



CABINET – 15 JULY 2014

BROADBAND – SUPERFAST EXTENSION PROGRAMME

REPORT OF THE CHIEF EXECUTIVE

PART A

Purpose of the Report

1. To seek approval for the implementation and funding of a proposed Superfast Extension Programme, an approach to procuring extended Broadband provision, and for seeking additional funding from local authority partners to extend the reach of the Programme.

Recommendations

2. It is recommended that:
 - a) Approval is given to support the development of a broadband Superfast Extension Programme for Leicestershire, including the allocation of £2m from earmarked reserves as a capital contribution towards the cost of the Programme;
 - b) Approval is given to underwrite a further £2m of funding being sought from the Government's Local Growth Fund should that funding not be secured, in order to enable procurement to be initiated;
 - c) Further investment be requested from district councils as set out in paragraphs 28 to 33 of this report;
 - d) A hybrid procurement approach be pursued involving a call-off from the national framework contract being initiated utilising a majority of the funding available, with the remaining investment held back to enable exploration of alternative and innovative solutions to extending Broadband to the 'final 6%';
 - e) The County Council acts as the lead Local Body for the Superfast Extension Programme;
 - f) Noting that the Superfast Extension Programme will include Leicester, a revised or new Collaboration Agreement with the City Council be entered into accordingly;
 - g) The Chief Executive, following consultation with the Leader of the County Council and the County Solicitor, be authorised to take all actions and/or decisions he

considers necessary to give effect to any matter relating to the Superfast Extension Programme.

Reason for Recommendations

- a) To further extend Superfast Broadband provision in rural Leicestershire in line with County Council priorities;
- b) To safeguard delivery of the whole programme by enabling procurement to be initiated at a sufficiently early stage;
- c) To maximise the potential roll out of Superfast Broadband to rural communities and businesses, and to achieve fair and equitable contributions from key partners;
- d) To enable the most effective procurement of Broadband provision taking account of delivery challenges and timescale constraints;
- e) *and* f) To enable efficient and effective liaison between local partners and Broadband Delivery UK (BDUK), continuing the current arrangement in place for the Superfast Leicestershire programme;
- g) To facilitate the timely and effective procurement and delivery of the Programme.

Timetable for Decisions (including Scrutiny)

3. It is expected that, subject to the Cabinet's decision, the following procurement timetable will be followed. All contracts need to be signed by June 2015 when EU state aid clearance will expire.
 - Late July 2014 – Initiation of an Open Market Review to identify Intervention Areas (i.e. areas that will not be covered by commercial investment and therefore will be eligible for public investment).
 - November/ December 2014 – Issue Invitation to Tender.
 - April 2015 – Sign Contract.
 - June 2015 – Deadline for all contracts to be signed based on EU state aid clearance.
 - April 2017 – Expected deployment completion.

Discussions will be held with suppliers during the procurement process to explore how deployment could be accelerated.

Policy Framework and Previous Decisions

4. The deployment of super-fast broadband across Leicestershire is identified as a key priority in the Council's Strategic Plan, within the Medium Term Financial Strategy

(MTFS) and the Strategic Economic Plan recently submitted to Government by the Leicester and Leicestershire Enterprise Partnership (LLEP).

5. On 17th January 2012 the Cabinet approved the allocation of up to £4m within the Council's MTFS to deploy super-fast broadband. It was agreed that a submission be made to the Government to increase its allocation to Leicestershire and that procurement would be progressed through the Government's national procurement framework. The Leader of the Council was authorised to submit Leicestershire's Local Broadband Plan to Government.
6. On 16th January 2013 the Cabinet approved the initiation of procurement of the Superfast Leicestershire Programme and to enter into Collaboration Agreements with the district councils and City Council. Delegated authority was given to the Chief Executive, following consultation with the Leader of the County Council and the County Solicitor, to act to deliver the project.

Resources Implications

7. When in January 2012 the County Council allocated £4m to support delivery of Broadband as part of a £18.6m programme currently being delivered by BT, a further £2m was held back in earmarked funds for Broadband investment. It is recommended that this be allocated to support delivery of the Superfast Extension Programme with £300,000 of the funding set aside for project delivery costs, including demand stimulation activity. Allocation of the full £2m will mean there will remain no contingency for the project.
8. The expected funding profile for the Superfast Extension Programme is set out in the table below.

	Leicestershire	Leicester
DCMS (Government)	£3.7m	£1.4m
Local authority	£1.7m	£0.3m
Local Growth Fund (via LLEP)	£2.0m	£1.1m
Supplier (subject to procurement)	£1.8m	£0.8m
Total	£9.2m	£3.6m

9. Procurement will need to be initiated in late July. If a full matched funding package is not committed the Government will not permit the procurement to be initiated.

PART B**Background**

14. As detailed in Part A above, the deployment of superfast broadband across Leicestershire is a key strategic priority. It will help businesses innovate and grow, improve access to services and help transform public services.
15. BT has made a significant investment in Leicestershire to deliver high-speed fibre broadband. It is expected that BT's commercial coverage, together with Virgin Media's cable network, will ensure superfast broadband to 75% of Leicestershire premises. BT is in the process of completing its commercial rollout with deployment in parts of Melton Mowbray, Shepshed, Earl Shilton and Glenfield expected to be completed in September 2014.
16. In August 2013, the Council signed a £16.9m contract with BT to increase superfast broadband coverage, of at least 24Mbps, to 92.3% of premises. This was supported by £4m of investment from the Council, £1.3m from the European Regional Development Fund (ERDF), £3.3m from the Department for Culture, Media and Sport (DCMS) and £8.3m from BT. In February 2014 a variation was made to the contract to incorporate £1.1m of district council investment. This secured a further £0.6m of BT investment. This combined investment will ensure a further 4,400 premises are able to access superfast broadband. Further investment was secured from BDUK (Broadband Delivery UK) and BT to connect Diseworth following a community-led bid to the Rural Community Broadband Fund.
17. In total the current full contract, including BT and District investment, is £18.9m; extending superfast broadband coverage to 93.9% of Leicestershire premises. In total it is expected that 54,500 premises will be able to upgrade to superfast broadband under the existing BT call-off contract and receive speeds in excess of 24Mbps.
18. In March 2014 the County Council launched a new Superfast Leicestershire project website at www.superfastleicestershire.org.uk. This includes more information about the project, including the current rollout plan. The first areas are being connected this month and the build will take 18 months. The website will be kept updated as the deployment progresses. This will include a revised coverage map.
19. Following commercial deployment and additional coverage as a result of the BT call-off contract, it is estimated that about 18,000 premises in Leicestershire will not be able to access superfast broadband speeds of at least 24Mbps. This reflects the final 6% of premises in Leicestershire. These will be the focus of the Superfast Extension Programme.

Superfast Extension Programme

20. In June 2013 the Government revised its broadband objectives. It now seeks to deliver superfast broadband to 95% of UK premises by 2017. The remaining 5% will receive a minimum of 2Mbps. BDUK is in discussion with suppliers to seek innovative solution to boost speeds in the remaining 5% within the UK. In order to achieve this 95% target £250m has been allocated by DCMS to local authorities; £5.1m for Leicestershire and Leicester. The breakdown is £3.7m for Leicestershire and £1.4m for Leicester. Local authorities are required to match this investment in order to draw down the Government indicative allocation. Further funding from Government may be available if other areas do not take up their allocation.
21. Last week a Funding Request was submitted to DCMS outlining the Council's intention to participate in the Superfast Extension Programme. This is not a legally binding request but outlines the County Council's further commitment to initiate a project under the Government's superfast extension programme.
22. The Government has identified 3 possible procurement approaches to secure a supplier:
 - i. Change Control: Variation to existing BT contract to incorporate all or some of the additional investment;
 - ii. Call-Off: Use of the Government's Framework contract to secure a new supplier. BT and Fujitsu are the two suppliers on the Framework although the latter has not engaged in any call-off procurements;
 - iii. Full EU compliant OJEU (Official Journal of the European Union) procurement: Full separate single procurement or development of a new local or regional Framework contract.
23. Legal advice has indicated that Change Control could risk a material challenge and threaten the whole contract if a challenge was upheld. It is judged that there would be substantial risks in progressing procurement through a full EU compliant OJEU procurement process given the constraints set by the EU State Aid decision timeline which requires contracts to be signed by June 2015. A Call-Off from the Framework is therefore the recommended approach.
24. It is, however, considered prudent to retain a level of flexibility by retaining some funding to explore alternative solutions. Therefore a hybrid procurement approach is proposed which comprises:
 - i. Initiation of a Framework Call-Off with a majority of the investment available;
 - ii. Retention of a proportion of the investment to enable exploration of alternative solutions to reach the 'final 6%'. This funding could still be written into the Framework procurement as "Additional Deployed Services" and could, therefore, be incorporated in the new contract if subsequently considered the best option.

25. It is proposed that the Council continues to act as the Lead Authority, working in partnership with the City Council during procurement and contracting. The Collaboration Agreement between the Council and the City Council will be revised or alternatively a new Collaboration Agreement will be entered into.
26. Achieving value for money is critically important. There is significant scrutiny of the Government's national programme following publication of reports by the Public Accounts Committee and the National Audit Office. The County Council will continue to work with Government to ensure value for money through the procurement and in-life contract management. This will include financial comparison with other areas, payment by results, detailed evidence submitted to support claims, state aid clawback to prevent over-subsidy, internal audit scrutiny, and additional technical and commercial support via Atkins.

District Council Investment

28. All district councils were invited to invest alongside the Council to increase superfast broadband coverage when the Superfast Leicestershire project was initiated. The requested investment was based on the expected funding gap prior to the procurement. A summary of the request and secured investment is outlined below.

District	Requested investment (£)	Secured investment (£)	Variance (£)
Blaby DC	340,000	50,000	-290,000
Charnwood BC	420,000	100,000	-320,000
Harborough DC	530,000	530,000	-
Hinckley and Bosworth BC	440,000	58,820	-381,180
Melton BC	370,000	370,000	-
North West Leicestershire DC	270,000	54,000	-216,000
Oadby and Wigston BC	70,000	0	-70,000
Total	2,440,000	1,162,820	-1,277,180

29. Melton Borough Council and Harborough District Council provided all of the funding requested with the other five district councils investing a quarter or less of the request. Further district council investment in the Superfast Extension Programme would enable the rollout to be extended to a larger number of homes and businesses in rural areas.
30. It is considered appropriate to ask the five district councils who only partially met the funding request for the Superfast Leicestershire Programme to invest in the Superfast Extension Programme. This is based on the current number of premises

expected to be unable to receive superfast broadband through commercial deployment and the current BT contract.

31. A collective contribution of £1m, to complement the County Council's investment of £2m, is considered appropriate and on the basis of current information about expected 'gaps in coverage' this is apportioned as set out below.

District	Current SFBB gap – number of premises.	% gap	Funding request
Blaby	1,470	13.3	£133,000
Charnwood	3,453	31.3	£313,000
Hinckley and Bosworth	3,359	30.4	£304,000
North West Leicestershire	2,363	21.4	£214,000
Oadby and Wigston	397	3.6	£36,000
Total	11,042	100%	£1,000,000

32. There does remain a coverage gap in Melton and Harborough too (3,131 and 3,836 premises respectively) and the two district councils will be invited to supplement the County Council investment should they wish to.
33. The County Council will discuss procurement options with district councils. During the initial procurement, district council funding was identified as Additional Deployed Services within the BT contract. This investment was then incorporated through the change control process. BT undertook separate modelling for district funding to ensure value for money.

Solutions for the 'Final 6%' and engagement

34. The Superfast Extension Programme is one solution to increase coverage across Leicestershire. Other approaches and opportunities are outlined below:
- a) As part of the current BT contract further deployment may be enabled through the gain-share mechanism if there is high take-up, or through cost savings made within the contract;
 - b) Community and commercial solutions. Some alternative suppliers target rural communities or business parks to deliver fibre broadband solutions. Their models often require high demand to be demonstrated. Council officers are in discussions with suppliers to explore options;

- c) Access to finance. Provision by small commercial developers might be facilitated by making loan finance available. The Council will be able to consider how it can help any such providers in this position.
35. Leicestershire will be reliant on new innovative technologies to boost speeds in more rural areas. Some BT technologies are being trialled ahead of a national rollout. Unfortunately the County Council is not, at the current time, able to model the expected coverage of these.
36. Two engagement sessions were held in early July, in Ibstock and Billesdon, for parish councils to help them understand the issues and options for those areas currently outside the contracted rollout plan, and discussions are taking place with specific local communities about potential solutions for their areas, including in the Welland Valley area in the south-east of Leicestershire.

Background Papers

Joint Report of the Chief Executive and the Director of Corporate Resources – Funding for families with complex needs and other programmes – Cabinet, 13th September 2011
[http://politics.leics.gov.uk/Published/C00000135/M00003127/AI00029172/\\$HFamilieswithComplexNeeds.doc.pdf](http://politics.leics.gov.uk/Published/C00000135/M00003127/AI00029172/$HFamilieswithComplexNeeds.doc.pdf)

Report of the Chief Executive – Broadband Leicestershire Programme – Cabinet, 17th January 2012
[http://politics.leics.gov.uk/Published/C00000135/M00003491/AI00030112/\\$Fbroadandleicestershireprogramme.doc.pdf](http://politics.leics.gov.uk/Published/C00000135/M00003491/AI00030112/$Fbroadandleicestershireprogramme.doc.pdf)

Report of the Chief Executive – Broadband Leicestershire Programme – Cabinet, 16th January 2013
[http://politics.leics.gov.uk/Published/C00000135/M00003628/AI00033437/\\$Fbroadandleicestershireprogramme.doc.pdf](http://politics.leics.gov.uk/Published/C00000135/M00003628/AI00033437/$Fbroadandleicestershireprogramme.doc.pdf)

Relevant Impact Assessments

Equality and Human Rights Considerations

The deployment of improved broadband connectivity will help ensure all Leicestershire residents and businesses have access to a range of online digital services. A full equality impact assessment (EIA) is being prepared in accordance with County Council's Equality, Diversity and Human Rights Strategy.

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