

Central Bedfordshire Council

Executive

1 December 2015

Superfast Broadband Extension Project

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This report relates to a Key Decision

Purpose of this report

1. To provide an update on the status of the Council's broadband rollout programmes.
2. To seek approval to secure additional external funding of at least £3.46m and additional Council expenditure of £200k to accelerate delivery and extend the coverage of superfast broadband.

RECOMMENDATIONS

The Executive is asked to:

1. **approve the Council's continued investment in rolling out superfast broadband, and that the Council continues to seek and maximise the use of external funding sources to extend broadband coverage in line with the adopted Local Broadband Plan, in aiming to enable all premises to have access to next generation broadband access during 2020 in line with the aims of the adapted Joint Local Broadband Plan. This includes utilising the maximum available additional SEMLEP Local Growth Fund and BDUK match funding (of at least £3.46m); and**
2. **approve an additional £200k of Council capital expenditure up to 2020 to support the rollout and take up of broadband services, subject to securing the additional funding from SEMLEP.**

Overview and Scrutiny Comments/Recommendations

3. This issue and the wider progress of Superfast Broadband rollout has been considered and supported by the Sustainable Communities Overview and Scrutiny Committee on 29 October 2015.

Issues

4. The lack of superfast broadband (speeds greater than 24 Megabits per second, Mbps) services is a recognised barrier to new business formation, job creation and self-employment and reduces an areas competitiveness. The recent HM Treasury report Fixing the Foundations, highlights that a world class digital infrastructure is a key requirement in tackling the UK's productivity gap.
5. Recent evidence from the Department for Culture Media and Sport (November 2013) highlights that enhancing the availability and take-up of faster broadband speeds will add about £17 billion to the UK's annual Gross Value Added (GVA). Furthermore the report highlighted that every £1 of public investment in extending broadband coverage and take-up resulted in a wider £20 of net economic impact. Superfast broadband will also have a number of positive sustainability impacts, including reduced commuting, due to teleworking and improved efficiency and enabling remote tele health technologies.
6. Nationally 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), and ensure all had access to at least 2Mbps. As part of this the Government set up Broadband Delivery UK (BDUK) as its delivery arm.
7. As part of the approval process for funding, BDUK required the Council to form a partnership with other local authorities to delivery efficiencies and make tenders attractive to the market. As such, the Council entered into a formal collaboration agreement with Bedford Borough and Milton Keynes Councils (and more recently Luton Borough Council, who were not eligible in the first round of funding, has been added to the partnership under the BDUK phase two project) 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 project. Cllr Richard Wenham represents the Council on a programme board for the project, along with elected members from the other local authorities, BT and BDUK.

8. As part of the approval process for funding, BDUK also required areas to develop a Local Broadband plan, setting out the ambitions for the area and current broadband provision. The Joint Local Broadband Plan (endorsed by full Council at its meeting on the 14 February 2012), set out plans to deliver access to superfast broadband to 90% of all premises with the aim to ensure that all premises in Central Bedfordshire have access to infrastructure able to provide at least 2Mbps, and a move towards next generation access for all by 2020.

BDUK Phase 1 Project

9. Following an investment of £1m from the Council, a total of £1.485m external public funding was secured. The Council led Central Superfast partnership utilised a national BDUK state aid approval and competitive procurement framework to select a partner as part of a gap funded model, where the private sector provider was also required to contribute to the project. The Council sought to achieve the following objectives, agreed at Council, through the procurement process:
 - maximising overall superfast broadband coverage;
 - ensuring all have a minimum access to infrastructure able to deliver 2 Mbps services;
 - subject to maximising superfast, seek a balance between residential and business premise coverage; and
 - subject to maximising superfast coverage, achieve a reasonable geographic spread, taking into account local demand, demonstrated through responses to the Broadband survey and response to consultation.
10. Following this, in August 2013 a contract was awarded through the BDUK competitive procurement framework to BT to extend superfast broadband coverage to approximately 90% of premises (15,500 premises supported) of premises in the area and ensure that all premises had access to infrastructure that could delivery services of at least 2 Mbps during 2016. Planned coverage, phasing of deployment and progress of the project has been made publically available through a dedicated page on the Council's website and dedicated postcode look up facility. www.centralbedfordshire.gov.uk/broadband
11. The Council has made strong progress with delivery and the project has consistently passed BDUK value for money and gateway reviews. To date over 13,200 superfast premises have been delivered in Central Bedfordshire, of the 15,500 planned (over 85% complete). BDUK undertake external reviews of the project from compliance, state aid, performance and value for money perspectives. The project is considered as highly performing, has best in class take up levels and has passed all the BDUK gateway reviews.

12. BDUK is currently developing a national solution to ensure that all premises are able to receive a minimum of 2 Mbps. This is still to be finalised, but it is believed it will be contributions towards the installation of a satellite based solution.

BDUK phase 2

13. In the June 2013 the Government announced a further £250m of funding to increase the coverage of superfast broadband. The Council's participation in this second stage has been considered a number of times including the Executive meetings on 19 August and 27 May. Executive approved the Council's contribution of a total of £1.85m funding to match BDUK resources. This will bring the Council's total investment in Superfast Broadband to £2.85m over both phases, securing £3.775m in external public funding. BT will also be investing in the capital deployment costs and ongoing maintenance of the infrastructure.
14. Following the use again of the BDUK state aid and competitive procurement framework, BT was awarded a second contract. This will deliver an additional 8,247 premises supported to receive superfast services and will bring coverage up to 96.5%. After this contract is completed there would remain some 4,100 premises in Central Bedfordshire not having access to superfast services.

Further funding and savings

15. As part of efforts to meet the 100% coverage aim of the Joint Local Broadband Plan, a series of project efficiency savings, gainshare and additional funding sources have been sought.
16. Nationally BDUK and BT have sought to put in place an option to merge those project contracts that BT were delivering both phases one and two. With respect to the Central Superfast project this is likely to result in approximately £400k efficiency savings (over the wider Central Superfast area) and up to nine months reduction in delivery time. This is based on reduced planning and project management costs associated with managing two separate projects rather than one. Contractually the savings will be reinvested to extend coverage further. There will also be further efficiency savings made in both projects one and two against the original cost estimates in the bid. The project is regularly reviewed by BDUK against national benchmarks and by the project team, to identify possible savings.

Gainshare

17. As part of both BDUK projects one and two contracts provision is made for clawback on any super profits BT make on publically funded infrastructure.

Contractually, take up of services above 20% of eligible premises will result in BT reinvesting funds to extend coverage (until 100% coverage is reached). While the level of gainshare is dependent on the level of take up, BT have indicated that as the Central Superfast project is already achieving 20% take up and is recognised as best in class, it will model reinvestment of up to £900k (over the wider Central Superfast area) based on the project achieving 30% take up. Again this extra investment will also provide additional coverage beyond the BDUK existing projects.

SEMLEP Funding Local Growth Fund

18. As part of the South East Midlands Local Enterprise Partnership (SEMLEP) Local Growth Fund (LGF) funding round, a bid for up to £2m across the SEMLEP area was submitted. While initially unsuccessful, the government's Growth Unit has since made up to £2m (if there are no underspends of SEMLEP's LGF programme) available to support the rollout of broadband. The Central Superfast Partnership would be likely to receive up to £1.73m from this which BDUK have indicated that they would match fund, bringing up to £3.46m additional investment in the Central Superfast area, indicatively Central Bedfordshire could receive up to £1.384m of this additional funding. Additional funding will result in extending coverage and also extending the project beyond current timescales. While the detail of this is being modelled by BT it is estimated that with additional funding and savings, the project could be extended into 2020. The final SEMLEP funding has yet to be agreed and may reduce. SEMLEP funding is subject to a review by SEMLEP and the Growth Unit.

Additional Council Programme Management Resource

19. As part of the SEMLEP additional funding and project savings, the likely extension to the project, and critically the opportunity to support the take up of broadband additional programme resource is being sought over and above the existing agreed joint project management resource the Council is contributing to as required as part of the collaboration agreement. This capacity, subject to securing the additional SEMLEP funding will focus on supporting the accelerated delivery of the project, and focus on ensuring the benefits of the broadband project are realised. This additional capacity is estimated to cost approximately £50k per annum (depending on final job evaluation) and would be for the life of the project - expected to begin in 2016/17 and end 2019/20 and total £200k.

Reason/s for decision

20. Public demand for better broadband is continually highlight as a key local issue, evidenced through over 4000 responses to the Council's Broadband registration scheme and with the team dealing with over 1500 enquiries since project inception. The current programme is recognised as delivering to plan and highly performing by BDUK.
21. Evidence highlights the considerable economic benefit and return on investment in high speed digital infrastructure can have on the local economy, and also for Council service delivery.
22. Given the Council's policy to support the rollout of superfast broadband and the remaining 4,100 premises who will not receive support to access to services, it is recommended that the Council continues to seek and maximise the use of external funding sources to extend broadband coverage in line with the adopted Local Broadband Plan.
23. It is recommended that additional programme management resource is provided in aiming to accelerate the delivery of rollout and to ensure that the benefits of enhanced broadband services are realised and taken up by residents and businesses.

Council Priorities

24. 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

25. 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 national BDUK State Aid notification and a procurement framework which is compliant with European Union (EU) requirements.

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.

26. 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

27. The Council will continue its role as lead accountable body for the wider Local Broadband Partnership (Central superfast including Bedford, Luton and Milton Keynes Councils).
28. The funding profile for the Councils broadband projects (BDUK phases one and two) is highlighted below. Additional funding for BDUK phase two was sought, due to BDUK making additional match funding available through the procurement process, and resulted in increased coverage. The BDUK phase 2 project includes a capitalised project management contribution of a total of £50k over the period from 2016/17 to 2019/20. These figures are the current contracted amounts.

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	1,850
Total scheme	6,625	3,775	2,850

Table 2: Total Central Superfast Annual profile contracted spend

	14/15	15/16	16/17	17/18	18/19	19/20	Total
	£000						
BDUK 1	1,899	4,073	668				6,640
BDUK2			534	3,271	3,388	377	7,570
Total	1,899	4,073	1,202	3,271	3,388	377	14,210

29. A further maximum of £3.46m may be available through the SEMLEP Local Growth Fund and additional BDUK matched funding. This would cover the wider SEMLEP area (excluding Northamptonshire) of which the Central Superfast area would expect 86.5% of available funding (£3.46m). SEMLEP funding is dependent on final government agreement and may be reduced. In addition to this the table below highlights the additional likely investment resulting from Gainshare and Acceleration elements, and the additional £200k sought for enhanced programme management.

Table 3: Additional Central Superfast Funding

	Gross Expenditure	External Funding	Net Expenditure	BT Investment Pot
	£ 000	£ 000	£ 000	£ 000
Acceleration	-	-	-	400
Gainshare	-	-	-	900
SEMLEP/ BDUK	3,460	3,460	-	
CBC additional Programme management	200	-	200	-
Total	3,660	3,460	200	1.300

30. In light of the potential additional funding, possible savings and likely extension to the project, additional project resource is sought over and above the agreed joint project management resource the Council is required to contribute to as part of the collaboration agreement. This additional capacity, subject to securing the additional SEMLEP funding, estimated to cost approximately £50k capital per annum (depending on final job evaluation) and would be for the life of the project - expected to begin in 2016/17 and end 2019/20, totalling £200k. Total joint project management and wider programme management costs are shown in table 4 below.

Table 4: Programme Management Costs

	2016/17	2017/18	2018/19	2019/20	Total
	£ 000	£ 000	£ 000	£ 000	£ 000
Existing Committed Joint Project Management Contribution	12k	13k	13k	12k	50k
Proposed Additional Programme Management Resource	50k	50k	50k	50k	200k
Total	62k	63k	63k	62k	250k

Equalities Implications

31. 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.
32. No potential beneficiaries from the broadband rollout programme are excluded on the grounds of their protected characteristics.
33. 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 mapped 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

34. 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 the delivery of jobs growth aspirations for the area, by supporting growth in existing businesses productivity, ensuring the area remains attractive to new inward investment and supporting new business to start up, through taking advantage of new technologies and market opportunities.

Procurement

35. The National BDUK procurement framework, which went out to Official Journal of the European Union competitive tender, has been used for both phase one and two projects to competitively select a private sector partner. Within the phase two contracts there is the inclusion of the option to increase coverage by up to £4m over the wider Central Superfast (Central Bedfordshire, Bedford, Luton and Milton Keynes administrative areas). As such no further procurement is required within this level as the existing contract will apply.

Risk Management

36. The project is subject to procurement and state aid risks. The compliance with and use of BDUK procurement and state aid framework mitigates these, with BDUK acting as a national competency centre and undertaking assurance/checkpoint assessments of the project.
37. The project has developed an officer lead project team, and utilises formal project management techniques, including a project risk register, which is reviewed as a standing agenda item at member lead programme board meetings.
38. There are a number of risks associated with the detailed delivery of the project, from a delivery partner perspective. These include for example, planning, highways, way leaves and day to day project delivery. These are mitigated through weekly supplier/project team meetings, and internal BT project and risk management plans and processes, with appropriate risk ownership clauses, where failure to deliver results in non payment.

Conclusion and next Steps

39. The Council has already made progress towards achieving its ambitions for the rollout of superfast broadband, with well over 13,200 premises already supported to receive services that would not otherwise have been covered. The Council continues to work with BDUK to ensure that all will have access to services of at least 2 Mbps.
40. A clear programme of future investment is in place to extend coverage and a range of additional external funding sources have been identified as part of moving towards the Council's goal of providing access to next generation access for all by 2020. To realise the significant economic benefits that arise from the deployment of superfast digital infrastructure it is recommended that the Council continues to seek and maximise the use of external funding sources to extend broadband coverage and supports the necessary additional programme management resource associated with extending the project and crucially ensuring that the benefits of investment in digital infrastructure are realised by residents and businesses.

Appendices

Appendix A

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

42. BDUK deployment map-
http://www.centralbedfordshire.gov.uk/Images/Central%20Superfast%20Contract%202%20CB%20200515_tcm6-65954.pdf#False

Background Papers

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