

Report to the Cabinet

Meeting to be held on Thursday, 10 May 2018

Report of the Director of Programmes and Project Management

Part I

Electoral Division affected:
(All Divisions);

Rural Superfast Broadband - Bid to Extend Coverage

(Appendix 'A' refers)

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Executive Summary

The report updates cabinet on current superfast broadband coverage in the Lancashire Local Enterprise Partnership area and requests approval to bid for £3m from the European Agricultural Fund for Rural Development and an allocation of £2m of county council resources to co invest to maximise coverage and impact.

This is deemed to be a key decision and the requirements of standing order 25 have been complied with.

Recommendation

Cabinet is asked to note the contents of the report and agree that:

- (i) The county council applies for £3m of European Agricultural Fund for Rural Development resources to extend superfast broadband coverage in Lancashire's rural areas; and that
- (ii) The county council allocates up to £2m to co invest with the European Agricultural Fund for Rural Development funds; and
- (iii) The county council acts as accountable body for the delivery of a £5m rural superfast broadband programme.

Background and Advice

Lancashire has been at the forefront of superfast broadband delivery in the UK with the first stage of the Lancashire programme now complete. The Lancashire superfast programme is designed to provide investment in areas not included in any commercial plans (also referred to as 'white' areas).

Stage one of the programme delivered superfast speeds to 136,000 premises. Stage two will provide superfast speeds to another 11,283 properties by the end of 2018. According to Thinkbroadband.com United Kingdom superfast coverage is 95% with the enterprise partnership area at 98% and the county council area at 97%.

Once stage 2 is complete approximately 17,000 properties will still be without superfast broadband access. These properties fall outside any commercial plans. The government's proposed universal service obligation, to be implemented from 2020, will increase speeds to 10mbps for any premise still below that level. This will be an improvement on the current universal service obligation of 2mbps, but will still be more than 50% below the current superfast standard.

European Agricultural Fund for Rural Development Superfast Broadband Call

The only body in Lancashire eligible to apply for European Agricultural Fund for Rural Development Superfast Broadband call is the county council as lead local body for Broadband Delivery UK, the government's agency for overseeing the improvement of digital connectivity across the country.

Accessing European Agricultural Fund for Rural Development resources will facilitate increased coverage and increased speeds for businesses in our harder to reach and more isolated rural areas. By their very nature these areas tend to be more expensive to deliver to and are also more likely to have poor mobile phone (4G) connectivity and be outside commercial plans.

The areas eligible for funding will be those not included in any commercial superfast broadband plans ('white'), not included in any planned public delivery and are within the defined rural area for support designated by the Department for the Environment, Farming and Rural Affairs. The map at Appendix 'A' highlights the rural area eligible for European Agricultural Fund for Rural Development investment.

The European Agricultural Fund for Rural Development call will focus on business connections. Enhanced digital connectivity has the potential to address inherent issues with the rural economy and businesses such as distance from market. Improved broadband speeds will support the take up of new and more productive processes and support increases in business start-ups.

Lancashire County Council Capital Allocation

The call acknowledges that superfast connectivity for domestic premises can be an indirect benefit of delivery. However, the European Agricultural Fund for Rural Development will not pay for domestic connections if they are not a direct 'spin off' from a business connection.

To maximise the benefit of the £3m of resources being applied for, it is proposed that the county council allocates a maximum of £2m to co-invest to support rural domestic connections, in addition to business access. The £2m would be a maximum figure as, through the procurement process, there is an intention to attract private sector contributions to support delivery. The total number of premises to be covered will be defined in conjunction with Broadband Delivery UK's value for money requirements.

Implications:

This item has the following implications, as indicated:

Governance

The current superfast broadband programme is managed by the county council and it is proposed that the same arrangements will continue in the delivery of the European Agricultural Fund for Rural Development Superfast Broadband project.

Risk

The main risks to the project would be challenges in delivering the infrastructure (either cost or solution or both) and non-delivery of targets. This can be managed by effective contract and risk management based upon current experience and systems. The external investment and funding team manages the current superfast broadband programme, and already have systems in place that can be used to manage another project of a similar type.

The remaining 'white' premises are the hardest to reach. On that basis, and taking into account that there is no planned commercial rollout to these premises, without the intervention proposed within this report, these locations would continue to be on the wrong side of the 'digital divide'.

Financial

The county council would become the accountable body for a £5m project funded through a combination of public and private sector sources.

As part of the national framework for public investment in the broadband network, there is a contractual facility for revenue from the take up of superfast broadband services to be re invested in further broadband connectivity. Known as Gainshare, a percentage of revenue from BT/Openreach is placed in an investment fund, based upon the take up of superfast services.

The investment figure is calculated every two years from the legal completion of the first stage of delivery. However, seven years after the completion of Stage 1 Gainshare resources are due to become available to the county council. These resources will be subject to clawback if they are not spent on further connectivity. This project would be deemed to meet the conditions as to further connectivity so

Although the final figure cannot be confirmed in total at present it is envisaged that it will be at least £2m and we are contractually obliged to receive it. Securing borrowing against this known income would mean the standard minimum revenue provision (MRP) annual charge to revenue can be deferred. Interest payments of c£30,000 per annum (based on current interest rates) would be needed to fund the cashflow of the £2m for the 7 year period until the Gainshare income is received to repay the costs plus interest of this project. The interest payments would be met from existing budget provision.

Legal

Pursuant to the terms and conditions of the stage 1 contract, Gainshare due as a result of a percentage take-up will be available to the County Council for broadband services.

The county council will be required to comply with its internal procurement processes, the Public Contracts Regulations 2015 and any European Structural and Investment Funds (European Agricultural Fund for Rural Development) requirements and state aid. The county council is currently working with Broadband Delivery UK in order to secure state aid clearance.

The procurement will be conducted through the national Broadband Delivery UK framework and the county council is required to adopt that template; a process that is compliant with European Union Legislation and has been previously utilised and managed by the county council.

As accountable body, the county council will be required to manage the allocation of funding in accordance with the European Agricultural Fund for Rural Development terms in order that risk of potential clawback is mitigated. Whilst the county council has previously acted as accountable body in relation to broadband services it is nonetheless a requirement that it is aware of its obligations and in turn flows down such obligations via the Broadband Delivery UK agreement.

Legal support will be available prior to, and during, the procurement process as required.

Consultations

In preparation for the procurement process and in order to comply with state aid rules the county council will carry out an open market review to confirm the position of those areas currently designated as not being part of any commercial infrastructure plans.

List of Background Papers

Paper	Date	Contact/Tel
Lancashire European Structural and Investment Funds Strategy	October 2015	Sean McGrath/(01772) 531053
Lancashire Local Broadband Plan	August 2011	Sean McGrath/(01772) 531053
European Agricultural Fund for Rural Development Rural Broadband Infrastructure Handbook		Sean McGrath/(01772) 531053

Reason for inclusion in Part II, if appropriate

N/A