

Taunton Deane Borough Council

Full Council - 22 July 2014

Superfast Broadband Extension - Request for Match Funding

Report of the Assistant Director Business Development, Ian Timms

(This matter is the responsibility of Executive Councillor Norman Cavill)

1. Executive Summary

The Current Superfast Rollout programme within Devon and Somerset is set to deliver 90% coverage by the end of 2016. As outlined by this report the Government has made available further funding to extend average coverage from 90% to 95% across the Devon and Somerset area (although coverage will vary in specific areas). In order to deliver this extension of coverage there are requirements to contribute to the funding package that cover all local authorities within the programme area. This has led to the request for Taunton Deane Borough Council to provide £380,000 to secure the rollout to an additional 3,634 premises.

2. Background

- 2.1 As members will be aware widening the availability of superfast broadband has become vitally important for all elements of the community particularly businesses in the Taunton Deane area. The current challenges around road infrastructure combine with the perceived shortage of employment land to present a significant challenge to the growth agenda in Taunton and inward investment potential. Superfast Broadband is therefore an essential utility for the majority of our businesses and increasing its availability will assist with growth.
- 2.2 These improvements are required to significantly benefit a range of sectors.
- Improved broadband speeds will lead to increased productivity in respect of many existing businesses, will improve business resilience and will retain many of those indigenous companies that are considering relocation. It will also help to improve future inward investment opportunities – especially from those high value operations (such as IT specialists / Architectures / Engineers) who make relocation decisions based on the quality of life offered by the area.
 - Both the Land Based and the Tourism industries are becoming more and more reliant on the fast Broadband speeds – with DEFRA having bought in a deadline of 2015 for all applications for Single Farm

Payment to be registered on-line, and the Tourism sector needing to use a very wide range of IT related marketing tools.

- In respect of the local community, those young people in full-time education now rely on the internet for accessing education materials and interacting with the educational virtual networks. The internet has become an essential learning tool, rather than a nice to have luxury.
- General access to services is now internet dominated, with activities that range from booking appointments / paying bills / applying for tax discs and accessing substantial discounts for paying on-line for insurance / utilities etc. is now an essential part of modern day life.

2.3 The current Connecting and Devon and Somerset (CDS) Programme aims to deliver 90% superfast broadband coverage to the whole project area by the end of 2016. In Taunton this translates into a projected increase of coverage which is slightly higher than the target figure for premises. This will mean a significant projected increase in the businesses and homes in the area that will be able to access superfast broadband. The provision of Superfast Broadband in the more rural areas of Taunton Deane is challenging due to range of technical and practical factors that increase costs. Superfast broadband in the terms of this project is a speed of 24 Megabytes (MB) or more.

2.4 This current phase leaves 10% of the CDS area (Devon and Somerset) without any improvement in broadband speeds, which equates to approximately 90,000 premises. This gap in broadband provision has been recognised by Government, which under the Superfast Extension Programme (SEP) has made available an additional £250m with the objective of bringing the UK up to 95% superfast broadband coverage by the end of 2017.

2.5 On February 25th 2014 Government announced how the £250m was to be allocated across the UK. CDS was granted £22.75m - the largest single allocation made to a programme in England. To draw down this funding Government has stipulated that Local Authorities provide 50% match funding. Somerset County Council's (SCC) Senior Leadership Team (SLT) met on March 24th 2014 and took the decision to agree an in principle capital match contribution of up to £2m, which is to be put to SCC Cabinet on June 30th 2014. Devon County Council has undertaken a similar process resulting in an in principle capital match contribution of £2m.

2.6 Following this in principle decision by SCC, District Councils were briefed on SEP and asked to consider in principle their own capital contribution to support a full application to BD:UK - the deadline for which is June 30th 2014 -and asked collectively to contribute an additional £2m, matching that of SCC. The High level breakdown of all the contributions from partners is as follows:-

- | | |
|-----------------------------|---------|
| ○ Allocated SEP Funding | £22.75m |
| ○ Match Funding Requirement | £22.75m |

- HOTSW LEP Provision £4.50m
- SCC / DCC Provision £4.00m
- Broadband Suppliers Contribution £5.32m
- **Somerset Districts £2.00m**
- (Devon Districts, Unitary Councils and additional European funding) £6.93m

- 2.7 The Taunton Deane contribution is an element of the Somerset District's/Borough's contribution. The breakdown illustrates that the commitment in principle by Taunton Deane Borough Council of £380,000 will play a part in securing significant match funding.
- 2.8 In Taunton Deane the impact of this proposed extension, subject to the provision of appropriate funding, would increase premises coverage significantly. This in premises terms would secure coverage for an additional 3,634 premises. This would leave the remaining premises not reaching broadband speeds of 24mb per second, although broadband speeds are expected to increase to nearly all properties. It should be noted that these figures are dependent on a range of technical considerations so are still indicative until a procurement exercise is undertaken.
- 2.9 We expect that a new procurement exercise will be required to create this extension in coverage which is in addition to the rollout currently being delivered by BT. In this procurement a range of newer technologies such as wireless or 4G, could be deployed to improve connectivity on a more cost effective basis than the technology currently being used to deliver the CDS coverage. Given the nature of the geography in question, CDS expects that these technologies would be required to ensure value for money and to deliver the additional superfast broadband coverage into the deeply rural areas within Taunton Deane.
- 2.10 Members should note that this will be an open exercise allowing a range of providers to bid for the new extension contract. If the council does commit the funding outlined in this report Taunton Deane officers will be involved in this procurement process and will assist in agreeing the detailed tender requirements. Whilst the Council can look to ensure that parts of Taunton Deane not currently within the CDS programme are prioritised as part of the programme, it must be accepted that in some parts of the Borough achieving superfast connection speeds will remain cost prohibitive.
- 2.11 Any in principle commitment of funding will be formalised in a detailed partnering agreement which will include conditions that require the funding provided by Taunton Deane to be spent within the Borough boundary. This agreement and the linked involvement in the procurement exercise as described in paragraph 2.9 will enable the council to influence where this additional coverage is placed. This

creates an ability to provide the best possible increase in broadband speed for businesses and the wider communities.

- 2.12 Another important principle is that if following the procurement exercise the coverage is does not in the opinion of Taunton Deane Borough Council meet Value for Money principles then the council is able to withdraw so this does provide additional security that the money will be effectively deployed in Taunton Deane.
- 2.13 The proposal was considered by community scrutiny on 10th June 2014. The issues of providing monies for the extension was fully debated with members raising concerns around the council's choices in making any commitment in principle. Community Scrutiny recommended that when considering the inclusion of this extension proposal in the capital programme all of the funding options and implications were fully explained. This recommendation has been addressed in this report to ensure that members have appropriate information on which to base their decision.
- 2.14 The proposal was also considered by executive on the 11th June 2014 who took into account community scrutiny's recommendation and made their own recommendations to council which are outlined in section 12 of this report.

3. Next Actions

- 3.1 Taunton Deane Borough Council is asked to agree in principle a capital funding commitment of £380,000. It is estimated that this will deliver an additional 3,634 superfast premises by the end of 2017 – this is in addition to the premises that will be delivered under the current CDS programme. Taunton Deane Borough Council is asked to consider this in principle capital funding commitment on the basis that it could be made available across multiple financial years up until the end of 2017.

4. Finance Comments

- 4.1 The funding request of Districts has been allocated on a fairly complex formula basis which the lead officer has reviewed and is satisfied is reasonable. The proportionate share for Taunton Deane borough Council has been calculated as £380,000
- 4.2 **In order to secure this extension an agreement in principle is required to a total capital funding commitment of £380,000.** This could, for funding purposes, be spread over 3 years (£130k in 14/15, £130k in 15/16, and £120k in 16/17), recognising this may have an impact on the delivery programme.

4.3 Funding for capital schemes can come from a variety of sources (RCCO – revenue funding, borrowing, earmarked reserves, capital resources). Each of these are explored briefly below as options for Councillors to consider:

4.3.1 RCCO – Revenue Funding

The Council could choose to fund this via Revenue Contribution to Capital Outlay (RCCO). This has a direct impact on the annual revenue budget of the Council and simply increases the level of “budget gap” faced by the Council. The medium term financial plan is currently being updated, but the “budget gap” for future years shared in February 14 will not have reduced, indeed I am certain it will have grown.

4.3.2 Borrowing

The Council could choose to fund this by “borrowing”. Again this will have a direct impact on the annual revenue budget of the Council and again simply increases the level of “budget gap” faced by the Council. The revenue impact of borrowing £380k for – say 10 years – would be an additional cost to the revenue budget of approx. £44k per annum.

4.3.3 Earmarked Reserves

The Council could choose to fund this from earmarked reserves. The unallocated New Homes Bonus funding has been set aside in an earmarked reserve (Growth & Transformation) to support for the delivery of the Councils key priorities. The SEP Broadband project has clear links to the Growth agenda. Currently, this reserve has £1.5m unallocated.

4.3.4 Capital Resources

The report to Full Council on 10th December 2013 presented the Councils position regarding capital and approved the current programme (which was subsequently updated as part of the budget setting reports to Full Council in February 2014).

Currently, the Council has very limited unallocated capital resources – not enough to fund this project directly. The programme will be updated over the next few months to reflect expected future capital receipts, but for now, there aren’t sufficient existing capital resources to progress this project. In addition, the list of “aspirational” capital schemes is significant and when reported to Members earlier this year totalled over £750k for non-growth schemes alone (this is repeated below for information only).

Extract From Full Council Report Feb 14

Table 3 – Capital Bids Not Included in Proposed Capital Programme

Project	2014/15 £k	Priority				
		1	2	3	4	5
General Schemes						
Grants to Clubs	46					46
Play Equipment – Grants to Parishes	20					20

Project	2014/15 £k	Priority				
		1	2	3	4	5
Disabled Facilities Grant	160					160
Wellington Cemetery	50					50
Taunton Cemetery	100					100
Crematorium Cabinet	15					15
Private Housing – Landlord Accreditation/Loans etc	320					320
Private Housing – Category 1 Hazards	24					24
Cycle Path, Hankridge	50					50
Schemes with currently unknown costs:						
ICT Infrastructure	?	?				
Gypsy Provision	?					?
Total Funded Schemes	785	0	0	0	0	785

4.4 The proposal clearly meets the Councils ambitions, but the challenge to Members is around affordability. The financial challenges facing the Council are well understood and this project places an additional “call” on the Councils already scarce financial resources. The decision is whether this is more important to the council and the community it serves than some of the other calls on resources.

4.5 Member will need to prioritise their ambitions in terms of delivering capital schemes. If Broadband is the top priority, then I recommend this is funded from the Growth & Transformation Reserve (which has the 14/15 NHB funding). The Assistant Director – Business Development will then pursue any external funding opportunities with a view to this reserve being topped up with any successful bids.

5. Legal Comments

5.1 The key issue for this report is linked to financing the extension. However any agreement by the council to supply this funding would need to provide a condition within the final partnering agreement that the funding provided by this council was spent and delivered with the borough boundary.

6. Links to Corporate Aims

The introduction of superfast broadband supports aim 2 of the corporate business plan “A vibrant Economic Environment”. The proposed provision of Superfast broadband to an additional 3634 premises further enhances this so the report directly supports the corporate aims.

7. Environmental Implications

There are no direct links although superfast broadband does enable more effective home working and facilitates a new way of working for

businesses using the internet as a tool. This can theoretically reduce emissions from travel.

8. Community Safety Implications

There are no known implications related to this report

9. Equalities Impact

Any implications will occur as the rollout advances and these will need to be factored in to the detailed project plan. The commitment of this additional funding would enable wider access for individuals to broadband which can be seen as a positive way of assisting rural communities and isolated individuals stay connected to their community.

10. Risk Management

There are two key risks for the council relating to this proposal

1. Failure to commit match funding will reduce the coverage made available in the Deane area through the CDS project. This could damage business and individual prospects and affect the council's reputation negatively.
2. Funding this project will require the potential removal of another capital project from the council's commitment. This will detrimentally affect whatever project is selected.

11. Partnership Implications (if any)

The inability of one partner to provide a contribution may jeopardise the entire funding of the programme. However it is not known as yet what the effect of one partner making this decision will be.

12. Recommendations

12.1 Full Council is requested to :-

a/ support the recommendation of the Executive to support the match funding request to progress the Superfast Broadband Extension as set out in this report.

b/ approve the sum of £380k for the SEP Broadband Project as a Supplementary Estimate in the Capital Programme, underwritten by Taunton Deane Borough Council from the Growth & Transformation Reserves (New Homes Bonus) pending the outcome of bids for external funding.

c/ Full Council request the Assistant Director (Business Development) to urgently progress bids for external funding to cover the costs underwritten by Taunton Deane Borough Council on the SEP Broadband project. An update report on progress to be shared with the Community Scrutiny Committee in 6 months time.

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