

WEST OXFORDSHIRE DISTRICT COUNCIL
FINANCE AND MANAGEMENT OVERVIEW AND SCRUTINY COMMITTEE
WEDNESDAY, 24 SEPTEMBER 2014

RURAL SUPERFAST BROADBAND PROJECT
REPORT OF FRANK WILSON, STRATEGIC DIRECTOR

(Contact: Frank Wilson: - Tel (01993) 861291)

(The report is for information)

1. PURPOSE

As part of Work Programme the Committee expressed a desire to monitor the progress of the planning and implementation of the Rural Broadband project. This report seeks to introduce the project to the Committee.

2. RECOMMENDATIONS

That committee note progress to date on the rural broadband project and determine future checkpoints to continue its review of the project.

3. BACKGROUND

- 3.1. Some time ago 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 Oxfordshire County Council (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 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 announced further funding under the "Superfast Extension Programme" (SEP) to take the coverage to 95%. Oxfordshire was allocated in excess of £2.0m under the scheme but the funds required matched local funding. In West Oxfordshire, the extension to the project would take superfast broadband coverage to 95% for a cost of £800,000 of West Oxfordshire funding. To take the contract beyond that level would however see an exponential increase in funding such that £1.6m would only achieve 96% coverage in West Oxfordshire.
- 3.4. Given the value for money considerations of the OCC contract Cabinet determined in May 2014 that an alternate model offered better value for money and the potential to push superfast rural broadband coverage much closer to the ambition of 100% coverage.

- 3.5. The option that Cabinet preferred was with an alternative service provider via a co-investment model rather than a contracted approach. This provider (Cotswold Broadband) had been originally planning to deliver (via a BDUK contract) superfast broadband to an area south of Chipping Norton in the west of the District. However, when part of the project area fell within the area that BT subsequently suggested they could deliver as part of OCC's contract, the project was shelved by BDUK.
- 3.6. On-going, discussions with BDUK have kept the possibility of the £1.6m grant alive (that would have funded the original project) to be used in other parts of West Oxfordshire. The co-investment was therefore offered as an alternative to Cabinet and was subsequently chosen as the preferred option.
- 3.7. In addition to the BDUK grant, the new project is anticipated to be funded by private investment and the Council's funding would be treated as a loan of £1.6m that would earn interest rather than a grant in the BT model. This has several advantages as it reduces the state aid component and improves value for money in addition to the Council receiving both a reasonable return on its capital and its capital back.
- 3.8. The intention for the project is for the Company to 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.
- 3.9. The use of a variety of technologies means that the Council's aspiration of "Full Coverage" is seen as realistic. The key benefits and risks which Cabinet considered are set out below:-

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
- 3.10. Since Cabinet determined its preferred option officers have been working with Cotswold Broadband and BDUK to further define and scope the project, move the project through the detailed scrutiny process at BDUK and prepare the project for State Aid clearance.
 - 3.11. The close working relationship with BDUK adds another layer to the due diligence process to ensure the Council's loan capital is protected.

- 3.12. On 17th September Cabinet considered the Heads of Terms of the loan capital that it is making available to Cotswolds Broadband. In essence the Council's money will be drawn down after BDUK's money is utilised but will be drawn in parallel with the equity finance. The Council's loan will be secured against the assets of the company (essentially the network infrastructure such as fibre) and will be senior to all other debt.
- 3.13. In addition to receiving this introductory report the Committee will be able to take evidence from Will Barton (as WODC project lead) and Cotswold Broadband with regard to the background and progress to date.

4. ALTERNATIVES/OPTIONS

Not applicable.

5. FINANCIAL IMPLICATIONS

- 5.1. The co-investment model chosen by Cabinet gives the potential for the Council's funds to both generate a modest return (5%) 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.
- 5.2. The current financial strategy assumes a capital contribution with no return on investment or return of capital.
- 5.3. There will be a requirement to take further financial and legal advice as part of the project but the detail of this needs further scoping but is anticipated to be less than £10,000.

6. REASONS

To be recognised as a leading council that provides efficient, value for money services

Frank Wilson

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Background Papers:

None