

WIRRAL COUNCIL

CABINET 11TH JULY 2013

SUBJECT:	<i>BROADBAND DELIVERY UK (BDUK)</i>
WARD/S AFFECTED:	<i>ALL</i>
REPORT OF:	<i>HEAD OF REGENERATION & ENVIRONMENT</i>
RESPONSIBLE PORTFOLIO HOLDER:	<i>REGENERATION, HOUSING & PLANNING CLLR PAT HACKETT</i>
KEY DECISION	YES

1.0 EXECUTIVE SUMMARY

1.1 This report provides an update as to the progress of the Broadband Delivery UK (BDUK) project and seeks agreement on implementation issues that are needed to enable the project to proceed. The next steps are also outlined.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 It is Government policy to ensure the UK has widespread access to superfast broadband services. Broadband Delivery UK (BDUK) is the body charged with delivering this aspiration through Local Authorities. The Government define widespread access as 90% of people receiving services at speeds in excess of 24 Mega bits per second (Mbps). Standard broadband is generally classed as 2 Mbps and that is the level of broadband required, for example, to use programmes such as BBC i-player. BDUK aims to ensure all communities have access to at least this level of broadband.
- 2.2 To this end BDUK has allocated £530m to fund infrastructure works across the country. This funding is focused on addressing what are called “white areas” where existing provision does not meet the superfast requirements and where the market is not able to deliver without public intervention. In the so-called white areas there is usually no commercial case for suppliers to invest in broadband technology and so public money is being used to ‘fill the gap’ to make the infrastructure investment plans commercially viable. This project will be providing what is essentially an open platform from which retail services can be offered by service providers. The project will not be operating or intervening in the retail service market.
- 2.3 BDUK have calculated an allocation to Merseyside of £5.4m based on the level of existing superfast provision. The ‘Merseyside’ area consists of Knowsley, Liverpool, Sefton, St Helens and Wirral (excluding Halton). The Government’s allocation comes with a requirement that public match funding must be found and approval was granted on 26th March 2013 for £5.5m of ERDF monies giving the project a total of £10.9m. A private sector contribution, typically around 20% of the total investment will also be made the details of which will be known following the procurement process.
- 2.4 There are many benefits to the City Region in having greater access to superfast broadband. In summary it will:
- Improve the attractiveness of Wirral to inward investment;
 - Help improve business productivity and services;
 - Generate additional GVA for the City Region of around £50m;
 - Help bridge the digital divide and provide a platform for more efficient delivery of public services.

- 2.5 On 30th April 2012 Merseyside local authorities prepared and submitted a Local Broadband Plan (LBP). It was subsequently approved subject to resolution of the funding issues detailed below. The LBP details the investment plan for Merseyside and has been produced by a steering group of officers from partner Authorities and the Department of Culture Media and Sport (DCMS). With approval for the project to proceed there are now certain governance issues that need to be addressed. These are, the appointment of a lead contracting authority as the Accountable Body to act on behalf of all partner authorities, the delegation of decision making to the Strategic Director of Regeneration and Environment to allow the project board to appoint an infrastructure supplier and the signing of a project consortia agreement.
- 2.6 For legal and procurement reasons a lead contracting authority is required. Liverpool City Council has agreed to undertake this role, subject to the agreement of the other Authorities and agreement that the costs for doing this will be funded largely through ERDF. This arrangement would need to be set out in an appropriate legal agreement between all Authorities, which also sets out the joint liability to all LAs arising from any litigation as a result of the procurement process or implementation of the project.
- 2.7 Liverpool have committed to the creation of a team consisting of a Programme Manager, a Programme Support Officer, a Procurement Lead, a Financial Lead, a Technical Adviser and a Legal Adviser. Based upon its experience with similar schemes BDUK recommended the creation of the team for an initial 12 month period although some resource will need to be maintained for years 2 and 3 of the project. Advice has been taken from BDUK on the roles and scale of resource required.
- 2.8 The team would work to a Project Board made up of representatives from all Authorities and would operate using Prince 2 project management principles. Most of this cost should be eligible for ERDF purposes and will be reclaimed through that process. Any non-eligible element of this would need to be found by individual Authorities.

3.0 DELIVERY ISSUES AND ERDF MATCH FUNDING

- 3.1 When this project was first muted there were two infrastructure suppliers, BT and Fujitsu available on the BDUK's procurement framework. Fujitsu have subsequently made a commercial decision to withdraw from the process leaving BT as a single supplier. BT are concerned about the time constraints placed on them for delivery by ERDF. The ERDF team in Communities and Local Government (CLG) are seeking practical completion of the project by December 2014 although possibly this may be extended to June 2015.
- 3.2 The ERDF application was designed to firstly match the £5.4m BDUK resource and secondly to fund business support activity and project management costs on a 50-50 basis. The approval in total amounts to £5.5m and includes;
- £4.4m Capital Infrastructure – tendered as part of the BDUK framework process,
 - £1.1m of revenue funding in total with £650k allocated for a business support / demand stimulation programme (to be tendered separately) and £450k for programme office costs.
- 3.3 A number of actions are being taken in order to determine the best way forward and to better position the project in terms of fast-tracking delivery works. This includes meetings with BT to understand their capacity issues and concerns. In addition options around phasing of ERDF match funding are being explored so that some

funding could potentially be used 'up front' to better fit with ERDF spending timeframes.

- 3.4 For the purposes of the project the start date was April 2013 with the actual likely contracting date of August 2013. The practical completion date for the project is June 2015 with financial completion as July 2015. The ERDF funding element has added a layer of complexity to the programme with regard to timing, eligibility and contractual issues. These are being dealt with but they remain delivery risk factors.
- 3.5 BDUK funding is available only to fund capital costs and is expected to be matched in its entirety by other public funding. The approach adopted has been to cover the vast majority of all other costs through ERDF so as to reduce the need for Local Authority support. However it has not been possible to include all costs. While the ERDF application is being appraised (January – March) there have been project management, technical support, legal, financial and procurement costs to cover. Liverpool Council are asking each partner Local Authority to reimburse those costs which it is not able to absorb or cover elsewhere. These total an amount of £50,542 including the above work areas and general costs relating to engagement in BDUK training sessions. These costs have been split on a pro rata basis as shown, the principle of which was agreed by the Liverpool City Region Cabinet 25 January 2013. The split is based on the estimated percentage of investment to be received by each Authority.

Authority	Shared Costs Pro Rata on Investment Share
Wirral	£17,690
Liverpool	£15,163
St Helens	£6,065
Knowsley	£6,065
Sefton	£5,560

- 3.6 Management Costs April - August 2013. The ERDF funding is eligible from April 2013 however since there is no BDUK match funding until August when the capital contract is expected to be signed it has been necessary to utilise Liverpool and Knowsley staff as match to meet this gap. Consequently there is no anticipated cost to the other Local Authorities for this period.

4.0 TIMETABLE AND NEXT STEPS

- 4.1 As the delivery timetable is extremely challenging all avenues are being explored to fast track the preparation for procurement and to put in place all the necessary approvals and to lobby for greater flexibility with regard to funding constraints. The indicative timetable is as follows:

- Invitation To Tender (ITT) issued April 2013,
- Supplier response due to be returned within 10 weeks (at latest w/c 24th June),
- Tender Evaluation including a Value for Money Assessment,
- Partnership Consortium Agreement to be agreed and signed,
- Supplier contract agreed July 2013,
- Award of Contract August 2013
- Project delivery end of August 2013 to end of 2015,
- Engagement with BT and BDUK on timing and funding issues – ongoing.

5.0 RELEVANT RISKS

- 5.1 A broadband infrastructure supplier will be procured and this contracted supplier will take on the risk of surveying then designing, building and maintaining the new infrastructure. Local Authorities are not buying the physical assets and will not be responsible for managing or maintaining them. The supplier will model expected customer take-up and state aid regulations allow that where this exceeds planned uptake the Local Authority can claw-back excess profit and reinvest in additional infrastructure capability. This clawback mechanism operates for 7 years. Additionally poor take-up is a risk the supplier takes on not the Local Authorities.
- 5.2 The constraints of the ERDF deadlines pose a serious risk to the project. Any loss of funding due to delays will mean the project will have to be re-profiled and possibly the coverage reduced. Similarly the ability of the private sector supplier to roll out the physical works in time will be the subject of detailed discussions as there are questions about capacity. The project will have to obtain state aid approval in due course however it is an important milestone that national approval is now in place.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 The project could be terminated but this is considered not to be beneficial as the funding allocation would be lost and there would be other possible wider implications that could jeopardise future projects and joint working arrangements.

7.0 CONSULTATION

- 7.1 A four week consultation period was undertaken via a project web site commencing 8th February 2013. Other bespoke demand stimulation work will be undertaken with businesses while links with the partners delivering Wirral's Go On Campaign have already been established. These individuals and organisations will be kept informed and involved in any future consultation exercises or communications.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 All groups and their clients operating or living in areas that will receive this investment will benefit from much improved broadband communications and the improved access to services that will follow.

9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 9.1 The headline BDUK grant available is set out in this report as are the implications of funding non-eligible ERDF expenditure. This represents a significant, multi-million pound investment across Merseyside. The associated risks have been assessed and all project costs have been modelled based on the best information available and the experience of other successful BDUK procurement exercises. Further detail will emerge particularly post tender when roll out costs can be tested against the proposed coverage. Once the project has been implemented there are likely to be efficiency savings to be made in the delivery of Council services by utilising the new and improved digital infrastructure.
- 9.2 The funding for the management costs in the sum of £17,690 will be met from Wirral Neighbourhoods Fund reserves.

10.0 LEGAL IMPLICATIONS

- 10.1 A partnership consortium agreement will need to be agreed and signed to take the project forward. This will set out how the costs and liabilities are to be shared and how the project will be administered generally throughout the operation of the project board. A non-disclosure agreement has already been signed with the framework supplier to facilitate discussions.

11.0 EQUALITIES IMPLICATIONS

11.1 The equality implications arising from this report are highlighted in the following Equality Impact Assessment <http://www.wirral.gov.uk/my-services/community-and-living/equality-diversity-cohesion/equality-impact-assessments/eias-2010/regeneration-housing-planning>. The BDUK project is likely to have very positive impacts on all identified groups across Wirral regardless of their age, gender, race, disability or sexuality. Digital inclusion for all will provide better and more efficient services, have educational benefits, improve social and community cohesion and benefit those people most in need.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 The BDUK project will contribute towards achieving the aims and objectives of the climate change agenda by providing the digital infrastructure that will help to reduce greenhouse emissions by, for example, reducing the need to travel by facilitating home working and providing a platform enabling residents and businesses to run energy and cost saving systems.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 Consultation and engagement with Development Control Officers and Highway Engineers has taken place with a view to agreeing working protocols for the approval of all civil engineering works and broadband apparatus. These works include the installation of new generation street cabinets usually situated close to existing street furniture if possible. The schedule of works will be discussed in detail and the necessary approvals programmed accordingly. The effectiveness and cost of CCTV systems are likely to be enhanced to the general benefit of community safety.

14.0 RECOMMENDATION/S

14.1 To confirm that Liverpool City Council undertakes the role of lead contracting Authority or Accountable Body for the Merseyside Connected BDUK project.

14.2 Agree that the management of the BDUK procurement process including supplier appointment, entering into a partnership consortia agreement and future implementation is delegated to the Strategic Director of Regeneration and Environment in consultation with the Cabinet Member.

14.3 With reference to the cost table in paragraph 3.6 agree to underwrite the potential project management costs that are not eligible for ERDF funding from Wirral Neighbourhoods Fund reserves. Wirral's maximum share of ineligible costs, using the pro rata method, has been estimated to be £17,690.

14.4 Future process reports on this subject will be brought to Cabinet as the project progresses.

15.0 REASON/S FOR RECOMMENDATION/S

15.1 The recommendations are made in order that the BDUK project can move forward and enter the national procurement framework as soon as possible in 2013.

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