

## BARNSELY METROPOLITAN BOROUGH COUNCIL

This matter is not a Key Decision within the Council's definition and has not been included in the relevant Forward Plan

Report of the Executive  
Director - Place

### Superfast Broadband Phase II Proposal

#### 1. Purpose of report

- 1.1 To outline proposals to further extend Superfast Broadband (aka Phase II) accessibility across South Yorkshire in order to make fibre broadband available to as close to 100% coverage as technically possible.
- 1.2 To seek Cabinet \*approval for the Council to contribute match-funding to support the extension of Superfast Broadband across South Yorkshire – the total funding for Phase II across SY being £3.5m (Barnsley's element being a £0.610M contribution from reserves).
- 1.3 To note that the match funding contribution from Districts will be 'net nil' over time – match funding contributions to be offset via a reduction in the annual levy payable by Districts to the PTE.
- 1.4 Each LA will obtain internal approval to fund their population based contribution to the match funding for BDUK. There is a need to collaborate quickly with the 4 approvals and meet the timescale of 1st December to meet the BDUK assurance deadline for readiness to launch the ITT.

#### 2. Recommendations

It is recommended that Members:

- Support the proposal to further extend Superfast Broadband across South Yorkshire.
- Agree to the release of £610,000 as part of the Council's reserves strategy in order to support the proposals – release of reserves to be contingent on the other South Yorkshire Districts also receiving approval to contribute their share of the total match funding requirement.
- Agree that the PTA levy saving is used to support the Council's MTFs going forward.

#### 3. Introduction

##### 3.1 Phase II Overview

In March 2017 an Open Market Review (OMR) was carried out to assess the potential to further extend Superfast Broadband coverage across South Yorkshire. Whilst Phase I of the current Superfast Broadband Programme provides a solution that will help to deliver 98% Superfast Broadband coverage this falls short of both

the SCR SEP's ambition and SY Demand Stimulation strategy of achieving 100% coverage.

- 3.2 The OMR indicates that over 23,000 premises in South Yorkshire will remain without SFB after Phase I of the current Superfast Broadband project has been completed. The analysis of the South Yorkshire intervention area is ongoing so the final number of white premises will be concluded early December 2017.
- 3.3 Phase II will seek to make fibre broadband available to as close to 100% coverage of South Yorkshire as technically possible. The premises identified in the recent OMR include rural areas as expected but also include a high proportion of new residential and business sites which have been developed since the last OMR was conducted in 2014.
- 3.4 Based on the extent of coverage identified in the OMR and currently deployment costs it is estimated that in the region of £4m will be required to fund Phase II - with a further £300k being required to fund the management and running costs of delivering the scheme.
- 3.5 It is important to note that BDUK (i.e. the Government Department dealing with Broadband) require all funding to be fully confirmed prior to the commencement of any formal procurement exercise.
- 3.6 The actual cost of the deployment will not however be known until bids have been received, therefore the value of the procurement will be capped at an upper limit in order to ensure Phase II remains within its available funding envelope.

### 3.7 Procurement Timetable

The table below indicates the tight timescales for the procurement driven by the need to launch the Invitation to Tender, before the results of the OMR expire.

| Activity   | Deadline                       |
|--|--------------------------------|
| Prepare ITT documentation and Contract Schedules (usually 10-12 weeks) | 8 <sup>th</sup> December 2017  |
| Supplier Engagement  | 1 <sup>st</sup> December 2017  |
| Create Data Room   | 8 <sup>th</sup> December 2017  |
| BDUK Assurance checkpoint – ready to procure                           | 8 <sup>th</sup> December 2017  |
| Launch ITT   | 15 <sup>th</sup> December 2017 |
| Bidder responses received  | 23 <sup>rd</sup> February 2018 |
| Bid evaluation   | 9 <sup>th</sup> March 2018     |
| Contract Award   | 13 <sup>th</sup> April 2018    |
| Contract Mobilisation  | June 2018 onwards for 3 months |

### Funding the Proposal

- 3.8 Following extensive dialogue with SCR, and despite a recent prioritisation/refresh exercise, it has been established that whilst there are no additional funds available within SCRIF to support Phase II due to over-programming.
- 3.9 A further option to fund the scheme from de-prioritised LGF schemes has also been considered. It was felt however that there is currently no guarantee of a

SCRIF underspend and that the availability of any funding from this source is unlikely to become available within the timescales required for Phase II.

- 3.10 In addition the Districts for various reasons, primarily affordability, have indicated that they are unable to support Phase II via borrowing or from contributions from existing resources.
- 3.11 What has however been established is that there remains £3.5m in unutilised **National Productivity Investment Funding (NPIF)** that could legitimately be utilised to support Phase II.
- 3.12 NPIF represents funding for infrastructure provided by government to support major additional spending in areas that are key to boosting productivity: transport, digital communications, research and development (R&D), and housing.
- 3.13 Given the above SCR have proposed that they will utilise £3.5m in NPIF to reduce borrowing costs against specific capital schemes. The subsequent savings arising from the replacement of borrowing with the £3.5m would be passed onto Districts in the form of a levy reduction.
- 3.14 The aggregate levy reduction would be sufficient to enable the Districts to borrow £3.5m over a 25 year period on a "cost neutral" basis.

*Details of the levy reductions per District are included in the Financial Implications section of this report (Section 7)*

Each district is now in the process of seeking the appropriate approvals to move this option forward.

#### **4. Proposal and justification**

- 4.1 Barnsley is the lead South Yorkshire authority for broadband and in line with the South Yorkshire Local Broadband Plan 2014 the regional aspiration has been to ensure that as close to 100% of residents and businesses located in South Yorkshire are able to access fibre broadband.
- 4.2 The region having as much connectivity as technically possible brings significant economic opportunities for residents, business and the public sector whilst ensuring South Yorkshire does not fall behind other regions.

#### **5. Consideration of alternative approaches**

- 5.1 There is an option to do nothing, however this would mean that over 23,000 premises across South Yorkshire, would be left behind and not have access to broadband speeds above 30mbps. BDUK are pressing ahead to ensure the UK is one of the best connected countries and the opportunity to progress a further procurement may not arise for some time or even at all. Leaving these areas behind will have a negative impact on the digital and wider economy of South Yorkshire compared to the rest of the UK.

#### **6. Implications for local people / service users**

- 6.1 There are no direct implications for local people or service users at this stage.

## 7. Financial implications

- 7.1 The table below shows the current funding requirement to support the delivery of Phase II across South Yorkshire;

|  |   |                    |
|--|---|--------------------|
| <b>Phase II Total (Estimated) Funding Requirement = £4.3m.</b> | <b>Funding Secured to Date = £0.8m</b>                          | <b>Funding Gap</b> |
| <b>Comprising:</b>   | <b>Comprising:</b>  | <b>- £3.5m</b>     |
| - £4m Contract Costs<br>- £0.300m Management & Running Costs   | - £300k from the current (Phase 1) BDUK grant.<br>- £500k SCRIF |                    |

- 7.2 Following extensive work undertaken by the SFSY Team, SCR and District officers a funding solution has been identified that is considered to be a robust, cost neutral funding solution to bridge the funding gap and support the delivery of Phase II.
- 7.3 The solution revolves around the utilisation of £3.5m in National Product Investment Funding (NPIF). NPIF to be used to replace borrowing and its associated costs for the PTE's 2018/19 programme.
- 7.4 It is proposed that the cost savings enjoyed through the release of NPIF would be used to reduce the PTE levy payable by the four South Yorkshire Districts.
- 7.5 The table below provides details of the annual levy reduction applicable to the SY Districts through the utilisation of NPIF.

### Levy Reductions

| <b>LA</b>    | <b>£,000</b> |
|--------------|--------------|
| Barnsley     | 41           |
| Doncaster    | 52           |
| Rotherham    | 45           |
| Sheffield    | 98           |
| <b>Total</b> | <b>236</b>   |

- 7.6 Subject to the levy reduction being agreed Districts would therefore need to agree to borrow an amount proportionate to their levy reduction to raise the £3.5m required for Phase II. An alternative approach is to use reserves and utilise the savings in the Council's budget/ MTFS.
- 7.7 Using reserves is the recommended approach for Barnsley rather than further borrowing. A refresh of the reserves has identified additional one off resources which can be used to fund Barnsley's capital element - £610,000. This approach means that other priorities cannot be funded at this stage however it has the advantages of:-
- the Council will not incur further debt at a time when the interest rate environment is becoming more volatile and the Government is showing increasing concern at the level of local authority borrowing;

- the levy reduction of £41,000 is used to support the Council's MTFS.

7.8 Appendix A provides a summary of the proposals financial implications for the Council.

## **8. Employee implications**

8.1 None arising directly from this report

## **9. Communications implications**

9.1 None arising directly from this report

## **10. Consultations**

10.1 Consultation has been undertaken with BMBC Officers in Finance and Economic Regeneration accompanied with wider consultation across other South Yorkshire authorities economic regeneration and finance officers. A report was presented to SCR Chief Executives on 9<sup>th</sup> November 2017 to outline the funding options available to fund Phase II.

## **11. The Corporate Plan and the Council's Performance Management Framework**

11.1 The scheme aligns with the Council Corporate Priorities to create a thriving and vibrant economy, supporting people being able to meet their potential by ensuring the maximum number of people living and working in Barnsley have access to faster connectivity.

## **12. Promoting equality, diversity, and social inclusion**

12.1 No implications arising from this report

## **13. Tackling the Impact of Poverty**

13.1 No implications arising from this report

## **14. Tackling health inequalities**

14.1 No implications arising from this report

## **15. Reduction of crime and disorder**

15.1 No implications arising from this report

## **16. Risk management issues**

16.1 No implications arising from this report

## **17. Health, safety, and emergency resilience issues**

17.1 No implications arising from this report

## **18. Compatibility with the European Convention on Human Rights**

18.1 No implications arising from this report

**19. Conservation of biodiversity**

19.1 No implications arising from this report

**20. Background papers**

20.1 Background papers are held by Superfast South Yorkshire.

**21. List of Appendices**

- Appendix A - Financial Implications.

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