NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

Cabinet

21st October 2020

Report of the Head of Property and Regeneration

– S. Brennan

Matter for: Decision

Wards Affected: All Wards

Report Title: Swansea Bay City Deal Digital Infrastructure Project

Purpose of the Report:

1.   To approve the proposed Swansea Bay City Deal Digital Infrastructure Business Case and subsequent investment in Digital Infrastructure across the Swansea Bay City Region.

2.   That delegated authority be granted to the Head of Property and Regeneration in consultation with the Cabinet Member for Regeneration and Sustainable Development to approve any amendments to the business case that may be required to obtain approval at local, regional and national governance.

Executive Summary:

The Swansea Bay City Deal Digital Infrastructure Project is a regional project led by Carmarthenshire County Council to deliver a programme of investment in the Digital Connectivity and associated Telecommunications Infrastructure of the region. This includes but is not limited to full fibre fixed connectivity and associated infrastructure, 4G, 5G and Internet of Things wireless networks. It is in essence the deployment of enabling technology that will allow quality digital services to be delivered and accessed over fixed line networks or wireless networks.

The Project will deliver the essential underlying Infrastructure required to support and underpin the regions broader Digital Strategy. It will help to ensure that the region is equipped with future-proofed Digital Infrastructure that will provide the transformative foundations for City Deal interventions and wider regional growth. The Project will also help to ensure social inclusion and cohesion in a post Covid19 world.

This ultra-fast ultra-reliable connectivity will help to ensure that the region capitalises on opportunities to accelerate economic growth and establish itself as a centre of excellence in the key sectors of; energy, life science and well-being and smart manufacturing. Future proofed Digital Infrastructure will help will create a paradigm shift in the design, development, and application of technology within these key sectors across the region.

Background:

The Swansea Bay City Deal[1] is a £1.3bn investment in a number of major projects across the Swansea Bay City Region which is made up of Carmarthenshire, Neath Port Talbot, Pembrokeshire and Swansea.

The City Deal is being funded, subject to the approval of project business cases, by the UK Government, the Welsh Government, the public sector and the private sector.

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[1] https://www.swanseabaycitydeal.wales/about/

City Deal projects are based on key themes of Economic Acceleration, Life Science and Well-being, Energy, and Smart Manufacturing. Each project will be supported by world class digital infrastructure and a Skills and Talent initiative that will give local people a pathway to access the jobs that will be created.

The Digital Infrastructure Project is one of the projects included in the City Deal Heads of Terms document. It is a regional project, led by Carmarthenshire and will deliver across all four City Deal local authority areas.

The Business Plan

A business plan for the Digital Infrastructure Project has been prepared and is enclosed at Appendix I for member's consideration, a summary is included in this report.

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Strategic Case

The breadth and quality of digital infrastructure available in Wales has fallen behind that found in many other parts of the UK. This is compounded by the fact that there are significant differences within Wales itself. The reasons for this do not only rest with the topology of the region and the fact that it is heavily rural, it is a deeper issue related to digital awareness, affordability and commercial appetite for investment by the communications service providers (CSPs).

There is broad and proven recognition that the provision of digital services drives economic growth and enables social inclusion and cohesion. There is also a growing recognition that the availability of world class digital connectivity stimulates innovation and the creation of new business streams. The clear conclusion is that the Swansea Bay City Deal (SBCD) must address any shortfall in the availability of

digital connectivity in the region. It must invest in digital connectivity to obtain a competitive advantage and it must also drive the uptake and quality of those services that are already available.

Improving the Digital Infrastructure of the region is critical[1] as it has suffered from a lack of commercial investment that has consequently resulted in an underlying gap in delivery capability. These gaps need to be closed in order for the SBCD and the region as a whole to achieve its goals. The proposed programme of work will lead to:

- An increase in local productivity and employment

- An uplift in the region's attractiveness for both the telecommunications industry and subsequent inward investment by highly skilled digitally intensive industries

- An enhanced ability to deliver local services, notably education, health, and transport

- Environmental benefits through the facilitation of teleworking and enhanced traffic management

- A reduced gap in access to digital services across the region, notably to isolated communities

- Enabling digital transformation across the public and private sector

- Ensuring the cities and development zones of the region obtain a competitive advantage against other parts of the UK.

The region is not homogenous in its requirements and challenges and the investment priorities need to reflect this. In order to give a focus on the region's needs, and the manner in which they can be met, three intervention areas have been identified to be delivered through the Digital Infrastructure project. These are:

Intervention	Description
Connected Places	This is regional support that will increase the availability of fibre to the premise in key urban areas. Mainly targeted at existing industrial areas and economic growth zones to provide world class connectivity
Rural Connectivity	Intervention where there is shortfall in existing or planned investment to ensure as many rural premises as possible in the region has access to a minimum broadband service, currently considered to be 30Mbs
Next Generation Wireless	This is focussed on the provision of next generation wireless connectivity in the form of 5G and IoT networks. The use cases and business models for these technologies is still to emerge, but supporting early adoption and stimulating innovation within the regions SMEs will ensure that the region stays at the forefront of deploying this technology

Each area deals with a different regional challenge and calls upon different mixes of digital infrastructure to overcome them. However, all are complimentary and interdependent and together provide the underlying infrastructure for the SBCD to address its goals.

SMART investment objectives have been defined for each of these three areas as follows:

Connected Places; Ensures towns, cities and development zones have access to world class full fibre infrastructure. This will deliver the following spending objectives:

- improve the quality of public service delivery by ensuring all public buildings are digitally connected facilitating improved efficiency and public access to services

- cost savings to the public sector for digital connectivity

- stimulation of competition in digital services

- deliver economic benefits through the usage of digital infrastructure, notably increased efficiency and enhanced productivity.

Rural: Facilitate equality of access to broadband services across the region. This will deliver the following spending objectives;

- improve the quality of public service delivery by ensuring communities in remote areas have access to services

- social cohesion and inclusion across the region to sustain communities

- stimulate economic growth by enhancing opportunities for employment.

Next Generation Wireless; Ensure that the region is at the forefront of 5G and Internet of Things (IoT) investment and subsequent innovation. This will deliver;

- Inward investment

- Innovation and ensuring the region is at the forefront of new service roll out and delivery

- Economic growth

- stimulate inward investment in the region by telecommunications industry and hence improve access to services for residents and businesses

Economic Case

The Digital Infrastructure Project has three areas in which it will directly deliver in order to drive growth and GVA and to close the digital divides across the region.

Options have been considered for all three areas, ranging from Do-Nothing to significant levels of investment. A preferred option has been identified for all three areas which represents a pragmatic approach that maximises the impact of existing interventions and addresses any significant gaps that these might leave.

Connected Places

- An investment in public sector owned duct infrastructure and a procurement of commercial owned full fibre infrastructure

Rural

- Programme of supply side engagement to stimulate investment

- Demand stimulation programme to raise awareness and drive adoption in businesses and residential consumers

- A focused and locally led procurement to in-fill gaps in service provision which is state aid compliant and complementary to existing national and regional programmes

Next Generation Wireless

- Selected funded interventions and proof of concepts to deliver 5G and IoT connectivity in key locations should be executed under a central SBCD mandate and management

Commercial Case

The commercial case defines the recommended procurement routes, service specifications and commercial and contractual considerations. These are different for each stream and shaped by:

- Stakeholders appetite to invest in public sector assets and infrastructure

- Commercial appetite for inward investment

- Ensuring state aid compliance

- Ensuring investments are complementary to the activities of the PSBA

- Complementary to other national and regional schemes

Financial Case

A summary of the proposed expenditure under each of these three streams is presented in the table below. The table splits out that potentially provided by the SBCD along with commercial investment and likely central government grant funding. It should be noted that commercial investment is likely to emerge in two waves; an initial

direct contribution to the proposed programme plan. In addition, there will be secondary pull through investment by the commercial sector as subsequent investment will be made to enhance and expand the digital infrastructure facilitated by SBCD.

There are strong positive economic and social impacts for all three of the project streams. The analysis undertaken has been careful to apply economic multipliers that have been used in other government programmes to support their business case.

Stream	Total Budget Spend (Revenue and Capital over 5 year)	Direct SBCD Capital Contribution	Direct SBCD Revenue Contribution	Other Public Sector Contribution	Direct Commercial Contribution	Additional Commercial Sector Pull through Investment	Economic Uplift over 15 years from Budget Investment
Rural							
Option 2; Supplier Engagement	0.5	0.0	0.5	0.0	0.0	0.0	
Option 3: Demand Stimulation	5.0	0.0	1.5	3.5	0.0	28.9	17.5
Option 4: In-fill Procurement	20.0	6.0	0.0	10.0	4.0	20.0	70.0
Connected Places							
Options 3/4 Duct Investment /Procurement	20.0	12.0	0.5	0.0	7.5	70.0	220.0
Next Generation Wireless							
Option 3; Infrastructure Review	2.0	0.0	2.0	0.0	0.0		
Option 5: Support for Specific Projects	7.5	2.5	0.0	0.0	5.0	3.0	11.3
TOTAL	55.0	20.5	4.5	13.5	16.5	121.9	318.8

The table above summarises the budget spend and investment sources along with associated benefits

It is estimated that the Digital Programme will result in over £120 million of direct and pull though commercial investment and an economic stimulus to the region of over £300 million over the next 15 years.

<u>Management Case</u>

A clear Programme Management structure has been defined consisting of a Digital Infrastructure Project Board reporting to the Programme Board and Joint Committee.

A central Digital Infrastructure Project team will be established to oversee and steer Digital Infrastructure strategy and policy for the region in liaison with UKG, Welsh Government and the private sector. The Project Team is charged with meeting project aims and objectives as set out in the project business case, overseeing risk and governance, maintaining communication and engagement across all sectors, and achieving project outcomes, including community benefits.

This team will be hosted within Carmarthenshire County Council as the lead authority for the Digital Infrastructure Project.

In order to deliver the business plan the Project team will be responsible for the;

- Development of overall digital strategy

- Maximising and coordinating funding opportunities for the Region

- Interaction with Welsh and UK Governments on digital programmes

- Co-ordination and management of regional Digital procurement activities

- Supply side engagement with industry

- Development of regional procurement frameworks and procurement templates

- State aid guidance

- Development of regional guidelines and approach to demand stimulation

- Market analysis and monitoring of infrastructure deployed.

Where required the project team will utilise external legal (for state aid and procurement) and technical support. This central team would

report directly to the project board, project lead authority and Joint Committee as required.

It will also coordinate and draw upon the resources and skills of stakeholders including the local authorities, health boards and universities as required – notably in the course of procurements and demand stimulation activities.

Financial Impacts:

The financial implications associated with the digital infrastructure project will be managed through the projects risk register with associated mitigating actions.

The project is funded through £25m City Deal Funding, £13.5 public sector funding and £16.5 Private sector sending. City deal funding will be release on the successful approval of the project business case by UK and WG Government. Public sector investment will be generated through wider public sector infrastructure funding. Private sector inward investment will be generated by telecom and internet providers investing in and building off the Digital Infrastructure deployed as part of this Project.

Integrated Impact Assessment:

A first stage impact assessment (Appendix II) has been undertaken to assist the Council in discharging its legislative duties (under the Equality Act 2010, the Welsh Language Standards (No.1) Regulations 2015, the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016. The first stage assessment has indicated that a more in-depth assessment is not required.

Workforce Impacts:

No implications.

Legal impacts:

The Joint Working Agreement between the participants of the Swansea Bay City Deal requires (at clause 12.3) all councils in whose area the project shall take place to approve the submission of the business case to the Joint Committee before it can ultimately be forwarded on to the UK and Welsh Government. Each participant council will be taking a report of this kind to their respective decision makers.

Risk Management Impacts:

There are no risk management issues associated with this report. The Digital Infrastructure Project includes a 'Main Programme Risks' section in Part 1.4.6 (Risks, Constraints and Dependencies) of the Strategic Case.

Consultation:

There is no requirement for external consultation on this item.

Recommendations:

To approve the proposed Swansea Bay City Deal Digital Infrastructure Business Case and subsequent investment in Digital Infrastructure across the Swansea Bay City Region.

To approve delegated authority to the Head of Property and Regeneration in consultation with the Cabinet Member for Regeneration and Sustainable Development to approve any amendments to the business case that may be required to obtain approval at local, regional and national governance.

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Reasons for Proposed Decision:

To enable Carmarthenshire to formally submit the Digital Infrastructure Project business case to the Portfolio Management Office in accordance with the City Deal project approval process.

Implementation of Decision

The decision is proposed for the three day call in period.

Appendices:

Appendix I – Swansea Bay City Deal Digital Infrastructure Project Business Case

Appendix II - Integrated Impact Screening Assessment

List of Background Papers:

None

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