

THE HIGHLAND COUNCIL

RESOURCES COMMITTEE – 1st October 2008

Agenda Item	
Report No	

Pathfinder North Progress Update Report

Report by Head of E-Government

SUMMARY

This report updates the Resources Committee on the progress of the Pathfinder North Broadband Project which will provide high capacity broadband links to schools, libraries and other council buildings throughout the Highlands and Islands.

1. Background

- 1.1 The Pathfinder North project is to procure, implement and manage the delivery of managed broadband services in five local authority areas across the Highlands and Islands (Highland, Moray, Argyll and Bute, Orkney and Shetland). The five local authorities formed a consortium to undertake the procurement. The Highland Council was appointed the lead authority for the procurement and implementation of the Pathfinder North programme. As a result, The Highland Council has a dual role in the project – one role being to act as the lead authority on behalf of the other Partner authorities and the second role as an individual Partner authority.
- 1.2 The services delivered by the Pathfinder North Project, will offer direct benefits to local authorities by enabling high bandwidth connections for schools, libraries and other Council offices throughout the Highlands and Islands. The intention is that the infrastructure currently being deployed could be used for the delivery of broadband across the geographical areas by making the facility available to the private sector, residential and other public sectors, working with the supplier of Pathfinder North and 3rd party suppliers.

2. Implementation Progress

- 2.1 The Pathfinder North Implementation stage commenced on the 21st of March 2007 and 797 sites are currently scheduled to be connected by the 20th March 2009. As of the 9th September 2008, 352 Pathfinder North sites were connected across the Partnership
- 2.2 The network rollout is phased over a period of eight Milestones covering two years from March 2007 to March 2009. The latest forecast as of 9th September 2008 is detailed below based on information provided by THUS plc.

- 2.3 Where the connection method has not been confirmed a date has not been given, hence 100 sites currently shown as to be confirmed (TBC). The intention is to bring these 100 sites into the rollout period as they are surveyed and the connection method is known.

Table 1 – *as of 9th September 2008

Milestone	Dates for Delivery	CT	Forecast	C/Live
1	21 st Mar 07 – 20 th Jun 07	25	-	10
2	21 st Jun 07 – 20 th Sep 07	127	-	27
3	21 st Sep 07 – 20 th Dec 07	212	-	89
4	21 st Dec 07 – 20 th Mar 08	340	-	152
5	21 st Mar 08 – 20 th June 08	468	296	234
6	21 st Jun 08 – 20 th Sep 08	595	493	352*
7	21 st Sep 08 – 20 th Dec 08	723	639	
8	21 st Dec 08 – 20 th Mar 09	850	711	
	TBC	n/a	797	

Key:

CT – contractual total (cumulative)

Forecast – cumulative number of sites currently scheduled to be connected as part of Letter response

C/Live – the cumulative total of live sites

Note: the figure 797 includes sites currently being added via Change Control.

- 2.4 Across the Partnership the delivery to 9th September 2008 is as follows (these include sites in the process of Change Control):

	A&B	HC	MC	OIC	SIC	Total
Sites connected	65	149	76	17	45	352
Sites still to be connected	79	294	33	10	29	445
Total Sites	144	443	109	27	74	797
% complete	45.1%	33.6%	69.7%	62.9%	60.8%	44.1%

- 2.5 Partners continue to express strong concerns to the THUS management team and a face to face meeting with THUS Directors has been called by the Chief Executive to discuss the delays to the roll out. This meeting will be attended by The Scottish Government. A revised roll out plan was presented by THUS in September and discussions are ongoing between THUS and the Central Project Team as to how THUS intend to recover their position and deliver the contractual roll out on time.

3 Pathfinder North Project Costs

- 3.1 By 31 July 2008 THUS were paid a total of £8,979,075 for 292 connections which had been made to the 31 July 2008. The current total expenditure has been 100% grant aided from the £61m government grant available for this project. Partners will provide the balance of funding of £9m towards the end of the 7 year contract. Partners have so far drawn down minor enabling works grant claims of £701,661 against a further government grant of £1m. The Central Project Management expenditure for 08/09 to

31 July 2008 is £34,462 and is within budget.

- 3.2 As a result of changing circumstances with the Partner authorities, Partners have required a number of changes, additions and deletions to the site list within the original contract, and as such this has released capacity for reinvestment for additional services within the contract. This situation has arisen due to changes in Partner requirements during the roll out period. As such an agreement has been reached with THUS to incorporate these changes within the current contract and to add additional services and sites at discounted rates within the approved contract value of £70 million.
- 3.4 The new or enhanced services requested by Partners through this change request are for:
- 24 site deletions
 - 29 new sites;
 - 72 bandwidth upgrades to existing sites, including significant upgrades to most Partner Data Centres;
 - An enhanced upgrade for all Secondary Schools in the next year;
 - An increase for Orkney Island Council's Internet Access bandwidth;
 - These new services incorporate 48 outstanding Partner Requests for Change

The contract remains within the approved £70 million value and all changes have been funded from within the current contract, with no extra funding required.

- 3.5 This approach has been approved by the Scottish Government and the Pathfinder North Project Board and a contract change notice detailing the agreement was signed by THUS and The Highland Council (as Lead Partner) on 20 August 2008. In order to undertake the negotiation it was necessary to engage the assistance of external advisors to support the legal and negotiation process.
- 3.6 The use of G S. Consulting Limited for negotiation support and Pinset Masons for legal support to a maximum sum of £72,000 was reported to the Project Board on a number of occasions. The total final costs for this work from both advisors totalled £69,051, £24,776 for legal support and £44,275 for negotiation support. The funding of this expenditure from the approved budget for the project was agreed by The Scottish Government. However a retrospective exemption to Contract Standing Orders as set out in Para 2 (iii) of the orders is sought to ensure compliance with The Highland Council's internal requirements. The Head of E-Government confirms that this funding is contained within the contract value and there is no additional cost for The Highland Council or the Partners.
- 3.7 Financial due diligence of the new and enhanced services for The Scottish Government and Partners was provided by The Highland Council Finance Team, and legal assurance was provided The Highland Council Legal Team.

4. THUS Takeover Offer

- 4.1 It was expected that the previously advised takeover of THUS plc by Cable and Wireless would be approved by shareholders by the date of this report.
- 4.2 The Central Project Team will continue to monitor the situation and will report back accordingly on any potential impact or changes that may occur as a result of this takeover bid.

5. Communications

- 5.1 Regular project updates and progress are available through the Pathfinder North website at www.pathfindernorth.co.uk

6. Recommendations

Members are asked to:

- i. Note the Report
- ii. Agree a retrospective exemption to Contract Standing Orders in respect of the work undertaken by G. S. Consulting Limited and Pinset Masons, as detailed in 3.5 and 3.6

Signature:

Designation: Head of E-Government

Author(s): Vicki Nairn, Graeme Mackay, Danny Bird

Date: 11th September 2008