

COUNCIL
12 NOVEMBER 2015**REPORTS OF CABINET****(a) MATTERS WHICH REQUIRE A DECISION BY COUNCIL**

Superfast Worcestershire – Programme Update and Re-investment Opportunities**Recommendation**

- 1. The Cabinet Member with Responsibility for Economy, Skills and Infrastructure recommends that a £3.25 million addition to the Capital Programme be approved, to be funded by capital released early by BT if the commercial negotiations are successful, for further capital re-investment to extend superfast broadband even further across the county.**
2. Members will be aware of the Superfast Worcestershire programme to implement a multi-million pound superfast broadband network which will be one of the best in the country. The County Council's Corporate Plan and the Worcestershire Economic Strategy support technology-led growth as a key economic enabler for the county and specifically highlight the importance of broadband to local residents, communities and businesses.
3. Business and political leaders within the county are committed to the programme and the County Council has made a multi-million contribution to it. Superfast Worcestershire will result in a significant step change in the broadband infrastructure, which, in turn, will facilitate a drive in economic growth and improve the quality of life for all residents over the next decade. Having excellent broadband through the county underpins the significant developments in technology to communicate, manage health and look after people. This enables vulnerable people to take a more active role in their own care; reduces social isolation and allows them to stay independent for longer, in their own homes.
4. In 2013, the Council started a 7 year partnership with BT to extend fibre broadband across Worcestershire to ensure that at least 90% of the county's residents and businesses could access faster broadband. The programme is recognised nationally for consistently remaining ahead of schedule and for the strength of partner relationships and contract management.
5. Having entered the original deal for 90% coverage, the Council then secured an additional £4.8m from BDUK and through the Local Growth Fund to invest further into extending superfast fibre across Worcestershire. This further investment will extend fibre to 95% of the county's businesses and residents with 94% of the county able to access superfast speeds.

6. Despite this excellent anticipated outcome, it is recognised that even with 95% coverage there will be a proportion of very hard to reach residents and businesses in the county that will not benefit from the Superfast Worcestershire programme which may inhibit their ability to sustain and/or grow.
7. The contract with BT does give the Council the opportunity to recoup some of its investment with effect from 2025 if either efficiencies are found in the programme deployment or if take-up of superfast broadband exceeds 20% of premises enabled to do so.
8. Due to the outstanding performance in the delivery of the programme (which is on track to deliver to over 55,000 premises by June 2016) and higher than expected take up rates of almost 20% secured, BT has offered the Council the opportunity to re-coup monies early if the Council agrees to re-invest the circa £3m to further extend the fibre coverage in the county, rather than wait to recoup the money in 2025.
9. BT has offered to release early capital re-investment of circa £2.1 million. A further circa £900,000 would be made available by BT to extend coverage even further through efficiencies made to date in programme deployment. The re-investment of around £3 million would enable the extension of fibre infrastructure into parts of the remaining 6% of the county's businesses and residents. The opportunity to extend fibre further across Worcestershire will be lost if the monies are not identified for re-investment and will remain in the "re-investment pot" until 2025. The proposal will not require any additional net borrowing for the Council as any re-investment would be funded by early release of capital by BT.
10. Given the issues identified above, the Cabinet has agreed to support this opportunity to re-invest capital released early by BT to extend superfast broadband which could enable around an additional 3000 premises (homes and businesses) in the county to access superfast broadband. The Director of Commercial and Change, in consultation with the Cabinet Member with Responsibility for Economy, Skills and Infrastructure, has been authorised to negotiate the best deal for the county with regard to the capital to be released by BT and to take the final decision on specific re-investment. This is subject to Council approving an addition of £3.25 million to the Capital Programme for the purposes of such re-investment, to be funded by capital released by BT if the commercial negotiations are successful.
11. Final coverage and deployment plans will be understood and agreed before formal contract change controls are agreed. The deal will need to demonstrate value for money for Worcestershire's tax payers, ensure a continued focus for business and resident communities within the county and take account of demand. Securing this offer, significantly earlier than expected, is a major achievement for the county and is a result of the progress made in the Superfast Worcestershire programme.

Kidderminster Railway Station – Capital Programme Addition

Recommendation

12. The Cabinet recommends that a £4.3 million addition to the Capital Programme for Kidderminster Railway Station be approved and the capital budget cash limits be updated accordingly.

13. The Kidderminster Railway Station enhancement scheme has been supported by the County Council for a number of years. The scheme forms part of the Business, Environment and Community Directorate's infrastructure investment portfolio as identified in the Local Transport Plan and supporting the Council's Open for Business agenda.

14. In July 2014 the Growth Deal for Worcestershire allocated £2.5 million to the project for 2015/16 and in January 2015 the Growth Deal for Greater Birmingham and Solihull allocated £1.8 million to the project for 2016/17. A total of £4.3 million is now allocated for this scheme subject to final approval of the business case by the Worcestershire Local Transport Body and Local Economic Partnership.

15. There is now sufficient capital funding available to allow the project to proceed and detailed design work is now taking place in partnership with London Midland, Network Rail, Rotala (t/a Diamond), Severn Valley Railway and Wyre Forest District Council.

Bromsgrove Railway Station Relocation – Capital Programme Update

Recommendation

16. The Cabinet recommends that an increase of up to £1.2 million to the existing Bromsgrove Railway Station Relocation project be approved and the Capital Programme cash limits be updated accordingly.

17. In December 2013 Cabinet recommended that the Council should enter into an Implementation Agreement with Centro and Network Rail for the delivery of a new railway station and car park in Bromsgrove.

18. The scope of work was to deliver a new Equalities Act compliant station building 300 yards south of its current location including:

- Longer platforms capable of catering for 6-car trains
- A car park with 350 spaces
- Improved pedestrian and cycle access, and
- New bus interchange facilities.

19. A parallel but separate project to electrify the line between Bromsgrove and Barnt Green is being undertaken by Network Rail and its completion is critical if the full benefits of the station project are to be realised.

20. The estimated cost of the project, including contingency which is included in the existing approved Capital Programme is £14.6 million and is funded by a £1.5 million contribution from the Council's Integrated Transport block and the remaining £13.1

million is to be funded £9.2 million (70%) from Centro and £3.9 million (30%) County Council borrowing.

21. The Council will benefit from a share of future income streams from the project which is forecast to cover the Council's cost of borrowing over time, so in this respect, in the longer term, is cost neutral to the Capital Programme.

22. Following the achievement of a number of construction milestones the Council alongside Centro is engaged in commercial dialogue to determine the extent to which expenditure remains within the approved budget on both the railway station project and separate electrification of the line.

23. Whilst no additional costs have been agreed at this stage, there are indications that some additional costs may need to be recognised. Therefore, it is important to ensure a nimble process exists to not delay the opening of the project and allow negotiations to progress through the Director of Business, Environment and Community. Whilst the outcome of these discussions is not known at this point, the County Council needs to ensure sufficient flexibility exists through delegation to progress discussions alongside Centro to keep the project on track.

24. An increase of up to £1.2 million to the existing Capital Programme scheme would be on the basis that any additional costs that were to be agreed can be demonstrated to be those associated with the construction of the railway station and the car park and that these costs would be recovered by additional income to ensure the project remains cost neutral to the County Council over its project life.

25. The Cabinet has agreed, subject to Council approving the increase of up to £1.2 million in the Capital Programme, to delegate to the Director of Business, Environment and Community, in consultation with the Cabinet Member with Responsibility for Economy, Skills and Infrastructure and the Chief Financial Officer, authority to negotiate and conclude a commercial agreement with Centro designed to cover the Council's cost of additional borrowing over the life of the project.

Revised Capital Programme

Recommendation

26. The Council:

(a) agrees the recommendation of the Leader that subject to successful contract agreement with Liberata, it reduces by £1 million the Capital Programme Cash Limits and approves the virement of £0.1 million from the Financing Transactions revenue budget to the Commercial and Change revenue budget to effect the cost neutral financial effect of funding the future system change as set out in the Appendix; and

(b) agrees the recommendation of Cabinet that the Capital Programme as set out in the Appendix be approved and the capital budget cash limits be updated accordingly.

27. In September 2015 Cabinet appointed Liberata as the preferred bidder for Transactional HR and Finance Services and delegated to Director of Commercial

and Change, in consultation with the Cabinet Member with Responsibility for Transformation and Commissioning, the authority to agree any final details and to take all steps necessary to give effect to the appointment of Liberata and completion of the contract for services.

28. The September 2015 Cabinet report included a specific reference that the capped contract amount also included a contribution towards the provision for future capital investment in system change which would be required as a minimum in a 'do-nothing' scenario.

29. In order for this to be administered in financial terms, it is necessary for the Council to transfer by way of budget virement £0.1m from its future borrowing costs Financing Transactions budget to the revenue service budget under the Commercial and Change Directorate. This is cost neutral as the Council had already set aside this funding for a system change, which will now be delivered by Liberata following successful contract confirmation. The effect on the approved Capital Programme will be to reduce the 'Capacity for New Starts' budget by £1 million and Council is asked to approve this reduction and to approve the £0.1m budget virement accordingly as set out in the attached Appendix.

30. A financial exercise has been completed to update the expenditure profile of the Capital Programme over the current and future years. The funding profile has been also updated. The revised Capital Programme is attached as an Appendix and Cabinet recommends that Council approves the Programme and the cash limits be updated accordingly.

Supporting Information

- Appendix – Capital Programme

Contact Points

County Council Contact Points

County Council: 01905 763763

Worcestershire Hub: 01905 765765

Email: worcestershirehub@worcestershire.gov.uk

Specific Contact Points for this report

Nichola Garner, Committee and Appellate Officer

Tel: 01905 766626

Email: ngarner2@worcestershire.gov.uk

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 papers for the meeting of the Cabinet held on 24 September 2015 and 15 October 2015