

BROADBAND CONTRIBUTION
REPORT OF THE DEPUTY CHIEF EXECUTIVE (COMMUNITY
DIRECTION)



WARDS AFFECTED: ALL WARDS

1. **PURPOSE OF REPORT**

- 1.1 The purpose of this report is to seek Member's approval of £58,820 funding to extend fibre broadband coverage within Hinckley & Bosworth, invested through Leicestershire County Council's contract with BT. An amount of £18,820 has been set aside already from reserves, but Council approval is needed for the whole amount to be allocated - £58,820

2. **RECOMMENDATION**

- 2.1 That Council:

- i) approves the £40,000 capital budget for the rural Broad band Scheme.
- ii) approves the virement of £37,350 from the Grants to the Home Improvement Agency scheme budget.
- iii) approves a supplementary budget of £3,470 to fund the remainder of the project from general fund contributions.
- iv) delegates authority to the Chief Executive to sign the Collaboration Agreement between Hinckley & Bosworth Borough Council and Leicestershire County Council subject to agreement of the terms.

3. **BACKGROUND TO THE REPORT**

- 3.1 Super-fast fibre broadband will encourage economic growth and innovation, improve access to services and help transform the delivery of public services
- 3.2 Operators (e.g. BT and Virgin Media) have committed to deliver fibre broadband to 73.6% of residential and business premises in this Borough without public investment. Public investment is necessary to reduce the "Digital Divide" and help ensure all premises can access the benefits of fibre broadband.
- 3.3 It is estimated that total public investment in fibre broadband in Leicestershire will unlock economic growth of £92m by 2021.

4. **MATTERS FOR CONSIDERATION**

- 4.1 Super-fast broadband is a critically important infrastructure which will drive economic growth and innovation, improve access to services and help transform the delivery of public services. Within Hinckley & Bosworth, BT and Virgin Media have or will deliver to 73.6% of premises without the need for public investment. The Leicestershire average is 75%. Within Hinckley & Bosworth this includes, for example parts of Hinckley, Earl Shilton and Desford. Without public investment the remaining 26.4% of premises in the Borough, primarily in rural areas, will be stuck in the "slow lane" unable to access the benefits of super-fast fibre broadband.
- 4.2 Leicestershire County Council (LCC) is leading the Superfast Leicestershire partnership programme to reduce the "Digital Divide" and increase take-up of digital services. In August 2013 LCC awarded a £16.9m contract to BT to extend super-fast broadband coverage to 92.3% of Leicestershire business and residential premises.

Investment includes £4m (LCC), £1.2m (European Regional Development Fund), £3.3m (Department for Culture, Media and Sport (DCMS)) and £8.3m (BT). Within Hinckley & Bosworth it is expected that 9,121 premises will have access to super-fast broadband through the contract, increasing coverage to 92.2%. A map showing expected fibre broadband coverage across Leicestershire is available in Appendix 1. The first areas will Go Live in late September 2014 and it is anticipated the deployment will take 18 months. More information about the LCC-led programme is available at www.leics.gov.uk/broadband

4.3 The Government's initial objective was to ensure 90% of UK premises have access to super-fast broadband by 2015, supported by investment of £0.5bn. Government has revised its objective to 95% coverage by 2017 supported by a further £250m. Under the contract all premises will receive a minimum of 2Mbit/s. In total there are c.40 County projects which are managed by DCMS through its agency Broadband Delivery UK (BDUK). DCMS established a national procurement Framework contract which included BT and Fujitsu. Only BT submitted a bid on any of the County-led contracts.

4.4 BT's preferred super-fast deployment solution is Fibre to the Cabinet (FTTC). This involves deploying fibre cable from or through the telephone exchange to the green on-street Cabinet. The connection then travels through the existing copper wires to the premises. In part, broadband speeds are increased by reducing copper cabling in the network and moving the exchange infrastructure closer to premises. Download speeds of up to 80Mbit/s can be achieved through this technology. In a very small number of instances Fibre to the Premises (FTTP) may be deployed whereby fibre is deployed right to the premise. This will deliver speeds of up to 330Mbit/s. More information is available at <http://www.superfast-openreach.co.uk/the-big-build/>.

4.5 LCC's procurement documents and contract identified that District Councils in Leicestershire have, in principle, allocated c.£1.15m of additional potential investment to extend coverage into the so-called "Final 10%". A breakdown of investment by District is identified below:

- Blaby District Council	£50,000
- Charnwood Borough Council	£100,000
- Harborough District Council	£530,000
- Hinckley and Bosworth Borough Council	£58,820
- Melton Borough Council	£360,000
- North West Leicestershire	£54,000
- Oadby and Wigston Borough Council	£0

4.6 The "Final 10%" is the area which is currently not expected to receive super-fast broadband through either the commercial rollout or the LCC/BT Contract, as outlined in paragraphs 4.1 and 4.2 respectively. The BT/LCC contract has a Final 8%, totalling c.22,500 premises.

4.7 The LCC/BT Contract includes an agreed mechanism to make changes, including the incorporation of additional investment, subject to legal and state aid considerations. In November 2013 LCC issued a Change Request to BT, seeking re-modelling to identify the extent and location of additional coverage as a result of the District investment. The following key points were agreed by all parties:

Finance

- BT will identify the level of commercial investment it would make against the £1.15m. This will be consistent with the current BT/LCC Contract.
- District funding cannot be ring-fenced to respective Districts. It is not possible to identify full invoiced costs by District area.
- Districts will be able to compare coverage for all Districts to help assess value for money.

- District Councils and LCC will agree a payments schedule. This will align to the phasing within the deployment timetable.
- **It is not possible to amend the District contribution without undertaking full remodelling at cost.**

Coverage

- The Speed Coverage Template (SCT), submitted by BT, will identify additional premises connected and the expected implementation phasing.
- Coverage is subject to an on-site survey of BT's infrastructure to confirm deliverability. If issues are identified during the planning process then discussions will be held between LCC, BT and the affected District. Coverage may be reduced or additional investment may be required.
- It is not possible to "cherry-pick" preferred communities. Modelling is based on the most economic deployment to secure the highest coverage
- The deployment will be undertaken as part of existing phasing within the BT/LCC Contract.

Legal

- Funding will not be formally committed until the Collaboration Agreement, to be signed collectively by District Councils with LCC, is executed by BT and LCC signing the Change Authorisation.
- Provision of additional funding does not represent a risk to the BT/LCC Contract. Additional potential funding was identified in the tendering documents and the BT/LCC Contract.
- The Change Authorisation will be signed by LCC and BT at the end of January 2014.

Governance

- All District Councils will need to secure political approval to formally commit investment. Some Districts have awarded delegated authority.
- Funding District Councils will collectively be represented in the BT contract governance structure.

- 4.8 BT modelling has identified that £58,820 investment will extend coverage of super-fast broadband (greater than 24Mbit/s) to an additional 572 premises in Hinckley & Bosworth. This represents an increase in coverage to 93.3% within this area, leaving 3,289 premises (6.7%) without super-fast broadband. Atkins, LCC's technical support, has conducted a value for money review. Evidence from this is included in the companion Exempt Report, containing commercially sensitive information.
- 4.9 If the allocation of District investment is approved then the Council is expected to sign a Collaboration Agreement with LCC as soon as possible, subject to the agreement of terms. This partnership document outlines responsibilities, liabilities, assumptions, confidentiality, FOIA, governance and the investment timetable.
- 4.10 LCC is working with partners to further extend superfast broadband coverage to premises within the Final 8%. This could involve a range of technological solutions. DCMS is current exploring deployment and funding options as part of its Superfast Extension Programme. Further information is expected in February/March 2014.
- 4.11 In February 2014, LCC will launch a demand campaign to support the Superfast Leicestershire deployment programme, including a new website. This will encourage take up and articulate the benefits of fibre broadband to businesses and communities. All communications will be co-ordinated by LCC, in partnership with BT and other local partners.

5 Investment Requirement.

5.1 Investment of £58,820 is to extend super-fast broadband coverage within the District. Coverage is subject to survey of BT's infrastructure. Additional investment may be required to ensure coverage. LCC and BT will discuss any requirement for further investment with the District Council if this emerges as an issue. Options could include deferral, funding from incurred savings, or additional funding. In additional funding is required then public partners will discuss how this will be funded.

5.2 The BT/LCC Contract contains the following value for money controls. These would apply to the District funding if committed:

- State aid clawback to prevent over-subsidy
- Investment ratio to ensure supplier investment
- Contracted reporting and audit
- On-site verification of infrastructure and deployment
- Supplier payment by results
- Detailed evidence required to support payment claims
- Supplier assurance of costs
- LCC contracted technical and commercial support (Atkins)

If approved, LCC will require District investment at an appropriate time prior to LCC incurring costs for District coverage under the Contract. The timetable will be included in the Collaboration Agreement

6. FINANCIAL IMPLICATIONS [IB]

The gross cost will is estimated to be £58,820. An amount of £18,000 has already been set aside for the provision of project.

From the £40,000 requested £37,350 can be funded from savings from the Home Improvement Agency budget. Due to changes in how home improvement grants are administered through the Papworth Trust. This budget is no longer required.

The balance of £3,470 can be met from in year contributions from the general fund.

7. COUNTY COUNCIL LEGAL IMPLICATIONS

The following legal implications have been drafted by an officer of the County Council. The Borough Council's Legal Service has not had sight of the contract between LCC and BT and is unable to comment on its terms:

- It is proposed that District investment is invested via the LCC/BT Contract. Additional potential funding from Districts was identified in the tender and the contract to reduce the risk of a material challenge.
- The Collaboration Agreement is legally binding and formally commits District investment. The Collaboration Agreement, even once signed by District Councils, is not executed until LCC and BT sign a Change Authorisation to the BT/LCC Contract at the end of January 2014. All District Council legal advisors have supported the development of the Collaboration Agreement.
- Under the terms of the BT/LCC Contract, once the infrastructure has been built there are no on-going liabilities on public funding bodies.
- Currently, the BT/LCC Contract and DCMS Framework Contract is the only legal

mechanism, under EU State Aid rules, for public agencies to invest in super-fast broadband. A separate procurement would be required to allocate investment.

HBBC LEGAL IMPLICATIONS (AB)

With regard to the Collaboration Agreement between the County Council and the District Councils the Legal Implications are as follows.

The agreement provides for an initial outlay of £58,820 by Hinckley and Bosworth Borough Council. This will be for the provision of extra works within the borough beyond those in the main contract.

If this part of the works is subject to an overspend the Collaboration Agreement provides that HBBC will be liable for that overspend. This has been negotiated with the County Council on the basis that the overspend will only relate to the additional works covered by our funding and was supported by an assurance from the project lead at the County Council that:

“The Call-Off Contract (clause 31) sets out various options in respect of dealing with any increased costs. These in brief are as follows; (1) absorbed within existing Milestone Payment arrangements; (2) agree amendments to Milestones (providing they don't exceed Milestone Payments agreed at Effective Date); (3) amend Service Requirements, Supplier Solution; (4) Supplier bears increased costs; (5) in **exceptional** (her emphasis) circumstances Authority provides additional funds.”

It is requirement of the Collaboration Agreement that any overspend will be subject to separate specific agreement between the County Council and the Borough Council.

7. CORPORATE PLAN IMPLICATIONS

The report has synergy with the Corporate Plan's aim of 'Creating a vibrant place to live and work' and the priority within this to 'sustain economic growth'.

8. CONSULTATION

A broadband survey was conducted when LCC initiated their Superfast Leicestershire programme in 2012. A summary of the findings are available at <http://www.leics.gov.uk/broadband>

As part of the BT/LCC Contract procurement a state aid compliant public consultation was undertaken to confirm coverage of commercially delivered superfast broadband. This identified the area which is not eligible for state aid. DCMS has delegated authority from the EU to monitor state aid compliance.

9. RISK IMPLICATIONS

The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owners
Contractual arrangements	Under the proposal of this report District investment will be allocated within the BT/LCC Contract. The Contract was part of a national Framework contract managed by DCMS. This contract has EU State Aid approval.	Both County Council and Leicestershire Districts

Funding and Legal commitments	District funding is not legally committed until LCC and BT jointly sign the Change Authorisation to the BT/LCC contract at the end of January 2013. In advance of this District Councils will collectively sign a Collaboration Agreement which outlines terms under which the funding is made.	Both County Council and Leicestershire Districts
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10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

LCC is undertaking an Equality Impact Assessment on the programme. This will consider the impact of the deployment and communications.

The outcome of the Borough Council contributing funding towards broadband provision will help enable effective broadband to an increased number of householders and businesses.

It is expected that deployment of super-fast broadband within the Final 8% will require a range of options including, fibre deployment using the LCC/BT Contract and community-led solutions. A range of technologies may also be required.

11. CORPORATE IMPLICATIONS

By submitting this report, the report author has taken the following into account:

- Community Safety implications: None
- Environmental implications: None
- ICT implications: None
- Asset Management implications: None
- Human Resources implications: None
- Planning Implications: None
- Voluntary Sector: None

12. Appendix 1 (see separate sheet)

Map of expected fibre broadband coverage in Leicestershire through LCC/BT contract.

Background papers: None

Contact Officer: Judith Sturley, Senior Economic Regeneration Officer, ext. 5855

Executive Member: Councillor David Gould

APPENDIX 1 – Map of expected fibre broadband coverage in Leicestershire through LCC/BT contract

Expected deployment of fibre broadband by 2018 in Leicester and Leicestershire



Purpose and notices

This map shows an overview of the expected rollout of fibre broadband to around 95% of residential and business premises in Leicestershire by the end of March 2016.

This rollout includes deployment by private companies (e.g. BT and Virgin Media) by 2016 (shaded grey) and as a result of investment made by the County Council, Government, EU and BT through the County Council led project. This will be delivered by the end of March 2016 (shaded dark green and light green).

This map is high-level only. It is not accurate to premise or postcode level and should not be interpreted as such. Detailed planning is currently underway. The first Exchange areas will be announced in the New Year and an updated version of this map is expected to be published in spring 2014. This will be followed by more detailed information as each rollout phase is confirmed. Communities will be notified in advance of fibre-broadband being available in their area. This map will be reviewed on a regular basis.

Further investment is planned by the County Council, Government and District Councils for areas due to be addressed by 2018 (shaded light yellow).

Maps, announcements and responses to frequently asked questions will be available at www.leics.gov.uk/broadband.

Existing and expected commercial coverage up to 2016

Private Operators

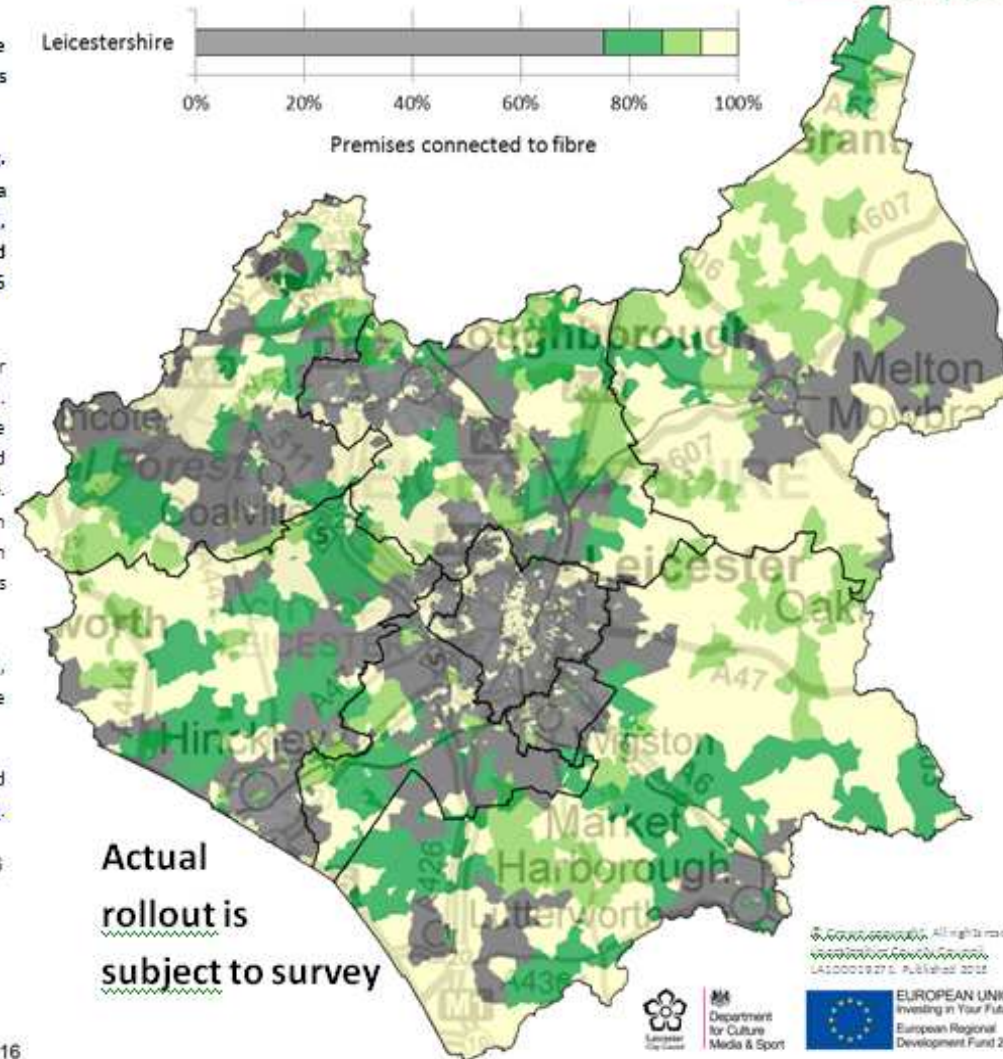
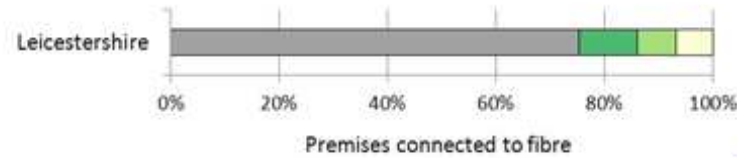
Broadband Leicestershire Contract

Expected deployment from summer 2014

Expected deployment from summer 2015

Further Investment - Target Completion by 2018

With all areas receiving a minimum 2Mbit/s by summer 2016



Actual rollout is subject to survey

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