

WEST OXFORDSHIRE DISTRICT COUNCIL

CABINET, WEDNESDAY 7 MAY, 2014

THE COUNCIL'S INVESTMENT IN HIGH SPEED BROADBAND

REPORT OF THE CHIEF EXECUTIVE

(Contact: Will Barton, Tel: (01993) 861482)

(The decisions on this matter will be a resolution)

1. PURPOSE

To outline the options for the Council's investment to deliver high speed broadband to the last 10% premises in West Oxfordshire.

2. RECOMMENDATION

That Members determine the preferred option for the delivery of high speed broadband to the remaining premises in the District.

3. BACKGROUND

- 3.1. Members will be aware that the Government set a target of 90% of premises in the UK having access to superfast broadband by the end of 2015. The responsibility for this roll out was devolved via BDUK (the Government's broadband agency) to county level. Accordingly, in 2013 OCC entered a contract with BT to roll out superfast broadband to 90% of premises in Oxfordshire by the end of 2015. This contract included a provision for district councils to contribute further funding to it to extend the coverage past 90%.
- 3.2. The Cabinet discussed this Council's approach to the rollout of superfast broadband in December 2013. The Cabinet agreed that the Council's approach was to find a solution for as close to 100% coverage as possible and to allocate £1.6m for the purpose in the Capital Programme. It was agreed that OCC and BT be asked to model the increased coverage that £1.6m would purchase through their contract. It was also agreed that these figures should be compared with other options to ensure that the funds deliver the best value for money for taxpayers and come as close as possible to the Council's ambition of full coverage across the District.
- 3.3. Subsequently, the Government has announced further funding under the "Superfast Extension Programme" (SEP) to take the coverage to 95%. Oxfordshire has been allocated £2.15m (OCC is confident this will be increased to £2.55m) under the scheme but the funds must be matched with local funding.
- 3.4. WODC must inform OCC of its intention by May 2014. The risks and benefits of contributing to the OCC / BT project or pursuing an alternative option are set out below:

Option 1 -Contribute funding to OCC to extend the OCC / BT contract

- 3.5. OCC's contract with BT included a time-limited clause where district councils could contribute further funds to the project to extend it. Each district agreed their own sum to invest in broadband and BT modelled the extension of the project based on these potential contributions. The different contributions and the results of the modelling are set out in the table that appears in the confidential appendix to this report.
- 3.6. The different contributions and the results of the modelling are shown in the table that appears in the confidential appendix to this report. In West Oxfordshire, the extension to the project would take high speed broadband coverage to 95%.
- 3.7. The Government's announcement of SEP funding was made after the modelling was commissioned. OCC propose that the SEP money is used to halve district contributions rather than extend the rollout even further, enabling the Council to secure 95% coverage for a reduced contribution. However, the cost of providing coverage to the last few percent of premises rises exponentially. Using guideline figures provided by OCC, it is estimated that the contribution originally proposed would take coverage up to just over 96%

Benefits

- Minimum of 95% coverage is delivered
- No procurement issues or risks
- No additional resources required to oversee delivery of the project

Risks

- Little influence on the project and how it is delivered
- No clear solution for the remaining 5%
- Reputational damage if the remaining 5% cannot be delivered

Option 2 - Co-investment model

- 3.8. WODC could use its own funds as an investment to deliver high speed broadband to the final 10% independently of the OCC / BT project.
- 3.9. An alternative service provider is in discussions with BDUK on plans to deliver high speed broadband to the final 10% premises in West Oxfordshire using a variety of different technologies.
- 3.10. That provider was initially awarded a grant of £1.6m in 2012 to deliver superfast broadband to an area south of Chipping Norton in the west of the District. However, much of the project area fell within the area that BT subsequently suggested they could deliver as part of OCC's contract so the project was shelved. On-going, discussions with BDUK have kept the possibility of the £1.6m grant alive to be used in other parts of West Oxfordshire. In addition to the BDUK grant, the new project would be funded by private investment and the Council's funding would be treated as a loan of £1.6m that would earn interest.
- 3.11. The Company would map the gaps in the existing broadband rollout and then procure high speed broadband coverage to the last 10% premises with the most appropriate technology for each location. It would also be responsible for ensuring that the procurement of the infrastructure complied with EU and State Aid regulations.

- 3.12. The use of a variety of technologies means that the Council's aspiration of "Full Coverage" is realistic. The value for money in terms of the numbers of premises able to access high speed broadband for our investment is much higher than the OCC / BT project with the additional benefit that the Council's investment generates a return and is repayable.

Benefits

- Meets the Council's aspiration of full coverage across the District
- Levers in significantly more external funding
- The Council's money is an interest earning investment rather than a straight grant
- Utilise private sector expertise to map the gaps and identify the most appropriate technology solutions
- Greater performance and better value for money than the OCC / BT option
- Credit to WODC if successful

Risks

- Failure to meet BDUK requirements so funding is refused
- Failure to deliver project resulting in 90% coverage only
- Reputational damage to WODC if unsuccessful
- Failure of the company leading to loss of loan

Option 3 - Hybrid option

- 3.13. The announcement of Government SEP funding means that the district contributions to the OCC and BT project are effectively half of what each council originally envisaged. WODC could therefore contribute to extend the OCC / BT project and invest further as per the co-investment model above to deliver broadband to the remaining 5%.
- 3.14. This option has the significant advantage of securing the 95% coverage whilst working with the alternative provider to deliver the balance, it is questionable whether this will be a workable solution because the last 5% is far more difficult to deliver than the last 10% as the areas are smaller and it is more difficult to develop contiguous networks. This makes it a less attractive proposition for any other provider and provides a smaller, potentially unviable non BT network.
- 3.15. It could be possible to explore this final 5% option further on a non-investment basis with the balance of the Council's funding being offered in part grant/ part loan rather than just a loan basis but this may still produce a non-viable solution due to the scale of the network.

Summary

- 3.16. Contributing funding to extend the OCC / BT project is the "safe" option that will increase coverage to 95%. The use of SEP funding in the OCC / BT project would halve WODC's cost but it is extremely unlikely the remaining funds would be enough to make high speed broadband available to the remaining premises.
- 3.17. WODC's contribution to extend the OCC / BT project would be a grant and would generate neither interest nor be repayable as opposed to the co-investment model which would do both. The co-investment model is a higher risk but it has the advantage of levering in substantially more external funding and the roll out will be much closer to full coverage.

- 3.18. The co-investment model draws in external technical expertise The co-investment model will require more officer time compared with the OCC / BT option but the Council will have more influence on the project and how it is delivered
- 3.19. The co-investment model is ambitious but presents the opportunity for WODC to be at the forefront of rural broadband delivery in the UK.

4. ALTERNATIVES/OPTIONS

The options for delivery of the last 10% broadband are set out above.

5. FINANCIAL IMPLICATIONS

- 5.1. If the option to extend the OCC / BT project is chosen, half of the funding the Council has set aside would be used with no financial return. It is unlikely the remainder could be used to generate a return as the last 5% premises are the most difficult to reach and are the least likely to generate a commercial return on investment.
- 5.2. The co-investment model gives the potential for the Council's funds to both generate a modest return and be repaid after the project is complete. The anticipated return on the co-investment model is £80,000 per annum but further analysis and due diligence would need to be completed as part of the BDUK gateway reviews.
- 5.3. The current financial strategy assumes a capital contribution with no return on investment or return of capital.

6. RISKS

- 6.1. The decision on which option to pursue is to a great extent a judgement of risk versus reward. The risks for each option have been identified and set out in the body of the report and summarised in the [Appendix](#).

7. REASONS

- 7.1. The rollout of high speed broadband fits with the Council's priority to work in partnership to sustain vibrant, healthy and economically prosperous towns and villages with full employment.

Chief Executive

(Author: Will Barton, Tel: (01993) 861482; EMail: william.barton@westoxon.gov.uk)

Date: 17 April 2014

Background Papers:

None

Appendix

<u>Option</u>	<u>Risk</u>	<u>Benefits</u>
1. <u>BT Contract</u>	<ul style="list-style-type: none"> Will not deliver High Speed Broadband (HSBB) capability to remaining 5% (2000+) premises 	<ul style="list-style-type: none"> Lowest risk option – will deliver 95% coverage at nil risk
2. <u>Co-Investment Model</u>	<ul style="list-style-type: none"> Fails to pass BDUK gateways and therefore fails to deliver beyond 90% HSBB Delivers network but fails to meet anticipated sign ups and therefore company fails and defaults on loan Delivers part of network but fails to meet sign up targets and company fails and defaults on loan May be unable to secure security on loan 	<ul style="list-style-type: none"> Nil cost to the Council if scheme is successful and delivers 5% return on investment Delivers to near 100% capability Technology neutral and multiple delivery options
3. <u>Hybrid model</u>	<ul style="list-style-type: none"> Makes final 5% too expensive / unviable scheme Top up from 95% to 100% unknown cost 	<ul style="list-style-type: none"> Guarantees 95% HSBB Funding available for top-up provision by way of loan or grant.