

WEST OXFORDSHIRE DISTRICT COUNCIL

FINANCE AND MANAGEMENT OVERVIEW AND SCRUTINY

1 FEBRUARY 2017

RURAL BROADBAND PROJECT UPDATE

REPORT OF FRANK WILSON, STRATEGIC DIRECTOR AND HEAD OF PAID SERVICE

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

1. PURPOSE

To update Members on the Superfast Broadband project.

2. RECOMMENDATION

That the Committee seeks regular updates on the project at key project milestones.

3. BACKGROUND

- 3.1. In January 2014 Council approved an allocation of £1.6m in the Capital Programme to enable Superfast Broadband to be rolled out beyond the 90% coverage target set out by Oxfordshire County Council.
- 3.2. In May 2014 Cabinet resolved that the best value for West Oxfordshire taxpayers would be to leverage the £1.6m grant from BDUK held by Cotswolds Broadband (CBB) with a £1.6m loan which would see near 100% coverage rather than accepting a lower level coverage via a County contract extension.
- 3.3. Negotiations with BDUK and CBB were protracted to ensure that public funds via this Council and BDUK were both secure and utilised only for the delivery of this project. This necessitated further changes to the CBB company structure to make them a Community Interest Company (CIC).
- 3.4. After further delays when the private sector backers of CBB were replaced, the project finally received full clearance earlier this year and detail project design was contracted by CBB and completed in June 2016.
- 3.5. Start on site commenced in September 2016 when the first fibre was laid in the ground by ITS Technology, the supplier appointed by CBB.
- 3.6. In late October 2016 ITS notified CBB that they were no longer able to meet the financial commitments of the contract and a period of negotiation took place between the two parties overseen by BDUK. The outcome of this process was that the contract between CBB and ITS was terminated by mutual consent and CBB consequently made the decision to withdraw from the project as announced on 12 January this year.
- 3.7. Clearly this left both the Council and BDUK in a difficult position as we were both placing reliance upon CBB to deliver a solution to a significant number of households in rural West Oxfordshire. Discussions have been taking place with BDUK on a regular basis since the issue between ITS and CBB first came to light as the Council has sought to ensure that a solution could be found to deliver Superfast Broadband to those residents unable to benefit from it.
- 3.8. Unfortunately, under the procurement rules imposed by both UK government and EU State Aid rules, it became clear that the only solution would be a re-procurement of the project. BDUK asked the Council if it would be willing to conduct that re-procurement while

confirming that their £1.6m funding would remain available. A report seeking authority for the Council to take on the responsibility for the project and the re-procurement of a solution was considered and approved by the Cabinet on 14 December 2016. The report had to be considered in closed session because CBB and ITS had not reached agreement at that point.

3.9. To control the process from an internal perspective, officers have adopted a formal project management approach with nominated officer leads to act as intelligent clients for the various aspects of the project. The following roles have been adopted:-

Senior Responsible Officer	-	Frank Wilson
Client Project Lead	-	Will Barton
Client Technical Lead/Procurement Lead	-	Phil Martin

3.10. The Cabinet agreed that the Cabinet Member for Innovation take on the role of member lead on the Project Board to which BDUK are also nominating a representative.

3.11. The Cabinet further recommended that the one of the Overview and Scrutiny Committees keeps this as an item on its Work Programme and it is suggested that FMOS is the appropriate one.

3.12. A proposed timeline for the re-procurement process is attached at Appendix A which also shows the checkpoints where the project is assessed on a regular basis by BDUK's Assurance Board. In summary, the key stages are:

- i. Open Market Review (OMR) to scope out the "intervention area"
- ii. Public Consultation to further refine the intervention area
- iii. Procurement process to select the supplier to design and build the network
- iv. Network design
- v. Commence build

3.13. The Cabinet recognised that the Council does not have the capacity nor the skills to fulfil all these stages itself and will, therefore, need to procure these for the life of the contract. With the assistance of BDUK, officers identified two key tasks that needed immediate action to commence a re-procurement with the minimum of delay:-

- i. Analysis of the OMR data
- ii. Project Management of the process through procurement to final implementation

3.14. The Council has engaged Farrpoint (www.farrpoint.com) to undertake the OMR analysis work. Farrpoint are experienced in this field having already done similar work for other authorities including Northamptonshire County council, West Sussex County Council, Leicestershire County Council and Central Bedfordshire Council. The company has estimated that the work will cost in the order of £20,000.

3.15. Officers are currently scoping out the project management role with assistance from BDUK prior to recruiting the appropriate person.

3.16. While BDUK have clearly indicated that they have confidence in West Oxfordshire to deliver this project, members should be under no illusion that the process will not be onerous. The Council will need to meet all the appropriate Checkpoints set out by BDUK under its regime.

3.17. A lesson learned from the Cotswolds Broadband project is the importance of clear and regular communication with residents. The Council has refreshed its broadband web pages at www.westoxon.gov.uk/broadband and is compiling an emailing list so interested residents can receive regular news updates on the project. Residents can sign up to this on the web page above.

4. ALTERNATIVE / OPTIONS

- 4.1. The December Cabinet report considered alternative options namely:
- i. Cabinet could determine to abandon its commitment to Rural Broadband and let other government sponsored programmes or commercial operators such as BT deliver the network.
 - ii. Cabinet could seek to partner with the County Council or other Oxfordshire Districts and join in a larger procurement option later.
- 4.2. It was agreed that neither of the options above would result in the Council's ambition of full coverage of superfast broadband being met in the foreseeable future.

5. FINANCIAL IMPLICATIONS

- 5.1. The amount identified in the capital programme is £1.6m. Whilst the Council had previously agreed a loan approach which, in theory, led ultimately to a capital receipt in return, the MTFS never factored in those returns.
- 5.2. To date the Council has not spent any of the £1.6m and has suffered no loss due to the failure of the contract between CBB and ITS Technology.
- 5.3. The Cabinet agreed that an initial sum of £150,000 out of the £1.6m capital funding be set aside to support the procurement and management of the project.
- 5.4. It is likely, given the experience gained to date, that the remaining Council funds will be required in grant format rather than a loan. It is also possible that, to meet the Council's stated aim of 100% coverage, additional finance may need to be sought from both BDUK and the Council.

6. RISKS/IMPLEMENTATION ISSUES

The key risk associated with a new procurement is the ability of the market to deliver a cost effective solution within the financial envelope currently available. This could lead to the Council not meeting its targeted coverage rate.

7. REASONS

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

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Date: 18 January 2017

Background Papers:
None.

Appendix A

West Oxfordshire Broadband procurement schedule

Q4 16/17			Q1 17/18			Q2 17/18			Q3 17/18		
January	February	March	April	May	June	July	August	September	October	November	December
	Open Market Review	Data analysis Assurance & Checkpoint B1	Public Consultation	BDUK Assurance Checkpoint	Procurement (open)		Evaluation	BDUK Assurance Checkpoint	Network Design	Network Build =====>>	