

**TELFORD & WREKIN COUNCIL**

**CABINET - 24 JULY 2014**

**TELFORD & WREKIN SUPERFAST BROADBAND PROGRAMME**

**REPORT OF DIRECTOR: DEVELOPMENT, BUSINESS & CUSTOMER SERVICE**

**LEAD CABINET MEMBER: COUNCILLOR CHARLES SMITH**

**PART A – SUMMARY REPORT**

**1. SUMMARY OF MAIN PROPOSALS**

- 1.1 In June 2013 Government announced funding of £250m to extend the roll-out of superfast broadband infrastructure across the UK with the aim of delivering speeds of more than 24Mbps to business and residential premises. Following this announcement, BDUK publicised local funding allocations based on their assessment of the number of premises in each area likely to be without access to superfast speeds following current private and publicly-funded roll-outs. Based upon the modelling of broadband coverage across the Borough and Government targets, BDUK has agreed to a funding allocation of up to £2m to Telford & Wrekin, which will require full match funding.
- 1.2 This report sets out the background to the current roll-out programme, the scope of intervention and proposed approach to roll-out delivery and the business case for the Council's investment in the programme.

**2. RECOMMENDATIONS**

- 2.1 That Cabinet approves the funding request to BDUK for the delivery of superfast broadband speeds across Telford & Wrekin as detailed within this report.
- 2.2 That Cabinet approve Prudential Borrowing of £800k if the gap funding is not secured through other alternative routes.
- 2.3 That Cabinet delegate authority to the Director for Development, Business and Customer Service in consultation with the Cabinet Member for Housing, Development & Borough Towns, to:
- Finalise with BDUK the Intervention Plan for superfast roll-out across Telford & Wrekin, following the results of the Open Market Review
  - Undertake all actions necessary to finalise the funding package required to deliver the programme
  - Procure a supplier to deliver the roll out programme as a call off from the BDUK framework agreement
  - Draw up a Delivery Plan for the roll out programme in accordance with the priorities set out in this report and agree this with the successful supplier
- 2.4 That Cabinet delegate authority to the Assistant Director, Law, Democracy and People Services to execute all documentation required to give effect to the agreements reached in relation to 2.2 above.

### 3. SUMMARY IMPACT ASSESSMENT

<b>COMMUNITY IMPACT</b>	Do these proposals contribute to specific Priority Plan objective(s)?	
	Yes	Protect and create jobs as a Business Winning and Business Supporting Council.
	Will the proposals impact on specific groups of people?	
	No	
<b>TARGET COMPLETION /DELIVERY DATE</b>	June 2017 is the target date for completion of deployment.	
<b>FINANCIAL/VALUE FOR MONEY IMPACT</b>	Yes	<p>The bid to BDUK for £2m grant funding to deliver the £4m Telford and Wrekin Superfast programme requires Telford and Wrekin match funding of £2m which has partly been identified through the reprioritisation of the existing capital programme and use of one off reserves agreed as part of the closedown of the 2013/14 accounts. This represents £1.4m of the matched funding. A bid for the balance of funding will be made to the Local Growth Fund via the Local Enterprise Partnership (LEP) but the outcome of this could be several months away..</p> <p>The internal resources required to deliver the project are detailed in paragraph 4.18. The total estimated costs of the project resources over the life of the project (September 2014 to June 2017) is £200,000 which will be in addition to the £2m matched funding requirement, so overall the Council's contribution would be £2.2m.</p> <p>If the bid to the LEP is unsuccessful then there are two options which are to reduce the overall investment to £1.4m Government investment and £1.4m Telford &amp; Wrekin Investment or to secure additional prudential borrowing of £800k. The spend profile will not be clear until completion of the Open Market Review but best estimates reflect an investment of £400k in 2016/17 and £400k in 2017/18 which has a revenue impact of £7k in 2016/17 and £31k in 2017/18 rising to a full year impact of £44k from 2018/19</p> <p>Finance support and advice will be provided throughout the bid process and the project. KC 0707014</p>
<b>LEGAL ISSUES</b>	Yes	<p>Compliance with the Public Contracts Regulations is assured through the use of the central Government Framework Agreement, enabling the Council to procure the project through a Call-Off Contract.</p> <p>Central Government has obtained the necessary EU clearance, in relation to State Aid compliance, and the Council will operate in accordance with Central Government requirements.</p>
<b>OTHER IMPACTS, RISKS &amp; OPPORTUNITIES</b>	No	

<b>IMPACT ON SPECIFIC WARDS</b>	No	Borough wide impact
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## **PART B – ADDITIONAL INFORMATION**

### **4. INFORMATION**

#### **Background**

- 4.1 In August 2011, BDUK launched the Rural Broadband Programme with the goal of facilitating the delivery of universal broadband and stimulating private sector investment to deliver the best broadband network in Europe by 2015. As part of this programme, BDUK allocated funding of £8.2m to Shropshire to improve rural broadband, which included the rural areas of Telford & Wrekin, but not Newport, which was due to have broadband improved through a British Telecom (BT) upgrade.
- 4.2 The funding model for the Rural Broadband Programme required match funding from the public sector and the Programme was expected to deliver broadband speeds of 2Mbps to 7,000 rural households across Telford & Wrekin. The funding required from Telford & Wrekin Council as part of the public sector contribution was £700,000.
- 4.3 The view upon assessment in December 2011, was that the £700,000 match funding required did not represent value for money and that the request for funding should not be taken forward. This recommendation was given in view of the limitations of the Programme, which was restricted to the provision of standard broadband in rural areas with the associated risk of relatively low levels of take-up and also in the context of competing budget pressures and service needs.

#### **Superfast Broadband Programme – Strategic Context**

- 4.4 The 2013 Superfast Broadband roll out programme applies to both urban and rural areas with the aim of achieving superfast speeds of more than 24Mbps to 95% of UK premises (compared with the 2Mbps target of the Rural Programme). All premises not currently expected to have access to superfast broadband through other commercial and publicly-funded programmes are potentially within scope, although Government are clear that the most cost-effective investment opportunities must be targeted.
- 4.5 The Programme reflects the recognition by Government that superfast broadband is a key driver for enterprise and growth, offering significant benefits for business productivity through, for example, the development of new and more efficient business models, supporting business efficiency and enabling international trade and collaboration. It will also help smaller businesses reduce operational costs and support the digital economy for consumers in rural areas, allowing for example greater e-commerce and interaction with public services through digital communications; which have expanded significantly since the 2011 Programme.

#### **Funding Model & Allocations**

- 4.6 A total funding pot of £250m has been allocated by BDUK following modelling of the gap in superfast broadband services across the UK and estimations of the public subsidy required to reduce the costs for private investors allowing a commercially sustainable investment case to be made.
- 4.7 Funding is being made available to local authority areas in England on the basis of supporting investments which are not cost-effective to the private sector and local

match funding will be required for all allocations. BDUK has assumed conservative levels of private sector investment taking into account the value of the anticipated customer base.

- 4.8 Using this gap funding model, BDUK have determined that a funding package of £4m would achieve superfast coverage of at least 96% of premises within Telford & Wrekin, slightly exceeding the Government target of 95% coverage. Details of the proposed funding package and value for money analysis are set out in the financial/value for money section below.

### **Funding Application Process**

- 4.9 An Expression of Interest was submitted to the Department of Culture, Media and Sport on the 21 March 2014 which in effect recorded the Council's interest in the Programme. The Department required the submission of a formal Funding Request in June 2014 in order that steps could begin to define the eligible roll-out Intervention Areas for Telford & Wrekin through an Open Market Review (see 4.10 below). A formal Funding Request was therefore submitted on the 23rd June with the caveat that this was subject to the programme receiving approval at Cabinet on 24 July 2014.
- 4.10 In compliance with European Union State Aid rules, Government must ensure that public interventions are targeted so as to limit the risk of disincentivising existing and/or credible planned private sector investments that would otherwise meet the desired objectives. This means that although BDUK has mapping data setting out current broadband access, the Council has to undertake an Open Market Review (OMR) to establish existing and planned (next 3 years) commercial coverage of broadband services in Telford & Wrekin by all existing and prospective broadband infrastructure providers. Only once this data has been established can the roll-out Intervention Areas for the Borough be defined for the Programme.
- 4.11 The OMR for Telford & Wrekin was circulated to providers on the 18<sup>th</sup> July and they have 28 days to respond. On receipt of this information, the Council and BDUK will agree the Intervention Areas and then undertake a 30 day State Aid consultation.
- 4.12 On receipt of confirmation of Cabinet approval and all match funding contributions and the completed OMR, BDUK will issue agreement for the Council to commence the procurement process.

### **Procurement**

- 4.13 Three procurement options are available for broadband projects:
- i) Change control of an existing contract for the delivery of the Rural Broadband Programme
  - ii) A new mini-competition for a Call Off Contract using the BDUK Broadband Procurement Framework
  - iii) A new open (OJEU) procurement supported by BDUK guidance
- 4.14 Telford & Wrekin does not have an existing contract in place and therefore the first option is not applicable. In terms of speed of delivery and cost efficiency a new mini-competition using the existing Broadband Framework is the recommended route of procurement. BDUK have extended the existing Framework (with BT and Fujitsu) which was due to expire in June 2014.

- 4.15 BDUK will work with suppliers and Local Bodies to ensure that the procurement process is managed as efficiently as possible and it will be subject to BDUK approval checkpoints including the BDUK value for money criteria assessment.

### **Intervention and Delivery Plans**

- 4.16 On receipt of the OMR data, State Aid maps will be drawn up to represent the superfast roll-out Intervention Areas for Telford & Wrekin. Excluded from the Intervention Areas will be any areas of employment or housing land where there has been no development or planning granted. This is because Government expect that BT should be installing broadband infrastructure on these sites as a matter of course (as any other utility) and they are proposing changes in planning regulation to enforce this from 2015 onwards but this is not secured at this point.
- 4.17 As part of the supplier contract negotiations Telford & Wrekin Council will have the opportunity to influence the Delivery Plan for broadband roll out. In doing this, the Council will consider the following:
- i) Feedback from business that indicates employment sites where broadband speeds are adversely affecting business efficiency
  - ii) Key employment sites (with limited existing development) such as T54 where the availability of superfast broadband will act as an important incentive to inward investment and the creation of new jobs
  - iii) Feedback from rural areas where lack of broadband access is hampering business activity and restricting access to digital public services
  - iv) Urban housing areas without broadband or superfast access where there are significant numbers of home based businesses

### **Project Resources**

- 4.18 As part of the Funding Request, the Lead Body must confirm what staff resources have been put in place to manage the overall procurement and contract delivery processes. In line with resource models in place within those authorities currently delivering the Rural Broadband Programme, the Council proposes a staffing structure, required from Project start in September 2014 to the end of roll-out deployment in June 2017 consisting of fixed term and part of existing base line resources to include:

Project Manager  
Finance Officer  
Legal Officer  
IT Technical Support  
Highways Technical Support  
Property Support  
Marketing/Communications

- 4.19 The estimated costs of the proposed staffing structure are £200,000 and these will be met from existing resources and earmarked reserves. The Project Manager will sit within the Development, Business and Employment service area.

## **Delivery Timetable**

- 4.20 The key delivery dates for the period leading up to supplier mobilisation are:
- |   |                    |
|---|--------------------|
| Submission of conditional Funding Request | June 2014          |
| Distribution of OMR                       | July 2014          |
| Return of OMR responses                   | August 2014        |
| Funding package confirmation              | August 2014        |
| Confirmation of Intervention Areas        | October 2014       |
| Procurement Process                       | December 2014      |
| Mobilisation and surveys                  | January-April 2015 |

## **Financial/Value for Money**

- 4.21 BDUK have agreed in principle funding of £2m towards a total funding package of £4m, with match funding from Telford & Wrekin Council as Lead Body and (through the Marches Local Enterprise Partnership) from the Local Growth Fund (LGF). Funding from the LGF is subject to a bid which has been submitted by the Council.
- 4.22 The match funding required from the Council to complete the package will be dependent on the outcome of the LGF bid, however £1.4m has been identified from the reprioritisation of the existing approved capital programme and one off reserves. BDUK funding can be drawn down to support the early delivery stages of the Programme and as a result, the first cash payment required from the Council will not be until 2016/17. The total costs of the internal Project Resources over the life of the project, as identified in paragraph 4.18, is £200,000 and will be funded from earmarked reserves. This is in addition to the £1.4m match funding requirement.
- 4.23 The Programme supplier will be required to put aside 30% match funding over the course of delivery which will form an investment pot that will be used to extend the scope of the Programme at the end of deployment.
- 4.24 During procurement negotiations, the Council will have the opportunity to negotiate with the supplier to secure a revenue receipt that would be generated by the level of take up of superfast. Typically, this revenue receipt is likely to apply to all high speed take up above 20% per cabinet which could equate to approximately £16 per business or residential premise. In view of this, the Council's project resource will need to include strong marketing and communications support to encourage take-up and options to promote superfast will be explored with the successful supplier, including potential opportunities through the Telford Loyalty Card. Due to the difficulties in estimating take up this potential revenue benefit has not been taken into account within the costings of the programme.
- 4.25 The Superfast Broadband Programme will achieve coverage of 24Mbps to at least 96% of business and residential premises, thus exceeding the Government target of 95% coverage.
- 4.26 Final coverage figures cannot be confirmed until completion of the OMR and confirmation of the roll-out Intervention Areas and it is likely that a number of premises, primarily located in remote rural areas, will not be suitable for a Fibre to the Cabinet solution, even after allowance is made for installing new cabinets and network reconfigurations.
- 4.27 However, based on the total number of business and residential premises across Telford & Wrekin (79,335) and the percentage of premises already receiving Superfast (according to BDUK figures), the target number of premises for the

superfast roll-out programme is between 16,500 and 17,200. This would reflect final superfast coverage of between 96% -100% which will have a significant impact on business efficiency, will safeguard employment and support digital inclusion. These high level assumptions from Government will be assessed as part of the OMR.

## **5. PREVIOUS MINUTES**

5.1 None

**Report prepared by Kathy Mulholland, Team Leader Investment and Funding.**