

Cabinet

26 September 2018



Title	Staines Gigabit Town Project		
Purpose of the report	To make a Key Decision		
Report Author	Keith McGroary, Economic Development Manager		
Cabinet Member	Councillor Colin Barnard	Confidential	No
Corporate Priority	Economic Development		
Recommendations	That the cabinet approve the contribution of £500k in order to deliver gigabit speeds to Staines-upon-Thames which will also enable access to an additional £2m in contributions to deliver this project.		
Reason for Recommendation	Applications are invited by Enterprise M3 (EM3) Local Enterprise Partnership to bid for match-funding for projects. It is proposed that SBC contribute £500k to attract a further £500k from EM3 and another £1.5m in partnership with a company called VXFibre to lay fibre to the premises (FTTP) to around 3,000 premises in Staines-upon-Thames which will put the town at the forefront of internet speeds in the country. This will also create an ongoing revenue which will generate up to £12k a month and repay the investments made by EM3 and SBC over 10 years.		

1. Key issues

- 1.1 Expressions of interest were invited by the EM3 <https://www.enterprisem3.org.uk/> across 14 local authority areas covering Surrey and Hampshire to bid for funding either as a grant or match funding to support strategic projects which help deliver the ambitions set out within the EM3 Local Industrial Strategy. Specifically 'projects that increase digital connectivity across the M3 area, enabling 'Smart Towns and Cities' and the internet of things'.
- 1.2 Within the Spelthorne Economic Strategy 2017 – 2022 there is an action to facilitate an improvement to the broadband provision in the Borough. A gigabit is equivalent to **1,000** megabits per second (mbps), the speed of SBC internet is at best **70**mbps which on current UK standards is regarded as good and amongst the best in the Borough; superfast broadband is anything but superfast, superfast is measured as such if speeds are over **24**mbps.

- 1.3 The introduction of gigabit access to our businesses and residents would provide that nudge for Staines-upon-Thames to step up and become a destination of first choice, particularly by those industries or individuals that would like to live or work in an area that is not only the best physically connected Borough with air, rail, river and road links, but may also be one of the best digitally connected local authorities.
- 1.4 Because the provision of gigabit speeds is not readily available to the ordinary person / business (there is less than 4% coverage in the country), a number of future benefits from an economic, health and social perspective will manifest as innovation is stimulated by a step-change in both internet speeds and reliability.
- 1.5 The availability of gigabit speeds would give Staines-upon-Thames a competitive advantage and a more attractive destination for inward investment which would lead to further job creation in new high-tech, digital industries. It is also likely that a number of businesses with low skill requirements and low GDP contribution would be replaced by companies taking advantage of the gigabit speeds who would replace those jobs with higher skilled and higher paid jobs.
- 1.6 Amongst the Grand Challenges identified in the governments Industrial Strategy is the ambition to put the UK at the forefront of the artificial intelligence (AI) and data revolution. In order to realise this ambition businesses in the first instance need to be able to access gigabit speeds. Through FTTP a user can select what speed they require (which will also reflect in the cost) from 100MB to 1GB, but where there is the demand the model has the capacity for the 1GB to be increased to 10GB or more. In order to develop AI, networking speeds need to operate at 'real time', so this would mean access to multi-megabit provision. It has been stated in the Industrial Strategy that 'digital technologies including AI would generate 80,000 new jobs annually and that AI will add £230bn to the UK economy by 2030'.
- 1.7 The business incubator that is planned to open in Staines-upon-Thames would be included within the project and provide a significant unique selling point to attract entrepreneurs and provide the speed to support innovation. This provision is likely to increase the number of new start businesses in the creative and digital industries.
- 1.8 In order to realise these ambitions it is critical that we make provision of gigabit levels of speed to develop, and in the future to use new technologies often referred to as the internet of things (IOT). Indeed when 5G is launched FTTP would also support the delivery of this service, given that 5G technology is in the advanced stages at Surrey University, this would complement this investment.
- 1.9 This project is considered to be phase 1 and if proven successful, there will be ambitions to extend the project to other towns within the borough if the funding can be found.

2. Options analysis and proposal

- 2.1 By committing £500k to this project it would generate a further £2m in match funding from EM3 (£500k) and £1.5m from our partner in delivering this project VXFibre <https://www.vx.se/>. This would help place our main town on

the national / international map and enhance it as a destination of choice for the technical and digital industries, and support future inward investment opportunities.

- 2.2 Significantly, this project also promises to repay the investment over time and also generate a future income; this reduces the risk of loss of any shared investment.

- 2.3 The only other viable option would be not to do anything.

- 2.4 **The recommendation is that this proposal is supported and that Staines-upon-Thames becomes the first gigabit town in Surrey.**

3. Financial implications

- 3.1 £500k would be required from SBC which would be provided through the 100% business retention scheme ring-fenced for economic development activities, therefore not affecting this year's budget. This fund which has been made available by the government for the 2018-19 financial year, amounts to just under £1m.

- 3.2 The proposal is that EM3 would receive the £500k investment back from the revenue generated from the project in around 5 years, or when full payment has been achieved. The revenue would be generated by giving access to broadband providers such as TalkTalk, Virgin and BT Openreach etcetera who would collect payments from subscribers, then share part of that payment with SBC and VXFibre. SBC would then receive the revenue generated after EM3 have been repaid, which would repay the £500k investment by SBC over the following 4 or 5 years, and then provide an ongoing revenue for the council beyond the date of repayment.

4. Other considerations

- 4.1 Where workers are able to access high capacity broadband speeds it enables more people to home work and thus takes cars off the roads. In addition the technology of full fibre networks is more energy efficient than the copper based systems already in place. Once the fibre is laid, open access to the provision would be made to those businesses that provide broadband services such as TalkTalk, Sky and BT etcetera.

- 4.2 A customer would be able to choose the speed of the broadband connection from 100mbps to 1GB with the cost of the service applied according to the speed selected.

- 4.3 A legal agreement would need to be drawn up by the SBC legal team in order to enter into this partnership.

- 4.4 State Aid: By being an Open Access model; inviting any and varied service providers to share in this network it ensures there is not competition with the private sector. It would be enabling and inviting the private sector to invest in the borough and creating a creative and competitive environment in which they can operate. Moreover this model follows the Market Economy Operator Principle (MEOP) concept in that an economic transaction carried out by a public body does not constitute State aid if it is carried out in line with normal market conditions.

- 4.5 VXFibre is a company of Swedish origin and has evolved from a company that has a wealth of experience working in partnership with councils to deliver gigabit connectivity. The company are currently working on a project in

Stoke-on-Trent and are in discussions with other UK councils including Guildford. <https://www.computerweekly.com/news/252435438/Vxfiber-brings-Swedish-open-access-full-fibre-broadband-model-to-UK>

5. Timetable for implementation

- 5.1 A final decision will be made in December by EM3 with regards to whether or not the grant will be awarded for this project. If successful, tendering will take place to identify a company who would carry out the laying of the fibre on behalf of SBC and VXFibre; work would be expected to commence by March 2019. The laying of the fibre is expected to take around 6 months to complete. Much of the fibre will be placed in existing utility ducts that supply connections to existing infrastructure such as traffic lights, CCTV and street lamps; this reduces the amount of digging required. Most new fibre not threaded through existing ducts would be laid underneath pavements rather than roads except where it is necessary to cross over a road, this means there would be limited roadworks taking place. The depth that the cabling is laid is just 30cm and 10cm wide, so does not require heavy plant machinery and can be accomplished quite quickly.
- 5.2 Access to broadband providers will then be made available and SBC will then receive £4 every month for each connection made to the 3,000 homes / businesses in Staines-upon-Thames. This would generate £144k per year if all connected properties were signed up.

Background papers: None

Appendices: Map