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**REPORT TO THE NORTH WALES ECONOMIC AMBITION BOARD**  
**25 March 2022**

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**TITLE:** Change Control – Digital Programme Structure

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**1. PURPOSE OF THE REPORT**


- 1.1. The purpose of the report is to submit a change request relating to the structure of the Digital Programme and to propose a change to the delivery structure of the Digital Programme, following the outcome of recent business case workshops, and consultation with the Digital Programme Board and the Portfolio Board.
- 1.2. The North Wales Growth Deal has a change management process in place to ensure potential changes to the scope of the Growth Deal and the projects are captured, assessed and where relevant considered by the Board.

**2. DECISION SOUGHT**

- 2.1. That the Board approve the change request to restructure three of the Digital Programme's digital infrastructure projects to create two projects.
- 2.2. That the Board note that the Connected Corridors and Full Fibre at Key Sites projects are proposed to be combined into one project to focus on delivery of new fibreoptic network capacity to meet the spending objectives of the two projects. Subject to further assessment of requirements (where a requirement for new fibreoptic networks is identified) an element of the Connected Campus project may be included in this new project. No change is recommended to the Last Few % infrastructure project or DSP research and development project.
- 2.3. That the Board note revised programme delivery structure and timetable as set out in Appendix 2.
- 2.4. That the Board note that subject to approval for 2.1, there is a requirement to notify Welsh and UK Government of the change agreed.

**3. REASONS FOR THE DECISION**

- 3.1. The outcome of the Economic Case workshops for the Connected Corridors project has been the identification of a preferred option which consists of investment in new fibreoptic network coverage in the region. The Digital Programme's Full Fibre at Key Sites project currently at SOC stage is also targeting fibreoptic network coverage, with the current 'key sites' typically close to the transport 'corridors' sites in scope for the Connected Corridors project. This alignment of both locations and now service delivery presents an opportunity to bring the two projects together to deliver spending objectives under a single project. This principle is supported by



HM Treasury best practice in its Guide to Developing the Programme Business Case ('Better Business Cases for better outcomes').

- 3.2. Changes to projects within the Growth Deal is a matter for the Economic Ambition Board where those changes are within the agreed budget envelope and there is no material impact on the benefits to be delivered. No impact is expected to the capital funding requirement from the Growth Deal and no net increase in revenue requirements is expected. Benefits and Spending Objectives are also not expected to be impacted negatively from the change.
- 3.3. To reduce impact to the schedules for project business case development approved by the NWEAB, changes to the programme structure will need to be implemented at the earliest opportunity. Changes to scope of the next strategic outline cases will need to be made before further consultancy support is commissioned.
- 3.4. Procurement of consultancy support to complete Outline Business Cases for the Connected Corridors, Full Fibre at Key Sites and Connected Campus projects will need to start next quarter and the scope of this work cannot be confirmed until a decision has been made on the programme structure. Regular reviews of the Programme Business Case are recommended by HM Treasury to account for changes in the strategic case and the recent outcomes of project workshops, and both market and Government activity suggest that sufficient changes have happened to require a review.

#### 4. BACKGROUND

- 4.1. The Digital Programme consists of four infrastructure projects and the DSP research and development project. The DSP project is now entering delivery following approval of the Full Business Case in December 2021, with two subsequent 'light touch' Business Justification Cases to follow in 2022 and 2023.
- 4.2. The four infrastructure projects were prioritised for business case development by the Programme Board in 2021 with Last Few % and Connected Corridors being the first OBCs due to be submitted to the NWEAB for approval followed by the higher value Connected Campus and Full Fibre at Key Sites OBCs.
- 4.3. Economic Case workshops have concluded in February for the Connected Corridors and Last Few % projects and preferred options have been identified. Both options feature investment in new fibreoptic network capacity to deliver spending objectives. Procurement options for the Last Few % project are limited to proven mechanisms developed and used extensively across the UK in various UK Government funded 'Superfast' projects. These include the use of the DCMS Crown Commercial service 'Dynamic Purchasing System'<sup>1</sup>. **With the widely dispersed nature of the target premises for the Last Few % project and the established procurement options available it is recommended that this remains as a distinct project to take through to Full Business Case.**
- 4.4. The preferred option for the Connected Corridors project involves delivering new 'backhaul' capacity (the larger capacity supply networks with serve local mast sites, for example) in areas underserved with mobile coverage, possibly with or without direct investment in new tower and mast infrastructure. At this stage no decision has been made on whether this will be 100% fibreoptic (high capacity, more resilient, more expensive) or include microwave backhaul (less

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<sup>1</sup> [Gigabit Capable Connectivity DPS - CCS \(crowncommercial.gov.uk\)](https://www.crowncommercial.gov.uk/gigabit-capable-connectivity-dps-ccs)

capacity, less resilient, less expensive). The PMO’s consultant, Farrpoint, has recommended further engagement with the Mobile Network Operators (MNOs) to determine the regional barriers to better coverage but backhaul availability is considered to be key. **Completion of the OBC cannot follow until that engagement has concluded. Similarly, a recommendation has been made to work with the market to design an appropriate procurement exercise to address these barriers.**

- 4.5. The expectation is that once backhaul (and potentially power) is available, Mobile Network Operators would deploy masts through commercial investment, contributing to the Programme’s spending objective of securing private sector investment.
- 4.6. The Full fibre at key sites project is expected to involve Growth Deal investment in new fibreoptic networks and these sites are typically located in the vicinity of the main transport routes in scope for the Connected Corridors project (Figure 1). Backhaul at these sites may already be in place but extensive ‘contended’ (shared by multiple customers, more affordable than exclusive ‘leased lines’) ‘full fibre’ (or FTTP) local access networks (the cables connecting premises to the main backhaul networks) may not be, i.e. affordable FTTP may not be available to the local SMEs. The project concept involves developing wholesale competition in FTTP to provide greater retail choice and better value.

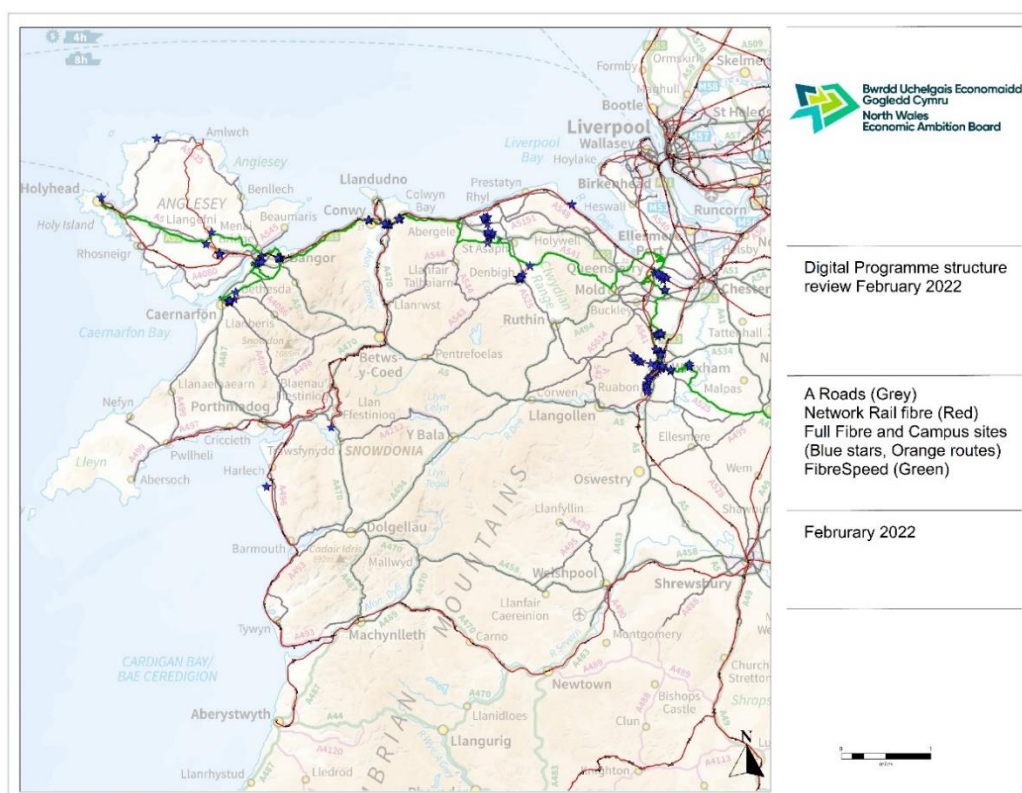



Figure 1- Full fibre sites, Campus sites, Network Rail telecom, FibreSpeed routes.

- 4.7. **A review of coverage is needed as part of the Strategic Outline Case. Relatively recent growth in the availability of more affordable FTTP services through Openreach infrastructure in some parts of the region may also have an impact on the Digital Programme’s 2019 assessment of the value of investing in wholesale competition.**
- 4.8. Although not the target infrastructure, the Connected Campus project will also depend on sufficient fibreoptic backhaul at the sites currently in scope, to support the deployment of the



mobile and fixed wireless networks expected to be the key outputs of the project. An assessment of backhaul at the Campus sites has not been undertaken however it is expected that for most of these backhaul will be relatively strong though either Openreach, FibreSpeed, Virgin Media or Zayo. **A review of backhaul coverage will be needed as part of the Strategic Outline Case.**

- 4.9. Recent engagement with the NWEAB Business Delivery Board and informal consultation with telecoms operators suggests that the market will have more interest in a single, larger fibre build procurement than individual, smaller contracts. There is potentially greater commercial benefit from having a wider continuous coverage than having isolated sections of network. An example of this is the Liverpool City Region Combined Authority's LCR Connect network which is set to deliver 212km of new network as part of a £30m joint venture.
- 4.10. A single procurement across two or more projects may therefore be more cost effective to deliver and manage than multiple similar contracts. This may also reduce management costs and potentially result in delivery starting earlier.
- 4.11. The wider context to the Growth Deal's investment in digital has also changed since the Final Agreement with UK and Welsh Government was reached in 2020. UK Government's [Project Gigabit](#) is underway and investment is expected to be made in North Wales to improve full fibre coverage in the hardest to reach areas. However, investment is not guaranteed at scale in the region, with only a target of 85% UK premises coverage currently being planned for. **Without early strategic investment it is possible, if not likely, that currently unserved premises in North Wales will largely remain in the 15% not addressed by the UK Government's target of the end of 2025.**
- 4.12. A lack of extensive fibreoptic backhaul beyond the coastal region and larger towns is considered to be a barrier to attracting further investment from network operators. **Delivery of more fibreoptic 'spine' networks may improve the commercial conditions for operators to deploy further when the additional UK Government investment is made available.**
- 4.13. Since the first iteration of the Digital Programme Business Case in 2020, and as a consequence of Ofcom intervention, other network operators have extensively adopted the use of Openreach's 'Passive Infrastructure Access' (PIA) to extend their own networks. PIA is a means of operators taking advantage of existing Openreach infrastructure through which they can deploy their own networks. **This suggests that entirely new fibreoptic networks may not be required in some parts of North Wales, with Growth Deal investment required only to address 'gaps' in existing coverage to achieve greater wholesale provision.**
- 4.14. The UK Government's [Shared Rural Network](#) (developed by the UK's four mobile network operators and Government, to deliver 4G coverage to 95% of the UK), is also currently underway and the rate and extent of Mobile Network Operator delivery is in part constrained by provision of cost effective power and fibreoptic backhaul availability. Supplementing this may improve coverage outcomes for the region sooner than may otherwise be achieved.

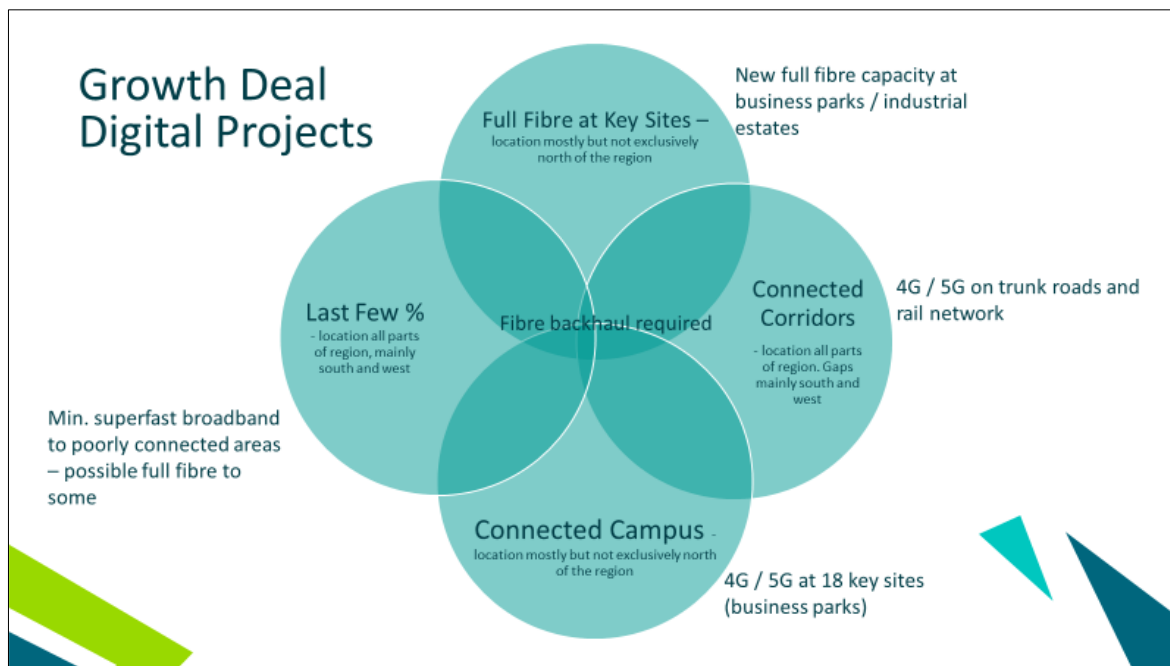


Figure 2 - Relationship between digital infrastructure projects

### Options Analysis

- 4.15. On the basis that fibreoptic backhaul capacity has emerged as a common requirement for all projects, the following options are considered:
1. **Combine procurement of fibreoptic infrastructure** across a combination of Connected Corridors, Full Fibre at Key Sites and Connected Campus
  2. **Combine projects**
    - 2a. Connected Corridors and Full Fibre at key Sites
    - 2b. Connected Corridors, Full Fibre at key Sites and Connected Campus
- 4.16. **Option 2a** is recommended with potential to include an element of the Connected Campus project where new fibreoptic network capacity is identified as a requirement.
- 4.17. **Option 1** would require the three projects to complete SOC and OBC stages before a common fibre build procurement could be identified as the preferred option. Three projects would be delivered with separate project management and governance and at least two procurements. Option 1 is not recommended as it not the most efficient delivery model.
- 4.18. **Option 2** could be delivered by combining SOC and OBC stages for two or three of the projects.
- 4.19. **Option 2a** would result in a single, large 'fibre project' with a further 'radio only' (e.g. mobile towers) Connected Campus project supported with backhaul where necessary through the 'fibre project'. The Campus project could be delivered in tandem with the 'fibre project' where fibre is already available or as it is deployed through Growth Deal investment. Subject to the outcome of further industry consultation, mast/tower build elements of the Corridors project could be delivered through the Campus project.



4.20. **Option 2b** would cover all spending objectives from the three projects but would be more complex and possibly involve multiple procurements to deliver both fibre and radio infrastructure. For this reason, Option 2b is not recommended.

4.21. Current and potential Programme structures are illustrated below for comparison.

### **Risks and Benefits**

4.22. The risks associated with a change to the current plan for the programme structure include:

- Delay to OBC (and FBC and 'start on site') for Connected Corridors project and the Full Fibre and Connected Campus projects.

*Mitigation – prioritise preparation of strategic assessment for remaining projects and develop commercial case for combined projects.*

- Prioritising fibre networks in procurement risks losing control on targeted outcomes, such as addressing the need for mobile coverage requiring mast infrastructure.

*Mitigation – Phased delivery subject to milestones being met. Include clauses and requirements in contract to secure commercialisation or recover costs or terminate contract. Work with market to prepare appropriate contract terms in advance of procurement.*

- Depending on the commercial model, the procurement phase may be more extensive, requiring additional legal input (e.g. if a joint venture or concession approach taken). This may risk delaying delivery.

*Mitigation – Prioritise review of commercial options. Consult other similar projects (e.g. LCR) to understand most expedient and compliant routes for delivery.*

- Delivering a single, large procurement may prevent the impacts of local delivery issues from being isolated and controlled.

*Mitigation – Phased delivery to control performance and minimise systemic issues.*

4.23. The benefits associated with a change to the current plan for the programme structure include:

- Simpler procurement and contract management arrangements, potentially allowing for earlier delivery of some spending objectives and reduced management costs.
- Potentially reduced initial costs to NWEAB in delivering multiple business cases (est. £100k each for Connected Campus and Full Fibre at Key Sites).
- Spending objectives associated with Connected Corridors may only be achieved if budget from other projects supports investment, i.e. combining funding may be the option to address a potential affordability gap for the project.
- The larger commercial opportunity is likely to attract stronger interest from suppliers than multiple, smaller contracts

- Potentially improved prospects of private sector co-investment and option for long term NWEAB return, if an appropriate commercial arrangement is pursued.
- A larger single wholesale network may be more appealing to communications providers which wish to access a wider, contiguous customer base (reported as important by several network operators).
- Potential better outcome for North Wales from UK Government’s Project Gigabit by the end of 2025.
- Alongside Project Gigabit, strategic, aggregated deployment in new fibre routes may also increase coverage from the Shared Rural Network programme.

## 5. CONSULTATION UNDERTAKEN

- 15 February 2022 – Digital Programme Board endorse proposal
- 4 March 2022 – Portfolio Board endorse proposal

## 6. FINANCIAL IMPLICATIONS

6.1 There are no additional financial implications arising directly from approving the decision sought in this report. There is already budget provision for project development within the Portfolio Management Office. Approving the decision and reducing the number of business cases to deliver the programme will have a positive financial and resource implication.

## 7. LEGAL IMPLICATIONS

7.1. Changes to projects within the Growth Deal is a matter for the Economic Ambition Board to determine, however there is a requirement to notify Welsh Government and UK Government of any changes made. This change does not impact on the outputs and benefits to be delivered through the programme, only the mechanism (number of projects) for delivery.

7.2 Approving the decision and reducing the number of business cases to deliver the programme will have a positive impact in reducing the external legal resources required.

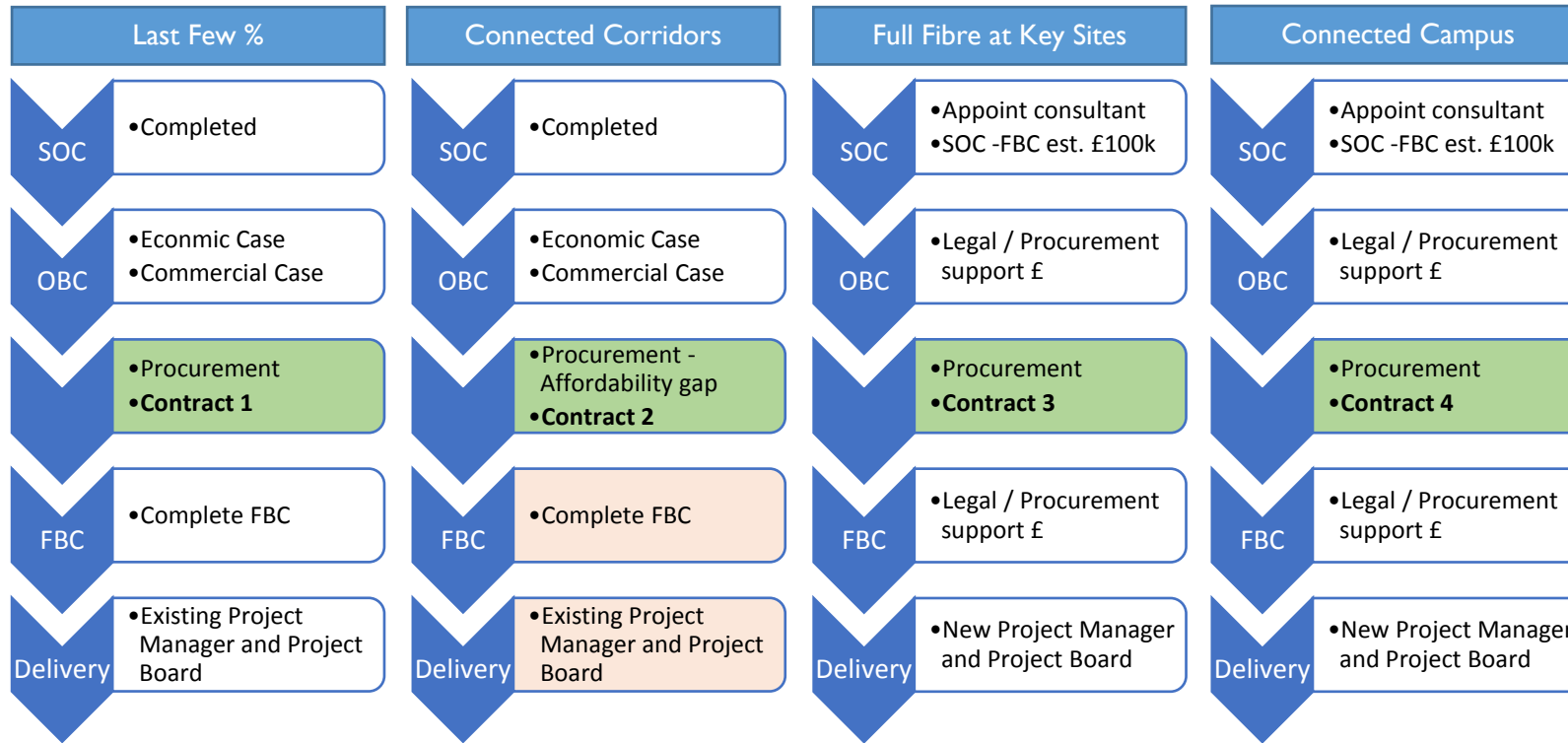
### APPENDICES:

<b>Appendix 1</b>	Current Digital Programme Structure and Timetable
<b>Appendix 2</b>	Proposed Digital Programme Structure and Timetable

### STATUTORY OFFICERS RESPONSE:

- i. **Monitoring Officer – Host Authority:**  
No observations in relation to propriety.
- ii. **Statutory Finance Officer (the Host Authority’s Section 151 Officer):**  
I have no objection to the decision sought from the perspective of financial propriety.

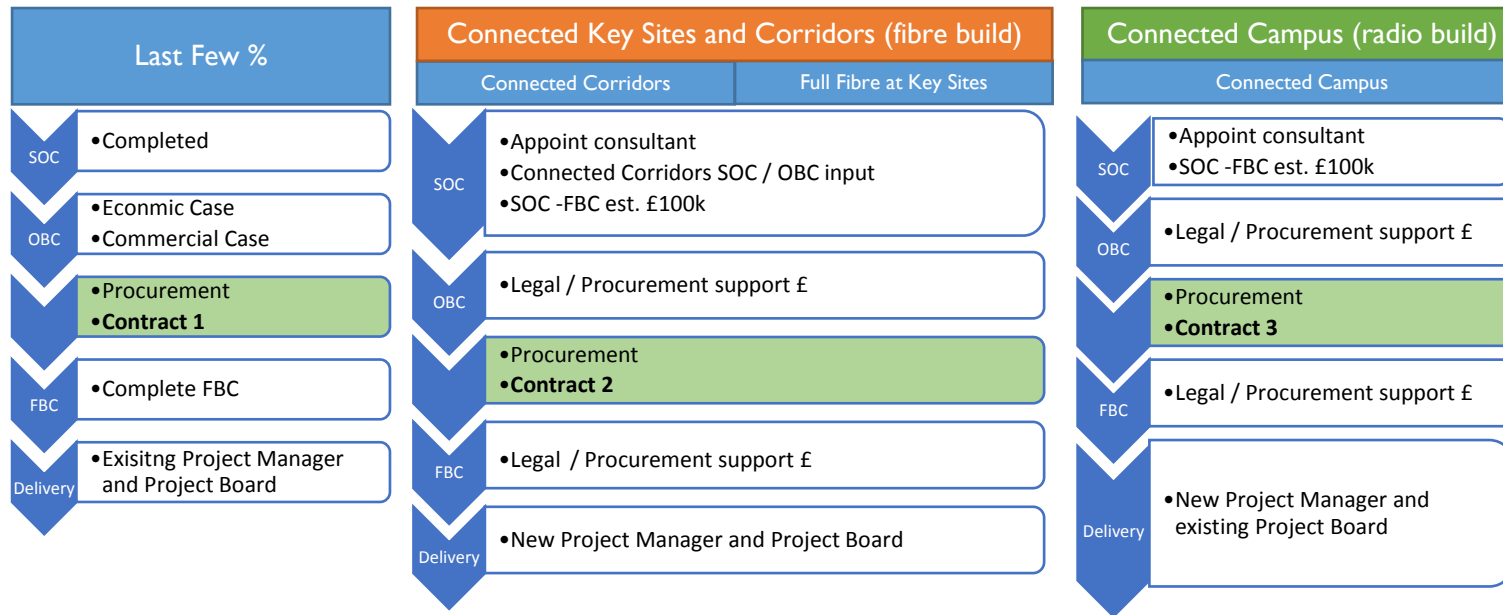
## Appendix 1 – Current Digital Programme Board Structure



	OBC	FBC
Connected Corridors	June 2022	November 2022
Full Fibre at Key Sites	September 2022	December 2022
Connected Campus	September 2022	January 2023



## Appendix 2 – Proposed Digital Programme Board Structure



	SOC	OBC	Procurement	FBC
<b>Connected Key sites and Corridors</b>	August 2022	December 2022	January - March 2023	June 2023
<b>Connected Campus</b>	August 2022	December 2022	January - March 2023	June 2023