

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1. Meeting:	Cabinet
2. Date:	20th July 2011
3. Title:	Digital Region – Project Update
4. Directorate:	Commissioning, Policy and Performance and Financial Services

5. Summary

This paper presents an update on the South Yorkshire Digital Region project.

6. Recommendations

Cabinet is asked to note the contents of this paper, the Digital Region contract revisions and the progress of the Digital Region project.

7. Proposals and Details

Digital Region is a high-speed broadband network for South Yorkshire which will benefit the region's citizens, businesses and public sector organisations. The project is delivered by Digital Region Ltd (DRL) which was created using funding from the ERDF and the four South Yorkshire Local Authorities (DRL is therefore part-owned by RMBC)

The Digital Region project will see a total of 690km of new duct put in place across the region, allowing 97% of South Yorkshire to benefit from next generation, superfast broadband and its multitude of benefits to both businesses and households alike.

South Yorkshire Network Update

A total of 502km of new fibre-optic cable has been installed across South Yorkshire, which equates to 92% of the 545km to be installed in phase one of the network rollout. This will be expanded to 690km in the next phase.

31 telephone exchanges have now been completed out of the initial 36 planned for phase 1, and total 54 for the complete network; more than half of the total number of exchanges that Digital Region will upgrade.

This means that 180,000 premises now have the potential to be connected to the DRL network. By January 2012 82% of the households in South Yorkshire will have the option to connect to the DRL network.

Rotherham Network Update

99.4km of new fibre-optic cabling has been laid in Rotherham out of a total of 102.1km for the entire Rotherham area. This means that the Rotherham network is 97% complete.

All 6 telephone exchanges for the Rotherham area have been upgraded, and all 6 have been commissioned.

Local Authority Adoption of DRL

In March 2011 Cabinet approved that DRL be awarded the contract for the RMBC data and voice network (following a selection and procurement exercise conducted by RBT).

Civic Building will be live on the DRL network by the end of July 2011. Riverside House will have two links in to the Digital Region network for resilience – both are along Main Street – heading to the west over the railway and to the east over the River Don. One link will go to the Rotherham North telephone exchange while the other will go to the Rotherham Central exchange (using separate exchanges provides further resilience). Riverside's first DRL circuit will go live in September 2011 with the second circuit going live shortly thereafter.

The DRL network will then be used to facilitate the transfer of servers and data from the old Civic data centre to the new data centre in Riverside House.

The majority of RMBC's buildings and schools will be migrated over to our new DRL network by April 2012.

Elsewhere in the sub-region Barnsley's DRL roll-out is well underway while Sheffield's has just begun. Doncaster's DRL network is currently at the design stage.

A New Internet Service Provider and Publicity Event

Digital Region Ltd is a wholesaler which means that access to the DRL network is sold to customers via companies known as Internet Service Providers (ISPs). There are currently four ISPs signed up and selling DRL access:

- Digital City Region
- Ripwire
- Ask4
- Unitel

A fifth ISP, IsRightHere, has recently been announced. IsRightHere will use the DRL network to provide a 'triple play' service (TV, broadband and telephone) with local content.

DRL are hosting an event at Magna on July 19th 2011 to publicise the new relationship with IsRightHere and to showcase:

- How Telecoms is driving Innovation and economic growth for the region
- How the TV can be used as a portal for local information and services (including RMBC services)
- How providing super-fast broadband in social housing can transform the resident's lives and allow for health care to be provided remotely. This can, for example, enable elderly people to remain independent and stay in their homes for longer.

The Magna event will be attended by Members and senior officers from RMBC and the other South Yorkshire Councils.

Digital Region Contract Revisions

The Digital Region network is built and maintained by Thales under the management of Digital Region Ltd. A number of revisions have been made to the over-arching DRL contract which affect the DRL/Thales relationship. The changes do not fundamentally alter the nature of the project, rather they are designed to improve commercial viability and improve the chances of the success of the project.

The main changes are:

1. Thales were formerly responsible for sales and marketing activity. Under the revised contract this responsibility has passed to DRL.
2. The revised business model deriving from the contractual changes is felt to be more realistic.
3. There has been no change to the termination provisions under the contract or to the public sector guarantees but there is now a reduction in exposure under the guarantees in the event of termination. In particular operational costs have been reduced, as have breakage costs and any revenue compensation payment.
4. There have been changes to the build programme but the fundamental principle of 97% coverage remains.
5. ERDF targets remain unchanged but the changes to the contract should produce a reduced risk of failure to achieve the targets.
6. Formerly Access Agreements were entered into by Thales. Under the revised contract DRL will enter into the Access Agreements directly with customers. Thales

will indemnify DRL in respect of direct losses suffered by DRL under the Access Agreements. Any indirect or consequential losses are also excluded from the updated Access Agreement. The risk of exposure to DRL will be minimal provided the standard Access Agreement is used.

7. The revised contract has reduced the scope of service credits payable to DRL but service levels have been more tightly drafted.
8. Under the revised contract, ownership of the Network Operations Centre (NOC) has transferred to Thales. DRL no longer bears the responsibility for on-going costs, operation and development of the NOC.
9. The original contract allowed Thales to claim direct losses from DRL for breach of certain provisions in relation to sale of the network. DRL have agreed to this subject to a £10m cap in return for Thales agreeing a much more valuable indemnity in relation to their prohibited use of the network.

These changes do not alter the fundamental nature of the project and although the risk profile has altered in slight detail in some respects, there is no material change to the overall level of risk. Indeed, in a number of instances the level of risk to the Council has reduced.

8. Finance

The Council's Capital Programme includes provision for a £2m repayable loan to DRL to support the project.

The cost of creating the Council's data network (£350,000) has been budgeted for in the 2011 to 2015 ICT Capital Budget.

The annual running cost of the network will be met from existing network budgets and is a reduction of £150,000 p.a. when compared to the current cost of providing the network.

9. Risks and Uncertainties

Reference to risk is made in the main body of the report.

10. Policy and Performance Agenda Implications

The Digital Region project supports the Council's Corporate Plan priorities. More specifically, it will contribute to regeneration across the Borough, and will help to address issues of digital exclusion.

11. Background Papers and Consultation

- RMBC ICT Strategy 2011 to 2015.

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