would provide to North Lanarkshire over the next ten years.
 - 1.6 By procuring a connectivity partner, the Council can enable the delivery of an innovative, integrated solution, combining the requirement for universal and affordable connectivity across North Lanarkshire for residents, communities and businesses, and simultaneously providing the integrated digital infrastructure backbone required for the council's current and future estate. This will also facilitate the roll-out of 5G, provide the foundations on which we can transform residential areas into Smart Towns and connect them to innovative services that help reduce demand and support priorities, and enable 'the internet of things' as standard across our homes, streets, communities and towns.
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2. Report

- 2.1 Following Committee approval in late 2019, the Council issued a Prior Information Notice (PIN) to establish market interest and capability, and to support and inform the Council in the development and validation of the approach recommended in the Outline Business Case (OBC) to seek a 'Partnership' approach between an experienced service provider and the Council for the provision of digital infrastructure, connectivity services and digital communications.
- 2.2 The formal market engagement was intended to allow service providers with appropriate experience an opportunity to outline their views and provide information regarding the proposal with no commitment to themselves or North Lanarkshire Council. The publication of the PIN sought to help shape how the council could deliver its vision of creating a world-class digital infrastructure by gathering and analysing feedback to inform all aspects of the approach including:
- The connectivity services that the Council wants to procure in order to shape a sizeable deal which is attractive to the market and also establishes the true demand of such a connectivity service;
 - Validation of the key assumption within the OBC that the market can deliver the Council's desired solution; and
 - Validation of the working theory of there being interest in the market to invest in North Lanarkshire to deliver the network connectivity with a sizeable capital investment through the 'Partnership Model'.
- 2.3 Through the PIN, the council invited notes of interest and advertised a Connectivity Supplier Engagement event via Public Contracts Scotland. This event took place on Friday 21st February 2020 and was attended by representatives from 17 interested suppliers. The council invited suppliers to submit questions in advance. There was a high level presentation on The Plan for North Lanarkshire, an overview of the Digital NL programme and the key outcomes sought from the procurement, followed by a detailed presentation on the anticipated technical requirements for the procurement and a further opportunity for questions and answers.
- 2.4 Following the supplier event, a questionnaire was constructed and issued to each of the attendees. Interested suppliers were also given the opportunity through the Questionnaire to book a one-to-one session to enable further in-depth questions and answers regarding the Council proposals. The questionnaire responses, output from the 1:1 sessions and market research have been used to form opinion for these report recommendations.
- 2.5 The questionnaire sought to provide the council understanding of potential supplier's thoughts and concerns on the following areas:
- Commercial achievability
 - Technical achievability
 - Impact on residents and local businesses from a connectivity perspective
 - Market maturity for requirement
 - Partnership model
 - Potential investment
 - Opportunities & Benefits
 - Contract term
 - Risk

- 2.6 At the end of this 3-stage soft-market engagement process, seven completed questionnaires were returned from interested suppliers, with ten organisations taking advantage of the one-to-one sessions.
- 2.7 The overwhelming response from suppliers has been positive. The majority intimated the approach to a holistic connectivity contract used across all aspects of council service though visionary, was capable of being met, as this market is considered sufficiently mature in its ability to meet this requirement.
- 2.8 There was consistent opinion that the requirement was commercially and technically achievable, that it was an attractive proposition to suppliers and considered likely to result in both financially and technically rewarding proposals to the council.
- 2.9 The bundling of services and the use of a council led anchor tenant model was identified as the preferred approach. This is where the long-term need of the council's requirement is pooled and used to leverage commercial expansion into associated residential and business areas. All suppliers indicated this approach would lead to substantial investment in infrastructure across the authority, pulling forward connectivity and reach of infrastructure across the authority by a number of years.
- 2.10 In relation to the term of the contract there was a difference of opinion from interested suppliers. The larger market players predominantly preferred a shorter 10-year contract term with the majority of others looking to a 15 to 20 year contract term.
- 2.11 Contractually all suppliers were keen to see the procurement shaped on a desired outcomes basis. Views were the Council should focus on qualitative aspects and should clearly define and articulate the outcomes and drivers behind this piece of work.

CURRENT MARKET SITUATION

- 2.12 Since 2012, the Scottish Government's Digital Scotland Superfast Broadband (DSSB) programme has been putting in place the foundations of a superfast broadband infrastructure throughout North Lanarkshire. The "Reaching 100% programme" (R100) will continue to build upon this over the next three or more years. This accompanied by commercial roll-out has resulted in 98.1% of premises as at the end of Q4 2019 in North Lanarkshire having the ability to gain access to superfast broadband (at least 24 Mbps). However, of the 28,637 properties supported through the DSSB programme, only 62.22% (up from 56.53% Q1.2019) have taken advantage of those services. This is in part due to the lack of affordable connectivity and/or lack of access to devices.
- 2.13 Furthermore, 96.8% (of the roll-out in North Lanarkshire has been delivered through "Fibre to the Cabinet" (or variations on FTTC technology), with "Fibre to the Premise" only accounting for 3.2% (up from 2.7% Q1.2019) of deployment. The use of copper cables from the cabinet to properties leads to performance issues for properties that are too far from the cabinet.
- 2.14 The UK government set out in July 2018 in its "The Future Telecoms Infrastructure Review" targets for the availability of full fibre and 5G network. The initial plan for this was to see 15 million premises connected to full fibre by 2025, with coverage across all parts of the country by 2033 and the majority of the population having 5G coverage by 2027. Subsequently in mid-2019, further government statements on Full Fibre by 2025 were issued which now appear to dilute the target slightly to "full fibre and gigabit-capable broadband by 2025". Ofcom have stated that full fibre could take at least 5-7 years, with suppliers now pitching 2030 as a realistic completion date.

- 2.15 Other local authorities such as Aberdeen, Stirling, Edinburgh, Glasgow and Highland, have taken a traditional Anchor Tenant approach utilising their requirement for a Wide Area Network at council premises to drive infrastructure build. This model predominately works on the expectation that upon completing fibre builds for council premises, the supplier will naturally move into the residential and local business market.
- 2.16 From the market research carried out, it has been confirmed that adopting a holistic and joined-up view across the council with regards to connectivity infrastructure will result in positive market responses which address residential and local business requirements directly, as opposed to an assumption such will happen as a consequential. To take such forward however, the council will need to determine and agree the elements it will formally include in its market offering, for e.g.: traffic light control, CCTV, public WIFI, smart bins, etc. In determining future scope, as appropriate, it is essential to ensure there is no duplication or overlap with any proposals being taken forward for the recently approved Enterprise Strategic Commercial Partnership.
- 2.17 Members will wish to note a key factor in driving sufficient change in the availability and potential affordability of connectivity infrastructure is the inclusion or otherwise of requirements around our social housing stock. The soft market engagement undertaken to date illustrates that adding 38,000 additional sites (even over a period of time) will be extremely attractive to the market. Furthermore, given the distributed nature of these premises, including them within scope will drive delivery of a modern infrastructure across the whole authority boundary.
- 2.18 As part of the Programme of Work in place to deliver The Plan for North Lanarkshire, the Council is proposing to invest in a pilot IT enabled building and property maintenance solution which aims to explore health and social care provisioning for residents in Keir Grieve Court in Motherwell and a new sheltered housing build. This pilot not only illustrates some appetite to consider inclusion of housing within the potential project scope, but also highlights that the success of service provision proposals such as this will be heavily dependent upon the good IT connectivity envisaged through this partnership approach.

NEXT STEPS

- 2.19 There are a series of critical next steps that require to take place in preparation for securing an envisaged connectivity partner. These are as follows:
- Identify service representatives required to finalise scoping requirements;
 - Identify and procure, as necessary, specialist technical resources and procurement and legal expertise required to finalise a fit for purpose ITT;
 - Undertake further in-depth market research in parallel with confirming the council-wide list of services to be included within the scope of the procurement (e.g. housing, CCTV, public WIFI, smart bins etc.). This step also includes end-service user requirements to ensure that the preferred and most attractive marketable service bundle is presented to the market;
 - Identification of potential funding streams and initiatives that could be considered in conjunction with, or complementary to the proposal;
 - Finalisation of the procurement model, scope and scoring criteria; and
 - Development, issue and evaluation of the ITT

CONCLUSION

- 2.20 A key conclusion from the market engagement and research is that the market place appears to have shifted positively to be now considerably receptive to the scope, vision

and ambition of the council. Though recognising the limitations, uncertainties and restrictions currently placed upon the council due to COVID19, it also presently appears an advantageous time for the council to proceed to market, with the next 6 months considered an ideal time. However there is a risk the market may change if the proposed Invitation to Tender (ITT) is significantly delayed.

- 2.21 In implementing the proposals within this paper, the council, residents and businesses within North Lanarkshire will benefit significantly from improved connectivity, with such also enabling North Lanarkshire to drive forward its ambition to be *the SMART* place to live, learn, work, invest and visit. The underlying investment in digital infrastructure will help to drive economic growth and tackle areas of digital inclusion within North Lanarkshire. It will also accelerate the roll-out of 5G within North Lanarkshire which requires a fibre backbone and will enable the adoption of technologies linked to SMART towns and homes, and the Internet of Things.

3. Equality and Diversity

3.1 Fairer Scotland

Under the Fairer Scotland Duty, the future digital infrastructure and requirement for universal connectivity will actively consider how the council can reduce or eliminate inequalities caused by digital exclusion alongside socio economic disadvantage. Providers will be required to address access and affordability to digital services and resources.

3.2 Equality Impact Assessment

None has been undertaken for the purposes of this report. A full Equalities Impact Assessment will be carried out to ensure that the procurement has equality of opportunity at its core.

4. Implications

4.1 Financial Impact

- 4.1.1 A costing model was considered as part of the Outline Business Case (OBC) to estimate the indicative costs of the requirement based on a geographic approach and using current market benchmarks for equipment, fibre, civil work and the costs of managed services.

- 4.1.2 The OBC identified that funding would be required from either the Council's capital programme or the Community Investment Fund (CIF) to support the infrastructure and transformation aspects of the programme (both over 3 years) as detailed in the table below plus an ongoing recurring revenue cost (over 10 years) to cover the costs of managed services.

Deliverables	Estimated Total Cost
<i>Infrastructure – spread over 3 years</i>	£6,944,250
Transformation Costs – spread over 3 years	£1,500,000
Managed Services (recurring revenue) – spread over 10-years	£9,333,205
Total	£17,777,455

Table 1

- 4.1.3 Though the OBC estimates a connectivity partnership model will cost circa. £17.8m over a 10-year period, it is important to highlight this would see the Council contributing around £6.9m (25%) towards the costs of the required infrastructure works, which at OBC time, were considered to be in the region of £27.8m. The soft market engagement with suppliers was therefore used to test the council's expectation (theory) that its network connectivity partner would fund 75% of the costs of deploying a world class digital infrastructure within the North Lanarkshire area. The market research conducted not only confirmed this as realistic, but also highlighted partner contributions could be significantly higher than the £20m initially anticipated, and could indeed be as high as £70m. This higher contribution would therefore substantially reduce the Council's share of the overall infrastructure costs, and would importantly result in a significant private sector investment in North Lanarkshire.
- 4.1.4 Following the approval of the OBC in September 2019, lead officers presented the proposal to the Community Investment Fund (CIF) Sub-Group on 5th March 2020. The proposal was well received and scored favourably against the agreed evaluation matrix. The output of this has however still to be considered by the Strategic Capital Delivery Group (SCDG), which has understandably delayed all funding considerations given the uncertainties facing the Council which arose from our Covid19 response.
- 4.1.5 The proposal presented to the CIF Sub-Group also included a 2019-20 funding request of £40,000 for specialised technical resource to support completion of the soft market research. An element of this funding remains available for use in 2020-21, but is insufficient to support finalisation of a fit for purpose ITT. Given the soft market testing determined this project represents an attractive proposition to suppliers, and creates significant opportunity for the Council to realise both financial and technically rewarding proposals, this report seeks further financial support of circa. £30,000 in 2020-21. This support will enable the Council to continue to access the specialist external expertise required for finalising a fit for purpose ITT. It will not cover any costs arising from later stages of the procurement, such as ITT evaluations, contract award etc., which will instead be included as appropriate in future reports to committee.
- 4.1.6 Although the wider programme has not been formally endorsed by the SCDG, and therefore no funding stream presently allocated, the Head of Financial Solutions has confirmed support is available from council reserves to facilitate completion of these vital ITT preparations.
- 4.1.7 The tendering for a Connectivity Partner does not commit the Council to any future spend beyond that involved in carrying out the preparatory process. Identification of funds and appropriate staffing support will need to be considered should the Council opt to seek committee approval in respect of a formal contractual commitment. Furthermore, should the project proceed to this next stage, consideration will be given to identify any source of grant funding open to the council to support the programme.
- 4.1.8 In acknowledging the managed services outlined within Table 1 above, which equate to £933,321 per annum, cognisance must be taken of the Council's current WAN infrastructure maintenance costs of circa. £950,000 per annum. There is therefore no additional recurring revenue burdens likely to arise from the proposed partnership model approach recommended.

4.2 HR/Policy/Legislative Impact

- 4.2.1 The management case within the previously considered OBC identified the Council requires dedicated personnel to work closely with the proposed network connectivity partner. Key members of the team include a Programme Manager, a Design Lead, an Implementation Lead and a Business Change Lead. Further discussion regarding

sourcing of this team, and any additional resources beyond that requested in paragraph 4.1.5, will be the subject of future reports for committee's consideration.

- 4.2.2 Given the complexities of the design of the requirements and delivery through a partnership approach and potential competitive dialogue procurement process, legal and procurement support and advice are essential. It is acknowledged both internal Council services will find it challenging to accommodate this significant project as it progresses. As outlined in paragraph 4.1.7 above, the Council will need to determine the appropriate staffing support, and funding thereof, associated with both evaluating ITT responses and seeking committee approval to formally award a contractual commitment, as appropriate.
- 4.2.3 Advice will also be taken, as appropriate and required, on any legislative and state aid implications which may arise.

4.3 Environmental Impact

- 4.3.1 The project will require to implement new physical infrastructure. Contractors will be required to minimise environmental impact during the implementation phase. Following the input of new physical infrastructure, there is not anticipated to be any negative environmental impact.
- 4.3.2 The Council will also explore the use of its street furniture assets including street lighting duct, as this not only has the opportunity to be of financial benefit, but creates scope to reduce the environmental impact of installing new ducted services.

4.4 Risk Impact

- 4.4.1 A risk assessment of the proposal was carried out as part of the Outline Business Case to identify key risks and mitigating measures for those risks. Many of the risks identified were addressed during the market engagement exercise and are summarised in the table below. A further risk assessment will be carried out as part of the final procurement strategy, as appropriate.

Risks Identified	Suggested Mitigation
Funding – There is a risk that the cost and funding estimates are too low	A full market validation of cost estimates through the proposed procurement exercise will be undertaken before finalising and requesting a programme budget
Funding – The financial impact of covid19 on CIF funding will impact the financial ability of the council to pursue ambitions such as these	The proposed procurement will be required to show clear economic and social benefits to North Lanarkshire
Supplier Capability– There is a risk that external suppliers may not have the ability to deliver the whole vision	The market engagement and research carried out has demonstrated an appetite by suppliers to deliver the vision. The ITT will require to have clear requirements to enable potential suppliers to assess the feasibility with confidence
Legislation change – There could be changing obligations for broadband provision	There is an ongoing requirement to monitor legislative changes to understand and mitigate any future risk to the chosen model and delivery mechanism

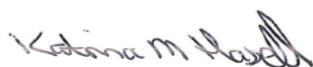
Risks Identified	Suggested Mitigation
Costs / benefits – There is a risk that the assumptions may not be fully realised	<ul style="list-style-type: none"> • Take a prudent approach to benefits management • Maintain single post tracker within programme • Implement robust change request process • Embed transformation targets in corporate objectives
Lack of buy in by services to utilising the network partner	<p>Establish leadership commitment at outset so connectivity services procured are consumed across the council and no shadow procurement takes place</p> <p>Implement comprehensive engagement and communication plan</p>
Misalignment with current and future programmes of work (Enterprise Partnership, R100, Other Programmes)	<ul style="list-style-type: none"> • Align with the Plan for North Lanarkshire and associated Programme of Works and strategies • Establish one programme plan – mapping dependencies • Make use of programme board to communicate plan and get services on-board the connectivity roll-outs
State Aid – There is a risk that free connectivity might not be legally possible within some areas of North Lanarkshire	Ongoing consultation with NLC's legal advisors to establish the level of connectivity that can be delivered for free in different areas, without qualifying as a State Aid
Market change – There is a risk that should we delay the programme that market conditions will change and result in a less favourable engagement and offers	Determine whether there is funding available and the organisational desire and commitment to take this forward, within the next 1-2months.

5. Measures of success

- 5.1 The main measure of success will be the implementation of a world-class digital infrastructure for North Lanarkshire. Systems will be put in place to measure the impact of the digital infrastructure and the supporting programmes put in place to maximise its direct benefits and wider outcomes.

6. Supporting documents

- 6.1 The Digital Economy and Place Ambition Report, Digital and IT Strategy and Outline Business Case for the Network Infrastructure are all available on request.



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