



**Author/Lead Officer of Report:** David Oliver,  
BCIS Business Partner

**Tel:** 07792 846021

**Report of:** Laraine Manley, Executive Director of Place

**Report to:** Cllr Julie Dore, Leader of the Council

**Date of Decision:** 1st December 2017

**Subject:** Superfast Broadband Phase 2

Is this a Key Decision? If Yes, reason Key Decision:- Yes  No

- Expenditure and/or savings over £500,000

- Affects 2 or more Wards

Which Cabinet Member Portfolio does this relate to? **Business and Investment**

Which Scrutiny and Policy Development Committee does this relate to? **Economic & Environmental Wellbeing**

Has an Equality Impact Assessment (EIA) been undertaken? Yes  No

Does the report contain confidential or exempt information? Yes  No

**Purpose of Report:**

- To outline proposals to further extend Superfast Broadband (Phase 2) accessibility across South Yorkshire in order to make fibre broadband available to as close to 100% coverage as possible (excluding the majority of Sheffield City Centre because the European Commission has determined that as this is the 'Urban Core' of Sheffield, there is no market failure, and thus the use of public funding would represent state aid). Extending coverage brings significant economic opportunities for residents, business and the public sector whilst ensuring South Yorkshire does not fall behind other regions.
- To seek approval for the Council to contribute £1.5m funding to support the extension of Superfast Broadband across South Yorkshire. The total funding for Phase 2 across South Yorkshire is approx. £3.5M, Sheffield's portion is based on population. The recommended method of funding will be 'cost neutral' to Sheffield City Council.

**Recommendations:**

It is recommended that the Leader of the Council:

- notes and approves the proposals for Superfast Broadband Phase 2 as set out in this Report and approves the funding for the project being added to the capital programme.
- approves Sheffield City Council borrowing approximately £1.5m to fund its share of the costs of Superfast Broadband Phase 2, which will be combined with contributions from the other South Yorkshire Councils to create a total budget of approximately £3.5m.
- notes that Phase 2 will only go ahead if all four South Yorkshire councils agree to provide the funding required.
- approves Sheffield City Council borrowing its £1.5m contribution for Phase 2 on terms that mean its annual repayment sum is approximately £90k and is funded as set out in paragraph 5.2 (Financial Implications).
- recognises that the Chief Executives and Finance Directors of all South Yorkshire Councils are agreed on this approach in principle, although individual Councils may fund their own contributions in different ways.
- approves that the Phase 2 budget, OJEU procurement process and implementation are managed by Barnsley Metropolitan Borough Council on behalf of all the South Yorkshire Councils, and that these arrangements will be underpinned by an updated version of the existing Inter Authority Agreement that supports the Phase 1 programme.
- Delegates authority, to the extent not already delegated by the Leader's Scheme of Delegations and any Portfolio Scheme of Delegations, to the Director of City Growth in consultation with the Executive Director Resources to take such other decisions as are necessary to implement the objectives set out in this Report.

**Background Papers:**

**None**

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Paul Schofield, Finance & Commercial Services Business Partner - Resources and Place
		Legal: Sarah Bennett, Service Manager (Commercial)
		Equalities: Michael Bowles, Head of Elections, Equalities and Involvement
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>		
2	<b>EMT member who approved submission:</b>	Laraine Manley, Executive Director of Place
3	<b>Cabinet Member consulted:</b>	Cllr Julie Dore, Leader of the Council
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	<b>Lead Officer Name:</b> <i>David Oliver</i>	<b>Job Title:</b> <i>BCIS Business Partner</i>
	<b>Date:</b> <i>1<sup>st</sup> December 2017</i>	

## **1. EXTENDING SUPERFAST BROADBAND COVERAGE IN SOUTH YORKSHIRE**

- 1.1 In March 2017 an Open Market Review (OMR) was carried out to assess the potential to further extend Superfast Broadband (SFB) coverage across South Yorkshire (SY). Whilst Phase 1 of the current Superfast Broadband Programme provides a solution that will help to deliver 98% Superfast Broadband coverage, this falls short of both the Sheffield City Region (SCR) Strategic Economic Plan (SEP) ambition and the South Yorkshire Demand Stimulation strategy ambition of achieving 100% coverage.
- 1.2 The OMR indicates that over 23,000 premises in South Yorkshire will remain without SFB after Phase 1 of the current Superfast Broadband project has been completed. The analysis of the South Yorkshire intervention area is ongoing so the final number of premises will be concluded early December 2017.
- 1.3 Phase 2 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.
- 1.4 Based on the extent of coverage identified in the OMR and current deployment costs it is estimated that in the region of £4m will be required to fund Phase 2 - with a further £300k being required to fund the management and running costs of delivering the scheme.
- 1.5 Broadband Delivery UK (BDUK) are the part of the Department for Culture, Media and Sport (DCMS) responsible for dealing with Broadband, and for establishing in consultation with the European Commission, the procurement processes and assurance mechanisms that need to be followed.
- 1.6 BDUK require all funding to be fully confirmed prior to the commencement of any formal procurement exercise.
- 1.7 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 2 remains within its available funding envelope.
- 1.8 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

## 2. THE BENEFITS OF DIGITAL CONNECTIVITY

### 2.1 Benefits For Public Services

- Enables the public sector to deliver services electronically to the public who are then able to access them any time, any place, anywhere; and,
- Delivering access to public sector services electronically on line is often more efficient than delivering them through face to face or contact centre channels;

### 2.2 Benefits For Citizens

- Improved access to public services which are increasingly available online;
- Improved education outcomes through the use of web-based learning materials;
- Better employability through more effective job-hunting and ability to work remotely;
- Improved health and well-being through remote health monitoring, better communications and access to services;
- Reduced isolation as access to the Internet can help improve communication and social engagement;
- Access to streaming services which are increasing replacing physical methods of distributing recreational content such as TV, Movies and Music; and,
- Access to savings and discounts offered through on-line shopping.

### 2.3 Benefits For Business and the Economy:

- Enables businesses to become more efficient and effective, increasing productivity and reducing costs;
- Enables businesses to access and use a range of services and resources that are increasingly digitally enabled;
- Enables businesses to grow existing markets and enter new global markets;

- Enables businesses to innovate to create new products and services;
- Enables businesses to offer different workstyles to attract skilled employees;
- 'Digital industry' is growing faster than any other sector, creating new jobs (Studies have shown that increased access to and take-up of Superfast Broadband services will create between 315 and 980 new full time equivalent jobs in South Yorkshire by 2031.); and,
- Ensures that existing businesses remain in the region and attracts new businesses to relocate or start up here.

### **3. FUNDING THE PROPOSAL**

- 3.1 Following extensive dialogue with Sheffield City Region (SCR), and despite a recent prioritisation/refresh exercise, it has been established that there are no additional funds available within the Sheffield City Region Infrastructure Fund (SCRIF) to support Phase 2 due to over-programming.
- 3.2 A further option to fund the scheme from de-prioritised Local Growth Fund (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 2.
- 3.3 In addition the Districts for various reasons, primarily affordability, have indicated that they are unable to support Phase 2 via borrowing or from contributions from existing resources.
- 3.4 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 how Phase 2 is funded.
- 3.5 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.
- 3.6 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.
- 3.7 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.
- 3.8 The levy reductions for Sheffield are included in the Financial Implications section of this report (Section 5.2).
- 3.9 The Chief Executives and Finance Directors of all South Yorkshire

Councils are agreed on this approach in principle, although individual Councils may fund their own contributions in different ways. There is an urgent need to approve funding in order to meet the 4<sup>th</sup> December 2017 deadline date set by BDUK for the launch of the Invitation To Tender.

**4. HAS THERE BEEN ANY CONSULTATION?**

4.1 No consultation with the public directly in respect of this report is required.

**5. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION**

5.1 Equality of Opportunity Implications

5.1.1 No negative implications arising from this report.

5.2 Financial and Commercial Implications

5.2.1 The table below shows the current funding requirement to support the delivery of Phase 2 across South Yorkshire;

<p><b>Phase 2 Total (Estimated) Funding Requirement = £4.3m.</b></p> <p><b>Comprising:</b></p> <ul style="list-style-type: none"> <li>- £4m Contract Costs</li> <li>- £0.300m Total Management &amp; Running Costs</li> </ul>	<p><b>Funding Secured to Date = £0.8m</b></p> <p><b>Comprising:</b></p> <ul style="list-style-type: none"> <li>- £300k from the current (Phase 1) BDUK grant.</li> <li>- £500k SCRIF</li> </ul>	<p><b>Funding Gap</b></p> <p><b>- £3.5m</b></p>
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------

5.2.2 Following extensive work undertaken by the Superfast South Yorkshire (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 2.

5.2.3 The solution revolves around the utilisation of £3.5m in National Product Investment Funding (NPIF) and funds diverted from the Waverley Link Road, which is not proceeding, to replace borrowing and its associated costs for the Passenger Transport Executive’s 2018/19 capital programme commitments.

5.2.4 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 Councils.

5.2.5 The table below provides details of the levy reduction applicable to the SY Districts through the utilisation of NPIF.

### 5.2.6 Levy Reductions

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

5.2.7 Subject to the levy reduction being agreed, each South Yorkshire Council will need to agree to borrow an amount proportionate to their levy reduction to raise the £3.5m required for Phase 2.

5.2.8 Sheffield's contribution is 41% of the costs which is proportionate to its share of the population of South Yorkshire. This equates to around £1.5m. The Council will need to borrow this sum on terms that require an annual repayment of approximately £98k. In so doing, the Council will have funded its share of the cost on a cost neutral basis.

5.2.9 The funding proposal is based on the assumption that the asset life of the broadband fibre cable is 25 years. In the event that operational conditions or technological change rendered the cable obsolete in a shorter time period, the funding would have to be amortised over a shorter period creating a larger annual repayment sum. In that case there would be an additional pressure in the Council's Revenue Budget which would have to be funded by re-prioritising expenditure.

### 5.3 Legal Implications

5.3.1 Barnsley MBC has been nominated to run the procurement process in accordance with all applicable procurement rules on behalf of the four authorities. The authorities will be required to enter into a variation to the existing Inter Authority Agreement to reflect the arrangements for Phase 2. A further approval in accordance with the Leader's Scheme of Delegation will be required in due course for this variation.

5.3.2 The statutory power for the Council to participate in Phase 2 of the project as envisaged in this report is provided by section 1, Localism Act 2011, the so called 'general power of competence'.

### 5.4 Other Implications

5.4.1 There are no implications for HR, Property or Public Health arising directly from this report.

## 6. **ALTERNATIVE OPTIONS CONSIDERED**

6.1 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.

## **7. REASONS FOR RECOMMENDATIONS**

7.2 The reasons for the recommendations set out on the face of this Report are:

7.2.1 The project will extend access to Superfast Broadband to as close to 100% of South Yorkshire as technically possible (excluding the majority of Sheffield City Centre because the European Commission has determined that as this is the 'Urban Core' of Sheffield, there is no market failure, and the use of public funding would represent state aid) and in so doing it will bring significant economic opportunities for residents, business and the public sector whilst ensuring South Yorkshire does not fall behind other regions.

7.2.2 A method of funding the extension of Superfast Broadband has been identified that is cost neutral.