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**Report to:** Cabinet

**Date of Meeting:** 29<sup>th</sup> March 2012

**Subject:** Development of Merseyside Local Broadband Plan

**Report of:** Director of Built Environment

**Wards Affected:** All

**Is this a Key Decision?** Yes

**Is it included in the Forward Plan?** Yes

**Exempt/Confidential:** No

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### **Purpose/Summary**

To consider the implications arising from the development and delivery of the Merseyside Local Broadband Plan

### **Recommendation(s)**

Cabinet is requested to:-

1. Agree to the formal submission of the Merseyside Local Broadband Plan in April 2012 as required by BDUK
2. Agree in principle that Sefton Council will seek to investigate funding sources for its element of BDUK match contribution to facilitate the submission of the Merseyside Local Broadband Plan. However it should be noted, that at this stage, our share of the match funding cannot currently be guaranteed by the Council,
3. Agree that the Merseyside Phasing In Sub-Committee and LCR LEP be requested to re-consider it's earlier decisions not to give ERDF funding priority to this Broadband project,
4. Agree to submit an application for Regional Growth Fund (Round 3) towards the funding of the Broadband project as a potential replacement for ERDF Match Funding. However, should this not be forthcoming, the Council's continued involvement in the project would need to be reconsidered by Cabinet,
5. Agree that in conjunction with other four Merseyside authorities, the Merseyside BDUK Steering Group be formalised to develop and deliver the Merseyside Local Broadband Plan
6. Agree that CM for Regeneration and Housing be given delegated authority to make necessary decisions on the submission of the Local Broadband Plan before the end of April 2012
7. Agree that a further report be presented showing in detail the financial implications of delivering the Local Broadband Plan over the life of the project,

## How does the decision contribute to the Council's Corporate Objectives?

| <u>Corporate Objective</u> |   | <u>Positive Impact</u> | <u>Neutral Impact</u> | <u>Negative Impact</u> |
|----------------------------|---|------------------------|-----------------------|------------------------|
| 1                          | Creating a Learning Community   | /                      |                       |                        |
| 2                          | Jobs and Prosperity   | /                      |                       |                        |
| 3                          | Environmental Sustainability  | /                      |                       |                        |
| 4                          | Health and Well-Being   | /                      |                       |                        |
| 5                          | Children and Young People   | /                      |                       |                        |
| 6                          | Creating Safe Communities   | /                      |                       |                        |
| 7                          | Creating Inclusive Communities  | /                      |                       |                        |
| 8                          | Improving the Quality of Council Services and Strengthening Local Democracy | /                      |                       |                        |

### Reasons for the Recommendation:

To comply with BDUK's requirement.

### What will it cost and how will it be financed?

- (A) Revenue Costs – The cost of developing the initial Merseyside Local Broadband Plan, currently being undertaken by external consultants, and managed by the Merseyside BDUK Steering Group, involving officers from the five local authorities, and TMP is being met externally from the LEP Capacity Building Budget provided by Central Government and managed by Knowsley Council.

The process leading to the final execution of the Local Broadband Plan is both lengthy and complex, and whilst there will clearly be a need for further revenue funding, the scale and timing of this requirement will become more apparent on completion of the Merseyside Local Broadband Plan.

- (B) Capital Costs – BDUK has made an allocation of £5.46 million for the delivery of the Merseyside Local Broadband Plan. BDUK expects similar amount of public sector match, with the then total being matched by the private sector. The indicative match figure for Sefton suggested by BDUK is some £1.43 million.

It should be noted that whilst other regions, particularly in the North West have the opportunity to access ERDF money as their match to BDUK allocation, this avenue is not available to Merseyside Broadband Project as both the Merseyside Phasing In-Sub Committee and LCR LEP have decided not to give ERDF funding priority to this project. In the absence of this ERDF match the Merseyside BDUK Steering Group is currently exploring alternative match funding, and Regional Growth Fund in particular.

## Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

|   |                                     |
|---|-------------------------------------|
| <b>Legal</b>  |                                     |
| <b>Human Resources</b>                              |                                     |
| <b>Equality</b>                                     |                                     |
| 1. No Equality Implication                          | <input checked="" type="checkbox"/> |
| 2. Equality Implications identified and mitigated   | <input type="checkbox"/>            |
| 3. Equality Implication identified and risk remains | <input type="checkbox"/>            |

## Impact on Service Delivery:

The implementation of the Merseyside Local Broadband Plan will help to deliver public services to those residents and businesses that currently have either no or limited access to broadband.

## What consultations have taken place on the proposals and when?

The Head of Corporate Finance (FD FD1418/112) and Head of Corporate Legal Services (LD 771) have been consulted and any comments have been incorporated into the report.

## Are there any other options available for consideration?

The only other alternative is not to pursue the development and delivery of the Local broadband Plan. Potentially this would put Sefton in conflict with Central Government's ambitions for the UK as a whole, and could leave Sefton as the only authority in the UK not delivering Central Government's target for UK to have the 'best Superfast Broadband in Europe by end of 2015'.

This would lead to Sefton losing its BDUK allocation, potential alternative match, digitally disadvantaged from the rest of the UK, and critically at a significant disadvantage in terms of competitiveness of existing businesses, attracting inward investment, and adding to those communities currently excluded. In addition it will severely limit the opportunity to deliver quality public services more efficiently through 'digital by default' service delivery.

## **Implementation Date for the Decision**

Following the expiry of the “call-in” period for the Minutes of the Cabinet meeting.

**Contact Officer: Mo Kundi**

**Tel: 0151 934 3447**

**Email: [Mo.kundi@sefton.gov.uk](mailto:Mo.kundi@sefton.gov.uk)**

## **Background Papers:**

The following papers are available for inspection by contacting the above officer(s):-

- Report to CM – Regeneration & Housing (Urgent Item 15<sup>th</sup> February 2012) – ‘Merseyside Rural Broadband Project – Tendering Exercise’
- Report to CM – Regeneration & Housing (6<sup>th</sup> October 2011), CM – Transportation, and CM – Environment entitle ‘Merseyside Rural Programmes – An Update’
- Department of Culture, Media and Sport documents entitled ‘ Broadband Delivery Programme: Delivery Model’ and Super-Connected Cities Initiative’

## **1.0 Background**

- 1.1 The Government has stated that it wants the UK to have access to high speed broadband by 2015. The Department of Culture, Media and Sport (DCMS) has been tasked with overseeing the programme and has established the Broadband UK (BDUK) team to action it.
- 1.2 The stated aims of this programme are:
- To ensure this country has the best Superfast Broadband in Europe by the end of this parliament (2015)
  - To ensure delivery of Standard broadband to virtually all communities in the UK within the lifetime of this parliament (2015)
  - To ensure the efficient use of funding to deliver Superfast Broadband and Standard Broadband and
  - To assist other Government initiatives which are dependant on customers ability to access Broadband based services
- 1.3 In respect of this programme Standard Broadband is defined at least 2Mbps with Superfast Broadband defined as greater then 24Mbps.
- 1.4 The programme is being run as 45 discrete projects based on geographical areas. Liverpool City Region authorities are split between two areas the first of these being 'Merseyside' consisting of Knowsley, Liverpool, Sefton, St Helens and Wirral and the second area being 'Cheshire' consisting of Cheshire East, Chester West and Chester, Halton and Warrington. This briefing covers the Merseyside project.
- 1.5 In addition to the core project the BDUK team are also managing the bidding process for the SuperConnected Cities project. A bid for this fund has been submitted by Liverpool City Council and the announcements of the successful cities will be made during the budget.

## **2.0 Broadband UK Funding and Expected outcomes**

- 2.1 The overall BDUK programme budget is £530m. The funding allocated to each area is based on the existing provision of high-speed broadband identified. The Merseyside area allocation is £5.46m however there is a requirement for match funding. The exact funding allocation for each of the 5 local authorities is complicated because the telecommunication supplier boundaries do not match local authority boundaries and some broadband requirements will be met from projects outside of the Merseyside one.
- 2.2 Access to Superfast broadband throughout the city region will have a major impact on regeneration as many business locations are not able to access these high speed connections without purchasing high cost dedicated internet circuits. An analysis of current and planned provision for the region has identified major gaps in availability around many of the existing main business locations, which will require intervention. Failure to address this issue might result in the inability of the authorities to retain existing or attract new businesses to the area.

- 2.3 In addition to the direct benefit to the business community. The existence of access to Superfast and Standard broadband connections is expected to lead to other benefits in respect of greater access by residents and an ability to deliver more services through on-line channels and reduce service delivery costs. It is also expected to make a major contribution to reducing digital isolation.
- 2.4 The tables below shows the current position in relation to Broadband access. The table shows the number of premises in each district, followed by number of premises which are in 'White Areas' (i.e. with no or very limited access to Broadband. The last column shows the indicative BDUK allocation for each district.

|            | Total premises | No in White | White as a percentage | Indicative BDUK Allocation |
|------------|----------------|-------------|-----------------------|----------------------------|
| Merseyside |                |             |                       |                            |
| Knowsley   | 66031          | 12264       | 18.6                  | £632,404                   |
| Liverpool  | 211078         | 24498       | 11.6                  | £1,263,261                 |
| St Helens  | 82213          | 11100       | 13.5                  | £572,381                   |
| Sefton     | 126962         | 27768       | 21.9                  | £1,431,881                 |
| Wirral     | 150611         | 30254       | 20.1                  | £1,560,074                 |
| Total      | 636895         | 105884      |                       | £5,460,000                 |

### 3.0 Progress to date

- 3.1 A project steering group (Merseyside BDUK Steering Group) has been established to take the Merseyside project forward. The Steering Group is currently led by Sefton, and it has met several times over the past few months and consists of the following core members:-

| Organisation           | Represented by                                |
|------------------------|---|
| Knowsley               | Kevin Morgan, Jonathan Jackson, Philip Denton |
| Liverpool              | Lisa Smith, Stephen Wood                      |
| Sefton                 | Mo Kundi,                                     |
| St Helens              | Cath Fogarty, John Quirk, Steve Sharples      |
| Wirral                 | James Hurley                                  |
| The Mersey Partnership | Paul Dickson                                  |
| BDUK                   | David Crowe                                   |

- 3.2 In order to meet the BDUK timetable an 'Expression of Interest' was submitted on behalf of the area early in February 2012. This document supported both the core bid and the 'Super Connected Cities' bid. In addition to this activity, the Steering Group has also been exploring options for suitable match funding.
- 3.3 Following approval by Sefton's Cabinet Member for Regeneration, Sefton undertook a procurement exercise, and an external consultant was appointed to help in the production of a Local Broadband Plan (LBP). This Plan is required to support both this and the Super Connected projects. An initial draft LBP was lodged with BDUK on the 27<sup>th</sup> February 2012 to meet their required timetable. Further work is being

undertaken by consultants before the Plan can be finalised by the BDUK Steering Group. The finalised Plan will then need to be submitted to BDUK before the end of April 2012. Due to the need to focus activity on meeting the requirement to produce the Expression of Interest and the initial LBP it has not been possible to perform work on many of the other required activities.

#### **4.0 Financial issues**

- 4.1 There is a need for the funds allocated by BDUK to be matched locally. However none of the five the authorities, including Sefton have previously made any provision for match funding within their budgets. Before the Local Broadband Plan can be accepted by BDUK there is a requirement to demonstrate that the necessary match to BDUK is available. This could be in the form of local authorities own capital resources, or/and alternative external public sector funds. BDUK has estimated that their contribution would constitute 25% of the total cost of the project, with further 25% coming from local authorities and/or other public sectors, and the balance (50%) from the private sector.
- 4.2 One possible external source of match is the current European Programme. Given the clear focus of the project on business areas most of the capital costs are suitable to being matched with ERDF funds. However ERDF funding is not currently allocated to this project, because a decision was taken at a previous Merseyside Phasing In Sub Committee (MPISC) not to prioritise ERDF money for broadband projects. This recommendation was then endorsed by the LEP. Any decision to use ERDF should any allocation remain unspent would require both MPISC and LEP to recognise the broadband project as an ERDF investment priority, and the identification of available funds within the Programme. This issue will be considered again by the LEP at its meeting on 15<sup>th</sup> March, the outcome of which will be reported verbally to Members.
- 4.3 In addition to ERDF funding as a potential match to BDUK resources, the Steering Group is also exploring other match options including Regional Growth Fund. The deadline for the submission of any application for Regional Growth Fund is 13<sup>th</sup> June 2012.
- 4.4 It should be noted that whilst the cost of the work currently being undertaken by external consultant is being met from LCR LEP Capacity Building budget, additional revenue support would be required as the project moves to next stages. Currently no funding allocation has been identified within Sefton's revenue budgets and further consideration would need to be given to such funding when likely costs become known.
- 4.5 It is not expected that the capital match will be in place before the end of April 2012 deadline for the final submission of the Local Broadband Plan. In the absence of any centrally matched funds it is expected by BDUK that each authority will underwrite their individual 'share' of the required funding. The precise cost of each share is not currently known as exact improvements within each local authority are not yet defined in detail. It is not expected that any capital expenditure would be required until April 2013. Initial indications from BDUK is that Sefton's BDUK allocation is some £1.43 million, which means that Sefton's own share would also be this amount, but spread over two financial years.

- 4.6 It should be noted that whilst there will be overlapping and sharing of telephone/broadband cabinets near local authority boundaries, there is no expectation that should one local authority fails to find the necessary match funding the remaining local authorities would have to find the difference. In such circumstances it is very likely that the whole project will be put at risk. Similarly, if the private sector finds that there is likely to be insufficient demand generated for the take up of future broadband facilities by potential subscribers, or that local authorities are unable to find the necessary match the project is unlikely to go ahead.
- 4.7 In addition to this match funding for the project it will also be necessary to develop governance arrangements and to establish a project delivery team. It is expected that this could be achieved using existing council staff with relevant expertise and experiences within each local authority. It will also be necessary to appoint contractors to guide the project and where appropriate to undertake complex or specialist tasks. The initial contractor effort to produce the LBP has been met from the LEP start-up funds. Additional support will be required post April 2012 to assist through the procurement and implementation stages of the project. The exact nature of this support is not known at this stage. It is expected that in the absence of any further funding from LCR LEP budget or other external resources, any future contractor costs will need to be shared equally between each local authority.

## **5.0 Accountable Body status**

- 5.1 In advance of submission of the final LBP at the end of April, a decision needs to be made regarding which authority would take on the role of Accountable Body. This is the organisation that will be responsible for managing the funds from BDUK and also if applicable any match funding assigned to the project. At present no authority has come forward and agreed to take on responsibility for this role.
- 5.2 Liverpool City, which is the accountable body for the Super-Connected Urban Broadband Bid, has been requested by the Steering Group to be the accountable body for both Broadband Projects. To date Liverpool City has not responded to this request, possibly waiting until a decision on its Urban Broadband bid is announced in March 2012 as part of the Budget.

## **6.0 Risk Management**

- 6.1 The allocation of £5.46 million by Central Government via BDUK represents a state intervention into the private sector market, for which European Commission approval is required. The BDUK Team is in the process of preparing a single application to the EU seeking approval, which will be available to authorities to apply to local procurements.
- 6.2 The funding from the BDUK needs to be defrayed by end of 2015, and in order to meet this tight deadline prompt actions will be required to ensure that the private sector deliver partner is procured as soon as possible using the BDUK procurement framework.

## **7.0 Next steps**

- 7.1 In addition to resolving the issues relating to funding and accountability outlined above it is also essential to develop an understanding of the remaining project activities. At present the Steering Group has identified the following activities:-
- Undertake further work on the data models and assumptions contained in the initial LBP
  - Agree a financial investment plan based upon the data model analysis including agreement on local priority areas
  - Consult on the financial models and plan assumptions to prepare for the final submission of the plan
  - Develop and agree a project organisation drawn from each organisation to take the project forward assigning and prioritising adequate officer time from now through to conclusion
  - Initiate the stakeholder consultation process to ensure awareness is raised with key organisations and individuals
  - Initiate the 'Demand Stimulation' process to provide potential bidders with potential level of uptake within each authority
  - Perform an audit of local public assets (Buildings, traffic ducts etc)
  - Develop the initial business case for investment
  - Start information capture on the procurement data room required for the next stage of the project
- 7.2 Many of the above activities will result in the completion and submission of the fully compliant LBP to meet the target date of the end of April. However many of the activities will continue through the procurement phase as the requirements and potential solution develop.

## **8.0 Summary**

- 8.1 As reported above the Merseyside Broadband project has now managed to make significant progress in the last few weeks and is on target to be able to submit a viable final LBP to meet the defined timetable subject to the successful outcome of the activities recorded above.
- 8.2 The next major activity to be undertaken following the approval of the LBP will be the procurement process using the framework agreements put in place by the BDUK team. This framework is expected to be available towards the beginning of April 2012. This process is expected to cover the period between May and the end of December 2012. Further information on this activity and the activities to complete the project to meet the 2015 target will be the subject of further reports to Members.
- 8.3 The development and delivery of the Local Broadband Plan is both complex and time consuming. For it be successfully delivered there are a lot of hurdles that Merseyside local authorities face, not least the fact that we need do a significant 'catch up' when compared with other regions, such as Cheshire, Warrington, Halton, Lancashire etc. who have already been working on their Broadband projects for some two years. Merseyside local authorities also face significant challenges in having the necessary resources, both in terms of capital and revenue, but also officers with the necessary skills and capacity to deliver the project, together with commitments to work jointly across the sub-region.

- 8.4 Notwithstanding the above hurdles, the successful delivery of the Broadband project offers significant benefits to businesses, particularly SMEs, and those increasingly run from home. A strong, reliable, and fast broadband connection is crucial if they are to successfully compete, develop and expand. For domestic users high speed broadband connection can have enormous social, educational, and environmental benefits.