

Superfast Broadband Extension Project

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This report relates to a Key Decision

Purpose of this report

1. To support the award of contracts for £3.48m of externally secured funding and additional funding as secured, to extend superfast broadband infrastructure across Central Bedfordshire as part of the Council's goal to maximise superfast broadband coverage by 2020.
2. To support the Council's continued engaged with the Central Superfast Broadband partnership.

RECOMMENDATIONS

The Executive is asked to:

1. **approve the award of contracts for £3.48m of externally funded resources, with scope to extend this by up to an additional £3m, if additional external funding is secured to extend Superfast broadband coverage as part of the Central Superfast Partnership covering Central Bedfordshire, Bedford, Luton and Milton Keynes;**
2. **approve that the Council continues with the existing priorities set out through the previous BDUK procurement, through the procurement process:**
 - **Maximising overall superfast broadband coverage**
 - **Subject to maximising superfast, seek a balance between residential and business premise coverage and**
 - **Subject to maximising superfast coverage, achieve a reasonable geographic spread across Central Bedfordshire**

- 3. approve a delegation to the Director of Regeneration and Business, in consultation with the Executive Member for Corporate Resources to select contractors to deliver superfast broadband infrastructure based on the Council's priorities and the successful completion of the procurement process and BDUK state aid approval. Furthermore that the Director of Regeneration and Business, in consultation with the Executive Member for Corporate Resources may vary the contract/delivery programme as required during the lifetime of the contract, including reinvesting savings and efficiencies and additional external funding secured through the project; and**
- 4. approve the Council's continued participation with the existing Central Superfast Broadband Partnership arrangements, updating the collaboration agreement as required. Furthermore, that the Executive Member for Corporate Resources, in consultation with the Director of Regeneration and Business, approves any proposed changes to the membership and terms of reference to the partnership.**

Overview and Scrutiny Comments/Recommendations

3. The Broadband project has been considered previously by the Sustainable Communities overview and Scrutiny board on the 27.10.15 and 13.11.14. The Chairman of the Sustainable Communities OSC was consulted and did consider it necessary to consider the report at this stage, given previous scrutiny and extension nature of this activity. Furthermore, the broadband project will report back to the committee on progress at a later stage.

Issues

4. The Government has a target of 95% of all premises to receive superfast broadband, defined as speeds of at least 24 megabits per second (Mbps), by 2017. As part of this the Government set up Broadband Delivery UK (BDUK) as its delivery arm.
5. BDUK required the Council to form a partnership with other local authorities to deliver the broadband project. As such, the Council entered into a formal collaboration agreement with Bedford Borough and Milton Keynes Councils and Luton Borough Council, and formed a joint Broadband Partnership, Central Superfast. The Council is the lead body in the Central Superfast partnership and the accountable body for the projects. Given that the funding has been awarded by South East Midlands Local Enterprise Partnership (SEMLEP) and BDUK across the partnership it is recommended that the Council continues to engage with the partnership and again is the accountable body for the project.

6. The partnership has already contracted with BT to deliver two broadband projects, which will have supported over 25,000 premises in Central Bedfordshire and mean that over 97% of premises will have access to infrastructure enabling them to receive superfast services by March 2019.
7. The Council has contributed £3.1m over the previous two broadband projects, securing £3.775m from BDUK as match funding, and significant further private sector investment from BT.
8. The Council has successfully secured an additional £1.732m for the Central Superfast Partnership from the South East Midlands Local Enterprise Partnership Local Growth Fund to extend superfast broadband coverage and realise the economic benefits (additional business productivity, access to markets, new business start ups, employment opportunities and better access to services and information for residents) such infrastructure enables. Further to this an additional £1.75m of match funding against the SEMLEP funding has been secured from BDUK. Of the total of £3.48m external funding secured, funding Central Bedfordshire can expect £1.39m.
9. In line with BDUK guidance and the new National broadband State Aid notification 2016, the Council has undertaken an Open Market Review and State Aid public Consultation. The new State Aid notification now utilises a minimum speed criteria of 30 Mbps. These processes test commercial infrastructure providers plans over the next three years to identify eligible investment areas for public funds, based on the principle that private networks that provide superfast coverage should not be overbuilt. These processes have identified a total eligible intervention area in Central Bedfordshire of 17,802 premises. However, within this 3,856 premises have been verified as not being able to access infrastructure than could deliver services of 30 mbps. The remainder are under review by commercial providers and or providers do not have records for the premises. These premises could be brought into scope for public funding in the future if it becomes clear they will not receive services and if funding is available.
10. The Council will undertake a competitive Official Journal of The European Union procurement process to award a contract to a private supplier. As with previous projects this will utilise a 'Gap Funded model' to invest the available funds to extend coverage to the identified 3,856 premises in Central Bedfordshire (11,853 across the wider Central Superfast partnership) that will not be covered by commercial investment. This will mean that the minimum public subsidy required will be awarded to the maximum number of available premises and that the private sector will also invest their funds. This contract will be inline with BDUK guidance, and will include clauses for 'gainshare' such that high levels of take up of services will result to funding back into the council to reinvest and extend coverage further where possible.

Likewise the contract will be project managed to seek delivery efficiencies, to ensure maximum value for money and possible reinvestment of such savings to maximise coverage, where practical and value for money. The state aid process and procurement process allow for up to an additional £3m to be reinvested through the contract, subject to securing additional funds, and at no net budget impact to the Council.

11. In line with previous procurements the Council can set local priorities within the procurement. It is recommended that the Council continues with the principles and priorities set out through the previous BDUK procurement, through the procurement process:
 - Maximising overall superfast broadband coverage
 - Subject to maximising superfast, seek a balance between residential and business premise coverage and
 - Subject to maximising superfast coverage, achieve a reasonable geographic spread across central Bedfordshire.
12. This is based on aligning with the Council's corporate priorities, supporting the maximum number of residents and businesses with available resources ensuring that the tender is attractive to private sector investors.
13. Inline with BDUK guidance, it is currently envisioned that a 'lot process' will be undertaken within the procurement process. Subject to the procurement process, this may result in two separate contracts covering the Central Superfast area. This is to ensure that the tender achieves a balance of attractiveness to the market, stimulates competition, realises best value and is also deliverable and manageable.
14. In order to comply with BDUK timescales and focus on accelerated delivery, it is recommended that a delegation is sought to the Director of Regeneration and Business, in consultation with the Executive Member for Corporate Resources , to select contractors to deliver the additional superfast broadband infrastructure based on the above priorities and the successful completion of the BDUK procurement process, and vary the contract/ delivery programme as required during the lifetime of the contract.

Reason/s for decision

15. Extending Superfast Broadband coverage is a priority for the Council, with significant ongoing resident and business demands for services. Evidence highlights the considerable economic benefit and return on investment in high speed digital infrastructure can have on the local economy in terms of job creation and business growth, in addition to opportunities for residents.

16. The new external funding secured, combined with previous projects and efficiencies secured through these constitute the Council's approach to achieving the Local broadband Goal of 100% coverage by 2020.

Council Priorities

17. The rollout of superfast broadband is a priority in the Council's Medium Term Plan. The delivery of superfast broadband directly addresses the Council's priority of Better Infrastructure – improved roads, broadband reach and transport and the delivery of the Council's Joint Broadband Plan. Additionally, the provision of superfast broadband also contributes to a range of wider Council objectives including Enhancing Central Bedfordshire – particularly creating jobs and enabling businesses to grow. The provision of superfast broadband services will also support the Council's priority of Delivering Great Services and Value for Money, through enabling residents and businesses improved access to online services.

Corporate Implications

Legal Implications

18. The Council has the power to support broadband deployment under Section 1 of the Localism Act 2011. There are no statutory requirements for the Council to undertake improved broadband works. The Council is able to secure a private sector partner and undertake delivery activities utilising a competitive procurement route complying with Official Journal of the European Union requirements and a national BDUK State Aid notification. Council legal, financial and procurement rules will also be adhered to throughout delivery of the plan. The Council's Audit team have been an active partner in the project to ensure compliance from a Council perspective.
19. A binding collaboration agreement between the Council and other Local Authorities has been developed to ensure that funding is directed according to each local authority's requirements and in line with BDUK contractual requirements, ensuring a proportionate bearing of risk. This has been updated inline with project requirements and will continue to be reviewed over the lifetime of the project.

Financial Implications

20. While no additional funding is being sought for the new contract, and the full value of the external funding is already considered in the Medium Term Financial Plan, it is likely there will be the need to reprofile the existing Council funding allocated to the BDUK 2 project due to the requirement to utilise SEMELP funding in 2016/17 and any new revised deployment plans emerging from the procurement.

The total project value for the broadband project over the three phases will be £17,943m. Central Bedfordshire funding over the phases is laid out below.

Table 1: Total Central Bedfordshire Area contracted spend

	Gross Expenditure	External Funding	Net Expenditure
	£ 000	£ 000	£ 000
BDUK phase 1	2,485	1,485	1,000
BDUK Phase 2	4,140	2,290	2,100
BDUK Phase 3	1,386	1,386	0
Total scheme	8,011	5,161	3,100

21. The Approved Capital Programme outlines the profiled future spend on the Broadband project (covering all Central Superfast partner authorities, with central Bedfordshire as the Accountable body) totalling £11.029 gross expenditure and £8.663m of external funding(including the additional £3.48m of external funding), with total net expenditure of £2.366m. As noted it is likely that this profile will need to be updated depending on the outcome of the procurement exercise. Additionally, through efficiency savings and 'gainshare' mechanisms there is likely to be additional resources arising within the project. The tender and state aid process include the capacity for an additional £3m of investment from such sources and external funding if secured, to be reinvested in extending coverage where this is practical and delivers value for money.

Table 2: Approved Capital Plan

2017/18 Capital Budget			2018/19 Capital Budget			2019/20 Capital Budget		
Gross Expenditure £000	External Funding £000	Net Expenditure £000	Gross Expenditure £000	External Funding £000	Net Expenditure £000	Gross Expenditure £000	External Funding £000	Net Expenditure £000
4,579	(4,491)	88	5,407	(3,519)	1,888	1,043	(653)	390

22. The model utilised is a GAP funding solution, meaning the Council will not own the asset, but 'gainshare' conditions will be included within the contract to ensure that there is the potential for the Council to benefit for high levels of take up of services.
23. While no additional Council funds are sought for this project, the possible letting of two contracts may increase project management costs. The joint collaboration agreement has in place a requirement to share such costs and this will be reviewed to minimise the need for additional resources from the Council. However, depending on this and the timescales for delivery, following selection of a provider, there may be a need for ongoing project management support, beyond the £250k already committed by the Council.

Risk Implications

24. The project is subject to procurement and state aid risks. The compliance with and use of BDUK State Aid framework mitigates these, with BDUK acting as a national competency centre and undertaking assurance/checkpoint assessments of the project. The Council will follow internal procurement procedures to ensure compliance with legislation and is also utilising BDUK guidance on the procurement, in line with BDUK assurance processes. Likewise, the currently envisaged two lot/ contract procurement may increase contractual complexity and risk. This will be regularly reviewed at the joint programme board and the joint collaboration agreement will be updated to reflect any increased risks.

Equalities Implications

25. Central Bedfordshire Council has a statutory duty to promote equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations in respect of nine protected characteristics; age disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
26. No potential beneficiaries from the broadband rollout programme are excluded on the grounds of their protected characteristics.
27. In developing the Local Broadband Plan consideration of the need to improve access for all has been a core principle. Analysis of options for intervention, while meeting state aid guidelines, has included mapping access to areas of deprivation and found very little correlations. Likewise through the deployment process the Council will work with suppliers to ensure that broadband services are available to the maximum number of people and that access is not discriminated against in anyway.

Sustainability

28. Delivery of the extended coverage of superfast broadband will positively impact on a number of sustainability considerations, including reducing the need to travel (by increasing access to online services and opportunities for home working) and resulting emission reductions. Further to this, the provision of superfast broadband will support economic growth through enabling new business and access to markets and delivery of jobs growth aspirations for the area, by supporting growth in existing businesses productivity and ensuring the area remains attractive to new inward investment.

Implications for Work Programming

29. The Sustainable Communities Overview and Scrutiny committee will continue to review the progress of the Broadband projects and are likely to consider this at a future meeting.

Conclusion and next Steps

30. The Council has already supported over 17,500 premises to receive superfast broadband services and has an agreed plan in place to take this figure up to 25,000 by March 2019, enabling 97% coverage.
31. Following securing £3.48m external funding for the Central Superfast Partnership (of which the Council can expect £1.39m), it is recommended to award a new contract to a private sector infrastructure provider to focus on delivering infrastructure to those premises not able to receive services will allow the Council to continue to make progress as part of its goal to provide superfast access for all by 2020 and to realise the significant economic benefits that this will enable for residents and businesses.

Appendices

32. None

Background Papers

33. The following background papers, not previously available to the public, were taken into account and are available on the Council's website:
None

34. Reports previously considered

Joint Local broadband Plan:

http://www.centralbedfordshire.gov.uk/Images/Joint%20Local%20Broadband%20Plan_tcm6-41719.pdf#False

Current BDUK project and rollout plans:

www.centralbedfordshire.gov.uk/broadband