

Agenda Item No: 10.10 **Report No:** 26/15
Report Title: Superfast Broadband for Businesses
Report To: Cabinet **Date:** 12 February 2015
Cabinet Member: Cllr Rob Blackman
Ward(s) Affected: All Newhaven Wards
Report By: Nazeya Hussain – Director of Business Strategy & Development

Contact Officers-

Name(s): Max Woodford
Post Title(s): Head of Regeneration & Investment
E-mail(s): max.woodford@lewes.gov.uk
Tel No(s): 01273 661378

Purpose of Report:

To provide an overview of the potential for a superfast wireless broadband network in Newhaven as a pilot programme prior to roll-out to other locations. This will potentially utilise an extension of the connection voucher scheme to Newhaven.

Officers Recommendation(s):

- 1 To agree an initial investment grant of £20,000 into the roll out of equipment to deliver the capability of superfast wireless broadband in Newhaven during summer 2015 as a pilot programme.
- 2 Subject to the Director of Business Strategy and Development in consultation with the Lead Member being satisfied that there is a sound business case, the Director is authorised to make a further grant of between £50,000 and £70,000 to achieve full roll out as set out in this report
- 3 Recommendations 1 and 2 above shall not be implemented until the Assistant Director of Corporate Services confirms that they are state aid compliant.

Reasons for Recommendations

- 1 Newhaven is typical of many smaller towns in the UK in that major Telecommunications Companies have a strong focus on the supply of high speed broadband services to residential areas, leaving business districts a choice of either:

- a) Extremely slow broadband speeds derived from ageing network infrastructure that is only capable of supporting legacy broadband offerings such as ADSL2+; or
- b) Adoption of premium leased line services that are only affordable by larger organisations.

Information

2 Local Challenges and Issues

- 2.1** Newhaven faces a number of challenges and opportunities. These include pockets of high unemployment, low skills and poverty of aspiration; a weak economic base associated with the decline in traditional port and related manufacturing industries; and poor quality commercial property that is unsuitable for modern business needs within emerging higher value sectors.
- 2.2** Newhaven has a real opportunity for growth, with money being committed through the Greater Brighton City Deal to improve flood defences in the town, as well as the identified opportunity to establish Newhaven as a 'Clean Tech' Growth Hub linked to the development of the University Technical College, E.ON's Rampion offshore wind farm and Veolia's Energy Recovery Facility, as well as the Newhaven Growth Quarter project to create additional business support units on Denton Island.
- 2.3** According to East Sussex in Figures, out of 397 sets of non-residential premises, there are just over 360 businesses in Newhaven operating in the following sectors:

Industry Sector	% of Jobs	Industry Sector	% of Jobs
Agriculture, Mining and Utilities	2.6	Manufacturing	8.5
Construction	9.1	Wholesale and retail trade; repair of motors	17.0
Transport and storage	7.1	Accommodation and food service activities	5.2
Information and communication	2.0	Finance, insurance and real estate	5.1
Professional, scientific and technical activities	4.0	Administrative and support service activities	4.8
Public administration and defence; compulsory social security	6.8	Education	9.0
Human health and social work activities	14.2	Other	4.6

3 Current Broadband Situation in Newhaven

- 3.1** Currently, BT is the only Telecommunications Company with network coverage across all residential and business areas of Newhaven. There is a limited level of coverage by other key national providers (eg. Virgin Media).
- 3.2** BT's Newhaven Exchange currently has Fibre to the Cabinet (FTTC¹) available. However the company's focus is on delivery of services to areas of high density residential housing. As a result, there are currently

¹ <http://www.thinkbroadband.com/guide/fibre-broadband.html>

no guaranteed timescales for delivery of superfast broadband to the industrial and business parts of Newhaven, such as Avis Way.

3.3 We understand that the lack of high speed commercial broadband is a source of growing frustration amongst local business leaders. Typical opinions expressed about this topic include:

- It is a major impediment to efficiency with many hours of productivity being lost each day just waiting for downloads to complete.
- Some applications, such as remote working or eCommerce, are simply not possible.
- The lack of being able to engage with customers via high speed connections casts the business in a poor light and can result in loss of sales.
- The lack of access to relatively cost effective cloud-based services can result in the business having to spend more than it needs to.
- With growing pressure for better connectivity, businesses find themselves having to consider relocation to areas where better connectivity is available.

3.4 Discussions with Basepoint (who operate Newhaven Enterprise Centre on behalf of LDC) have highlighted that they are frequently contacted by tenants regarding the availability of superfast broadband, and they are already looking at ways to explore enhancing connectivity speeds due to the full occupancy of the Centre at present.

4 Superfast Broadband

4.1 A good deal of work has already been carried out in order to establish the feasibility of providing superfast broadband services to the town. This has included analysis and studies to identify suitable sites from where the service can be delivered and viable routes to 'backhaul'² the high speed connections required to the core network.

4.2 LDC has been approached by CloudConnx, an Eastbourne-based service provider, which has established a joint venture with Eastbourne Borough Council to develop Eastbourne as the most digitally enabled business environment along the South East Coast. CloudConnx is now rolling out this service across Wealden and other parts of East Sussex. Newhaven has been proposed as the ideal location for a pilot programme for the Lewes District.

4.3 Having carried out extensive research, CloudConnx has identified that a range of high speed, high quality broadband services could be made available to the business community in Newhaven by early summer 2015.

² [http://en.wikipedia.org/wiki/Backhaul_\(telecommunications\)](http://en.wikipedia.org/wiki/Backhaul_(telecommunications))

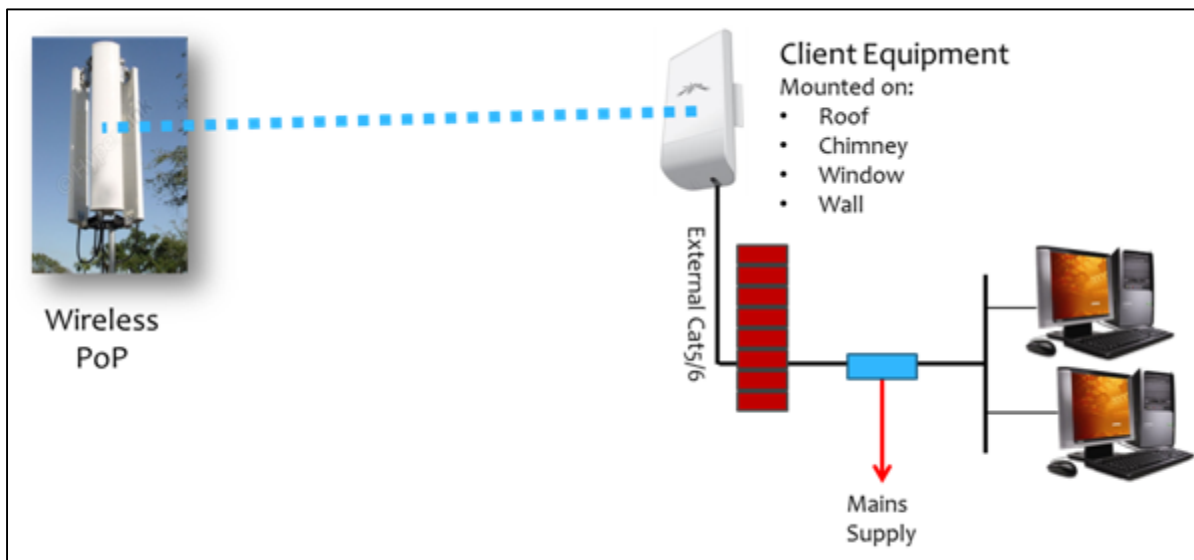
- 4.4** In parallel to this, Broadband Development UK (BDUK - a part of the Department for Culture, Media and Sport) have invited LDC to apply to become part of the [connection voucher scheme](#). This scheme offers a grant of up to £3,000 towards the capital cost of new high speed internet connection for SMEs. The scheme is an extension of the existing Brighton & Hove connection voucher scheme. BDUK are suggesting a 5-mile extension to the boundary, and only in main urban centres, meaning we can cover Newhaven and Lewes town. SMEs will be able to use a connection voucher to install the equipment necessary to access the new wireless broadband network.

5 Cloud ConnX

- 5.1** CloudConnX is a superfast broadband and Internet Services Provider (ISP) based in Eastbourne. A key focus of the company is to improve the availability and quality of high speed internet services in East Sussex as part of our commitment to the economic development of the county.
- 5.2** The CloudConnX wireless network offers core speeds of between 20 and 100 Megabytes per second (mb/s) and can go up to 1 Gigabyte. CloudConnX offers businesses guaranteed minimum broadband speeds, which sets the service apart from many other ISP's. Equally, over the past four years of trading the service has achieved more than 99.99% reliability, which is more than other networks.
- 5.3** CloudConnX's portfolio includes the following capabilities:
- Wireless broadband and leased lines
 - Public and private Wi-Fi
 - Traditional copper and fibre broadband services
 - Leased line and bespoke networks
 - Optical fibre overlay for large buildings, campus environments, trading estates and housing developments
 - Data centre services including co-location and hosting (virtual and dedicated)
 - Voice over IP (VoIP) services
 - Data backup and disaster recovery
 - File sharing and collaboration services.
- 5.4** CloudConnX has a rapidly expanding client base, including LDC (delivering public WiFi services at Southover House), as well as Eastbourne Borough Council and Brighton & Hove City Council. In May 2012, a 'ground-breaking' new digital communications network was

launched³ in Eastbourne by CloudConnX. This is an example of the service proposed initially for Newhaven. Eastbourne Borough Council is a non-controlling shareholder in CloudConnX.

- 5.5** CloudConnX are not reliant on third party Telecommunications networks, nor access to pavements or subterranean ducts, and so there is very little disruption to roads during installation as well as minimal delays from third parties.
- 5.6** From a customer perspective, the CloudConnX service is a tried and tested approach, that is delivered via an unobtrusive piece of equipment (see below), mounted on the roof of the premises, cabled into a convenient location such as a computer room or network cupboard where it connects to the customer's existing route or one provided by CloudConnX. The service does not require a phone line, which results in an immediate line rental saving.



6 Investment Requirements

- 6.1** As noted in paragraph 4.1, a good deal of work has already been carried out by CloudConnX. The company has also approached landlords of some key sites, who have been amenable to the idea of providing accommodation on a commercial basis.
- 6.2** In order to complete the detailed design and secure tenure for a foundation Point of Presence (PoP), an initial investment of £20,000 would be required. This investment would enable CloudConnX to get to a deployment stage by finalising agreements with site owners and cover set-up fees for the all-important optical fibre circuits from the chosen sites required to connect to the network. It is this initial investment that members are being asked to authorise on the grounds that it will help to prove the concept and lay the groundwork for a full roll out.

³ <http://www.cloudconnx.net/latest-news/minister-launches-new-digital-communications-network-in-eastbourne/>

7 Full Roll-out

- 7.1** Having secured tenure for the PoP's and placed orders for the optical fibre backhaul connections to the core CloudConnX network, the build out of appropriate network infrastructure would follow. This phase would also include procurement of routing and edge network equipment, installation, configuration and commissioning.
- 7.2** During the full roll-out, LDC's Regeneration & Investment team would assist CloudConnX in developing a marketing plan for all businesses in Newhaven, with the key objective of ensuring rapid adoption. LDC would also ensure that this plan included scope for factoring in impending developments, including Newhaven Growth Quarter and the Shared Service Facility.
- 7.3** To complete full roll-out of the network would require further investment of between £50,000 and £70,000 (plus VAT) to ensure rapid roll-out during early summer 2015. It is proposed that the Director of Business Strategy and Development be authorised to negotiate and enter into an agreement with CloudConnx on the full roll out. That negotiation would need to explore what potential returns there might be to LDC for making that additional investment. However, the key driver for this investment is economic development based, rather than being to ensure a commercial return.

Financial Appraisal

8 The Finance Department has made the following comments:

- 8.1** The Council's initial investment of £20,000 can be funded from monies held in the Business Rates Equalisation Reserve and which are allocated within the budget to support local businesses. This Reserve would be a potential source of funding for a further investment of between £50,000 and £70,000, should a business case support it,

Legal Implications

9 The Legal Services Department has made the following comments:

- 9.1** This report proposes the giving of grant aid to CloudConnX rather than the procurement of works, goods or services.
- 9.2** The proposed grant aid should be checked to ensure that it does not amount to unlawful "state aid". The Treaty on the Functioning of the European Union (TFEU) sets out the basis for the state aid rules. Broadly speaking, state aid is a member state's financial aid which favours selected undertakings and has the potential to distort competition and affect trade between EU member states. An undertaking is an entity which is engaged in economic activity (i.e. it puts goods or services on a given market).
- 9.3** Public funding and state aid are not one and the same, i.e. public funding is not necessarily state aid. All the criteria set out in the TEFU must be

met for state aid to be present. Furthermore, not all state aid is unlawful. For example, certain types of aid are authorised under EU regulations.

9.4 Unauthorised state aid is unlawful. There are consequences for giving unlawful state aid. These include the following:

- (a)** aid payments and schemes can be suspended.
- (b)** recipients may have to repay the state aid with interest.
- (c)** the state entity giving the aid and the recipient could be sued by a competitor for damages.

9.5 The proposal to give grant aid should be checked to ensure that it does not constitute unlawful state aid. The Assistant Director of Corporate Services will be able to confirm whether the proposed grant aid is state aid compliant.

Sustainability Implications

10 I have completed the Sustainability Implications Questionnaire and there are no significant effects as a result of these recommendations.

Risk Management Implications

11 I have completed a Risk Assessment. The following risks will arise if the recommendations are not implemented, and I propose to mitigate these risks in the following ways.

There is a risk that Newhaven is viewed unfavourably due to a lack of connectivity hindering modern business needs. This risk can be mitigated through the range of regeneration projects planned / underway in Newhaven which should enhance the town's reputation and economic base.

12 The following risks will arise if the recommendations are implemented, and I propose to mitigate these risks in the following ways:

Risk	Mitigation
Revenues at Newhaven Enterprise Centre may decline due to wider connectivity.	CloudConnX has agreed to work in partnership with Basepoint to ensure that NEC tenants benefit from the proposals.
Lack of sign-up by local landowners / landlords	CloudConnX has undertaken initial discussions with a range of landowners, who have been amenable to the idea of providing accommodation on a commercial basis.
Loss of contractor due to insolvency.	CloudConnX are an established ISP that have successfully been working with Eastbourne Borough Council since 2012.
The Government's Connection Vouchers scheme is not extended to Newhaven or Lewes Town meaning that local businesses	BDUK are suggesting a 5-mile extension to the boundary for Brighton & Hove that will cover Newhaven.

are unable to afford the new service.	
Lack of uptake by local businesses.	Local business leaders have expressed considerable frustration at the lack of connectivity in Newhaven.
Further investment is needed to get the pilot operational.	Appropriate due diligence will be undertaken by LDC Officers prior to entering into a formal agreement.
The new superfast network is unreliable	Over the past four years, the service has achieved more than 99.99% reliability, which is more than other networks.

Equality Screening

- 13** I have undertaken a Screening report, which has recommended that a full Equality Analysis is not required. There are no impacts arising to any group from the recommendations contained within this report.

Background Papers

- 14** None.

Appendices

- 15** None.