

Report Title	LCR Connect Performance Review	
Portfolio Holder	Portfolio Holder for Digital and Innovation	
Summary of report	This report summarises the LCR Connect Joint Venture performance over the last 12 months; the risks and mitigations.	
Is this report exempt?	No	
Is this a Key Decision	No	
Is the report urgent?	No	
Is this decision to be exempt from call in	No	
Local Authorities affected	All Local Authorities	
Impact and implications of this report		
Financial impact	No	
Delegation (s) sought	None	
Supporting the Corporate Plan	A Fairer City Region	x
	A Stronger City Region	x
	A Cleaner City Region	x
	A Connected City Region	√
	A Vibrant City Region	x
Climate Change Implications	Yes - see paragraph 7.3	
Equality and Diversity implications	Yes - see paragraph 7.4	
Social Value implications	Yes - see paragraph 7.5	
Human Resources implications	No	
Physical Assets implications	Yes - see paragraph 7.6	
Information Technology implications	No	
Legal implications	No	
Risk and Mitigation	Yes - see paragraph 7.7	
Privacy implications	No	
Communication and consultation implications	Yes - see paragraph 7.8	

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Appendices

No

Background Documents

No

Liverpool City Region Combined Authority

Friday, 15 March 2024

Report of the Executive Director - Investment and Delivery and the Portfolio Holder for Digital and Innovation

LCR CONNECT PERFORMANCE REVIEW

1. PURPOSE OF REPORT

- 1.1. To provide the Combined Authority with an annual performance review of the Liverpool City Region Connect Joint Venture (JV) – the partnership between the Liverpool City Region Combined Authority, ITS Technology Group and NGE Concessions – to deliver and operate a new full fibre backhaul network across the City Region.
- 1.2. This report summarises the JV performance over the last 12 months, including the progress made in delivering the build programme; managing operational delivery and adding value through partnership working.

2. RECOMMENDATIONS

- 2.1. It is recommended that the Liverpool City Region Combined Authority:
 - (a) note the current performance and successful delivery of the Joint Venture set up to deliver and operate a new full fibre backhaul network across the Liverpool City Region;
 - (b) agree that annual reports be presented to the Combined Authority.

3. BACKGROUND

- 3.1. In February 2021, a Joint Venture Company was established with respective shareholding between the Combined Authority (50%), ITS Technology Group (25%) and NGE Concessions (25%) (LCR Digital Ltd) to deliver a new full fibre backhaul network (LCR Connect) which would provide business-to-business connectivity across the City Region.
- 3.2. Both “Works” and “Operating and Maintenance” contracts commenced simultaneously in March 2021, with the Build planned for completion in March 2023 and the Operations contract spanning over at least a 15-year term.
- 3.3. Year 1 activities focussed on the mobilisation of the JV and the works contract – establishing an operating structure and governance approach, which included a JV Shareholder Board and a JV Executive Team to manage day-to-day operations, whilst a brand called “LCR Connect” was created to facilitate “go-to-market”, allowing the JV to compete and trade within the open marketplace.
- 3.4. Year 2 activities have focused on completing the build and commencing sales and commercialisation of the network, by connecting end-user customers.

4. WORKS PERFORMANCE

- 4.1. In the initial build programme plan, the network was scheduled to be completed by March 2023. Resource challenges, Covid pandemic, engineering difficulties and major event embargos have all been contributory factors to delays in the programme.
- 4.2. The network is now constructed and ready for service (i.e. available to over 28,000 potential end-user customers across the Liverpool City Region). Final testing, commissioning and remedial works will be undertaken by the end of May 2024 – which include revisiting trench reinstatements and establishing resilient fibre connections between distribution cabinets.
- 4.3. The ongoing operations and maintenance of the network is being managed by ITS Technology Group (ITS). They will assume full control of the network once the remedial works have been completed by NGE Concessions (NGE).

5. SALES PERFORMANCE

- 5.1. With LCR Connect being a new network, the brand requires establishing in the market, including building trust and credibility with suppliers and end user customers. Sales are now growing and there are over 350 businesses connected to the network, with a further 400+ orders placed (NB. the JV use an enterprise 're-seller' model which involves over 50 registered partners who offer products and services to end-user customers across the City Region).
- 5.2. Flagship customer connections include the BBC and the 2023 Eurovision Song Contest, who utilised LCR Connect to ensure that the event was resiliently broadcast to the largest global audience in the contest's history. A specialised connection to the Liverpool M&S Arena provided cyber protection and enabled a link from Liverpool to London, where internet traffic was handed off between the BBC and the European Broadcasting Union, allowing the show to be beamed around the world.
- 5.3. Notable public sector deals, which are subject to competitive procurement processes, have been secured through re-seller partners. These deals include a partnership with reseller Adept to connect up to 40 schools across the Knowsley area, and a recent deal with Wirral Council via reseller TNP to connect multiple public sector buildings.
- 5.4. Other significant deals include supporting national residential providers of fibre to the premises (FTTP) with backhaul to allow expansion across the City Region.

6. EARLY ECONOMIC BENEFITS

- 6.1. The introduction of LCR Connect is not just an upgrade in terms of full fibre – it's a strategic investment in the future of the local economy. The presence of the network will benefit the City Region directly by:
 - supporting its attractiveness as a place for 21st Century business and households;
 - attracting new inward investors;

- enhancing the desirability of the region as a place to live;
 - supporting new business start-ups; and
 - developing new high-tech business clusters.
- 6.2. The JV operating model is expected to generate an estimated net economic benefit of £105m over a 15 year period, with a net present public value (NPPV) of around £90.9m and a Benefits Cost Ratio of 7.5.
- 6.3. The availability of the LCR Connect network is allowing businesses / organisations from across the region to switch from copper line or more expensive fibre services to a new, competitively priced gigabit-capable service - a 1Gb circuit from LCR Connect is about £700 cheaper per year than the average, saving businesses £3,500 over 5 years. Furthermore, larger organisations who switch to a 10Gb circuit via LCR Connect can typically save c.£5,000 in annual charges. In addition to the immediate cost savings, businesses / organisations will benefit from full fibre connectivity by: improving productivity, with firms now able to exploit new business processes associated with enhanced connectivity; increasing the speed and reliability of data transfer within and between businesses, with the ability to access agile cloud-based services; and supporting more innovation opportunities with businesses being able to develop a wider range of products and services, while accessing larger markets.
- 6.4. Over 350 businesses have now connected to the network. Estimates show that access to full fibre will increase business productivity for these organisations by 1.2%.
- 6.5. With average Gross Value Added (GVA) per business in the City Region standing at around £673,000, a 1.2% uplift would generate £8,100 per business annually. In total, this would represent an annual GVA impact of £2.8m and a cumulative GVA impact of £3.1m.
- 6.6. In addition to social and community initiatives delivered by the JV, a number of early benefits have been recognised through the construction phase as a direct result of LCR Connect. This has included 24 construction jobs, seven apprenticeships in technology and construction roles, two student interns and 138 people employed through 16 local supply chain partners involved during the build stage.
- 6.7. Benefits will continue to be measured throughout the operations and delivery phase including business productivity improvement, efficiency gains, employment and GVA. These will be reported to the Combined Authority annually.

7. IMPACT AND IMPLICATIONS

7.1. Financial

The Combined Authority has managed its original investment (£15.5m) within previously agreed budgets.

7.2. Supporting the Corporate Plan

A Connected City Region – the delivery of the LCR Connect network supports the “Connected City Region” priority of the Corporate Plan. Improved digital

infrastructure is a major public commitment for the Metro Mayor, and one the Combined Authority is committed to delivering. This commitment was originally articulated in the Metro Mayor's manifesto, the ambition to improve digital connectivity across the region as an enabler for economic growth and link up key digital assets including, the connection of a transatlantic fibre cable landing in Southport (Sefton) with the Hartree Supercomputer in SciTech Daresbury (Halton).

7.3. Climate Change

Whilst full fibre connectivity will undoubtedly reduce carbon emissions (i.e. typically through enhanced agile working opportunities) the JV has contributed towards net zero ambitions during the construction stage by recycling over 245 tonnes of material excavated from ducting and fibre install.

7.4. Equality and Diversity

Whilst the LCR Connect network build does not directly impact any of the protected characteristics, 82 staff across both JV partners have attended Equality, Diversity and Inclusion training, in partnership with Innovate Her. The JV continues to reach areas of the City Region where connectivity to-date has been poor – including social housing locations. In these localities LCR Connect has been a significant contributor to reducing Digital Exclusion and providing greater competitive connectivity choice for residents.

7.5. Social Value

The JV has delivered on the agreed social value commitments, including connecting four community hubs in Local Authority areas with free broadband for 12 months. Community hubs have been established at the Brindley (Halton), Make CIC Huyton (Knowsley), Make CIC North Docks (Liverpool) and Make CIC Hamilton (Wirral), with two further hubs planned for connection during 2024 at Bootle Strand (Sefton) and Taylor Park (St Helens).

“LCR Connect For Good” is the new brand for social value and community activity of the LCR Connect JV. Activities throughout 2023 have included:

- Signing the LCR Digital Inclusion Pledge in June 2023;
- Engaging with over 1,100 students through career carousel, mock interview and safety events hosted at various schools across LCR across to raise awareness and aspirations;
- Delivering Digital Champion training for 10 individuals in partnership with 6 partner organisations;
- Continuing to provide gigabit capable connectivity to community hubs across the region.

7.6. Physical Assets

The JV (of which 50% ownership is held by the Combined Authority) retains over 214km of fibre and ducting assets. All assets are retained by the JV under commercial agreement.

7.7. Risks and Mitigation

The CA remains both investor and shareholder in the JV, operating in a commercial environment.

The JV Executive team actively manages risk and it is documented in a risk register, this is reviewed regularly, mitigations are in place and progress/escalation of key risks are reported to the JV Shareholder Board.

Following delays to the completion of the network, lower than forecast sales represent a risk to the commercial success of LCR Connect. The Combined Authority will continue to work with the JV and its partners (and in particular ITS) to ensure that a focus remains on sales and ensuring a commercial return for the Combined Authority's investment. Additionally, the Combined Authority will work with Local Authority colleagues to ensure LCR Connect plays a pivotal role with ongoing Spatial Planning Framework and Economic Growth location activity, to provide the underpinning digital connectivity requirements.

Whilst the network is built and ready for service, there are ongoing risks associated with the construction contract that the Combined Authority is addressing with JV Partners, using the established governance regime, including the JV Board, and contractual provisions. An example is the remediation of outstanding defects by which the Combined Authority continues to proactively manage through working collaboratively with JV Partners. Regular operational delivery meetings take place to monitor progress, manage risks, review mitigations and there are escalation processes in place to ensure effective senior management oversight and decision making.

7.8. Communication and Consultation

The LCR Connect brand continues to grow, with the project securing three national industry awards during its first 2 years of trading. In November 2022, the project was named Best Public Sector Project at the INCA (Independent Networks Co-operative Association) awards held at Liverpool's St George's Hall. INCA supports the development of independent digital networks and infrastructure across the UK. This same award was repeated in 2023. Other awards include the Connected Britain 2023 Project Roll Out award.

Several LCR Connect communications campaigns are underway to raise awareness and confidence with partners and customers. The JV is engaging through a number of channels, including a campaign with Reach plc (Liverpool Echo); engagement with the respective Chambers of Commerce; social media; and reseller focused sales activity in localities.

The 'It's Yours' marketing campaign is also being rolled out across the region to highlight the public/private ownership of the network and the circular local economy, providing the opportunity to do business locally and the reinvest network returns in the City Region.

The JV continues to actively engage with delivery partners and wider stakeholders to discuss how LCR Connect could underpin innovation and digital transformation across the City Region.

8. CONCLUSION

- 8.1 LCR Connect has been a catalyst to increasing full fibre, with average full fibre coverage across the City Region now at 55%. The network has opened up competition in the market for end user customers, delivering shorter term deals and greater choice of products. There has been a significant increase in the coverage of full fibre across the City Region (from 28% to 55% in 3 years) as a direct result of stimulating the market through establishing the JV - LCR Connect. The JV will continue to work through its reseller partners to offer reliable, high capacity and competitive products and services for all sizes and types of businesses across LCR.

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Appendices:

None

Background Documents:

None