

COUNCIL
13 JULY 2017**REPORT OF CABINET – MATTERS WHICH REQUIRE A
DECISION BY COUNCIL**

Connecting Worcestershire Phase 3 Broadband Programme**Recommendation**

- 1. The Cabinet recommends the addition of £2.6m to the Capital Programme for the purposes of Phase 3 of the Broadband Programme, the funding of which comes from Broadband Delivery UK (BDUK) £1.5m and European Regional Development Fund c.£1.1m (ERDF).**

2. In November 2011, the Cabinet allocated up to £8.5m to fund the delivery of the fibre broadband infrastructure, with the addition to the Capital Programme approved by Council, £8m was committed to the broadband contract in August 2013 and £500k was retained to support the costs required to deliver the programme and demand stimulation activities to increase take-up of superfast broadband.

3. In 2013, the Council entered a 10 year contract with BT to extend fibre broadband across Worcestershire to ensure that at least 90% of the county's residents and businesses could access faster fibre-based broadband. The contract was also being funded by £4.4m of eligible capital expenditure from BT and £3.4m from Broadband Delivery UK (BDUK); BDUK added an additional £1.1m at a later date, following an application for further funding from the Council. This is Phase 1 of the programme.

4. Following the original contract for 90% coverage for residential and business premises, the Council subsequently secured an additional £4.8m from BDUK and through the Local Growth Fund to invest further into extending superfast speeds across Worcestershire – Phase 2. This further investment is aimed at extending a better service to 95% of the county's businesses and residents, when the contract was agreed we expected that 94% of the county able to access superfast speeds (in excess of 24Mbps) by an accelerated date of Autumn 2017, from an original projected date in Summer 2018.

5. The current contracts give the Council the opportunity to recoup some of the investment through "take-up clawback", if take-up of superfast broadband exceeds 20% of premises within the project areas.

6. Due to the progress of delivery, as well as higher than expected take-up rates (Phase 1 current take-up is currently in a region of 42%, against the projected 13% at this stage); BT offered the Council the opportunity to recoup funds early and invest in extending fibre coverage even further.

7. In November 2015, Council agreed the addition to the Capital Programme for the purposes of extending Phase 2 by reinvesting up to £3.25m from clawback funds to

further coverage of fibre broadband across Worcestershire. Cabinet in October 2015 delegated authority to the Director of Commercial and Change in consultation with the relevant Cabinet Member and CFO to make the final decision on reinvestment in order to achieve this; the resultant change "gainshare reinvestment" was completed in March 2017.

8. In addition to the gainshare reinvestment, that is anticipated to increase superfast coverage to 95%, Council officers have applied for further funding to extend broadband coverage into areas of need. The consequence of this is the proposed Phase 3 contract leading to further deployment of superfast broadband.

Phase 3

9. A third phase of provision of superfast broadband services has been made possible through the Council's funding applications and request to BDUK. This provides the Council with the opportunity to procure and appoint a supplier to extend services into areas without access to 24Mbps as a result of commercial deployment or our existing plans. This Phase 3 aims to extend superfast broadband to as many Worcestershire business premises as possible (ensuring ERDF compliance to draw down the funding), whilst, at the same time, deploying superfast infrastructure to as many residential areas of Worcestershire as is possible within the parameters of the allocated funding. Dependent upon supplier responses and the solutions offered it is anticipated that this phase could make superfast speeds available to 96% of premises; it is recognised that despite the investment to date and this potential investment we are not expecting to reach 100% superfast broadband coverage .

10. Approximately £1.1m from the ERDF has been approved in principle. A requirement of the ERDF funding is that it is fully matched, which has been provisionally secured from BDUK for £1.5m, increasing the amount of funding to be added to the Capital Programme by £2.6m. The total budget for the Phase 3 procurement will be £2.5m, as £100k is being utilised to match the County Council programme resource

11. ERDF funding must be utilised to benefit business premises which meet the needs of their eligibility criteria. It is accepted that the nature of deployment may mean that residential premises may also benefit as a result of reaching the business premises. BDUK's priority remains to extend superfast broadband coverage to as many premises as possible.

12. Private sector investment is also required for this gap funded procurement, further increasing the overall capital budget for the project; the suppliers will submit their financial models and proposed contributions as part of the tender response.

13. It should be noted that, as this is an "investment gap procurement", similar to the previous procurements, the Council will not own or manage the infrastructure, it will be owned by the preferred supplier

14. On 26 April 2017, Connecting Worcestershire programme issued Phase 3 Invitation to Tender (ITT), bid responses are expected in July 2017 and a cross-organisational tender scoring and evaluation team are scheduled to score and evaluate the tenders received, against the pre-agreed evaluation criteria. BDUK would support Worcestershire's team, with their benchmarking/value for money analysis and a comparison report, ensuring the preferred bid represents good value for money for Worcestershire's taxpayers. Further assurance would also be carried out, by the programme team, to ensure ERDF conditions are being fulfilled reducing the risk of any funding being clawed back.

15. Due to the public sector funding requirement to address the market failure in

areas without superfast broadband, state aid compliance approval is being sought through BDUK's umbrella notification (part of the checkpoint C assurance process during August).

Capital Programme Cash Limits

Recommendation

16. **The Cabinet recommends that Council approves an increase to the capital programme cash limits to include additional schools, highways and skills funding as detailed in paragraph 17 below.**

17. The County Council has received notification of capital grants and Section 106 income, and Cabinet ask that Full Council approves the following additions to the Capital Programme:

- **£8.7 million School Basic Need Allocation 2019/20**

This allocation for 2019/20 has just been confirmed. Allocations for previous years are already in the approved capital programme

- **£3.7 million School Condition Capital Maintenance 2017/18**

This Children, Families and Communities grant allocation has not been previously built into the approved Capital Programme. The Director of Children, Families and Communities, in conjunction with the Cabinet Member with Responsibility for Education and Skills, will continue the normal process of allocation to specific schemes

- **£1.3 million Highways Maintenance Incentive Element 2017/18**

This is Department for Transport grant to supplement the general highways maintenance allocation previously approved within the Capital Programme. The grant allocated is based upon the quality of Worcestershire County Council's Asset Management Plan

- **£0.3 million Worcestershire Intelligent Transport Systems 2017/18**

This Department for Transport grant was received late in 2016/17 to be used during 2017/18. The purpose of the grant is to aid the support and delivery of demonstrator schemes that are based upon co-operative intelligent transport systems

- **Skills Capital Projects 2017/18**

The County Council has received a number of grant allocations from the Worcestershire Local Enterprise Partnership Growth Fund for skills capital projects including:

£0.6 million – Engineering Facility (Skills Capital Fund)

£0.4 million – Pershore College/ Agritech

£0.3 million - META project

£0.3 million – Inclusive Centre for Entrepreneurship and Business Growth (Skills Capital Fund)

£0.1 million – Centre of Vocational Excellence

£0.1 million – Inclusive Skills Based Centre (Skills Capital Fund)

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Background Papers

In the opinion of the proper officer (in this case the Head of Legal and Democratic Services) the following are the background papers relating to the subject matter of this report:

Agenda and background papers for the meetings of the Cabinet held on 29 June 2017.