

CESHIRE EAST COUNCIL

REPORT TO: CABINET

Date of Meeting:	5 th March 2012
Report of:	John Nicholson – Strategic Director, Places and Organisational Capacity
Subject/Title:	Investing To Implement the Cheshire and Warrington Local Broadband Plan
Portfolio Holder:	Councillor Jamie Macrae, Cabinet Member for Prosperity. Councillor David Brown, Cabinet Member for Performance and Capacity

1.0 Report Summary

- 1.1 This report updates on progress for the Cheshire and Warrington Local Broadband Plan and sets out the investment case for a quality superfast broadband (SFB) infrastructure for Cheshire East. It also details the programme of the wider Connecting Cheshire partnership between the Cheshire East, Cheshire West and Chester, Warrington and Halton Councils’.
- 1.2 The UK Government has set the objective to deliver the best superfast broadband network in Europe by 2015 and has allocated £570,000 to Cheshire East Council to support private sector investment. This forms part of the wider Broadband Delivery UK (BDUK) award of £3,240,000¹ to the four unitary authorities of Cheshire East Council, Cheshire West and Chester Council, Warrington Borough Council and Halton Borough Council. More recently the government has applied tight deadlines for the agreement for funded Local Broadband Plans by the end of April 2012.

2.0 Decision Requested

- 2.1 To receive and endorse the Cheshire Warrington and Halton Local Broadband Plan. See Appendix B
- 2.2 To note the council investment of £1.2 million profiled over three years to provide for 90% superfast broadband coverage across the Borough, with an ambition to achieve 100% coverage by leveraging European Grant Funding.
- 2.3 To approve that the Strategic Director Places and Organisational Capacity and the Director of Finance & Business Services, in consultation with the Cabinet Member for Performance and Capacity, be given delegated authority to make necessary decisions on approved matters to enable the delivery of the SFB project.

¹ £3,240,000 is distributed as - £570,000 Cheshire East |£1,650,000 Cheshire West and Chester | £570,000 Halton |£450,000 Warrington

- 2.4 For the Director of Finance and Business Services, the Borough Solicitor and the ICT Manager to prepare, negotiate and sign off legal documentation required between the Council and the Secretary of State, and the Connecting Cheshire Partnership, as required.

Reasons for Recommendations

- 3.1 To enable the Council to take forward Superfast Broadband services for the Borough, transforming business and connecting communities.
- 3.2 To enable efficient delivery of the project through delegated authority to make necessary decisions on approved matters. For example;
- Deciding on competitive dialog or framework routes for procurement.
 - Extent of business support package

4.0 Wards Affected

- 4.1 All

5.0 Local Ward Members

- 5.1 All

6.0 Policy Implications

- 6.1 The case for investment into SFB for Cheshire East has been established in the following key policy documents.
- Cheshire East Sustainable Community Strategy: Ambition for All (2010)
 - Cheshire East Economic Development Strategy (2011)
 - Cheshire East ICT Strategy (2011)
 - Cheshire Crewe Vision All change for Crewe (2011)
- 6.2 SFB is a key priority for the Cheshire and Warrington Local Enterprise Partnership.

7.0 Financial Implications (Authorised by the Director of Finance and Business Services)

- 7.1 The proposal gives rise to two costs:
- 1) The capital investment to access the BDUK grant and to attract private sector investment for SFB coverage.
 - 2) Project management, procurement, business support and legal costs associated with the Council's role in delivering the project.
- 7.2 Funding for superfast broadband investment will come from three main sources – government grant allocation, private sector match and public sector investment. The BDUK allocation represents 25% of the investment required and must be matched by the public sector (25%) to gap fund the private sector 50% investment.
- 1) Grant allocation – BDUK; An allocation of £570,000 for Cheshire East.
 - 2) Private Sector –gap funded procurement procedure.

3) Public Sector – Local Authority investment.

- 7.4 The investment required to achieve 90% coverage is accounted for in the Cheshire East Business Plan for 2012-15 and is profiled over three years. This would provide SFB connectivity for c46,000 residents and c3,730 businesses in Cheshire East.

Estimated Spend Profile	2012/13	2013/14	2014/15	Total
90% Coverage	£400,000	£690,000	£110,000	£1,200,000

- 7.4 The Cheshire and Warrington SFB project is being taken forwards within the Connecting Cheshire partnership for the four unitary authorities of Cheshire East Council, Cheshire West and Chester Council, Warrington Borough Council and Halton Borough Council.
- 7.5 To provide 90% SFB coverage to the wider partnership area will require the following Local Authority investment.

Estimated Spend Profile (90% Coverage)				
Local Authority	2012/13	2013/14	2014/15	Total
Cheshire East	£400,000	£690,000	£110,000	£1,200,000
Cheshire West and Chester	£790,000	£1,465,000	£120,000	£2,375,000
Halton	£312,000	£575,000	£50,000	£937,000
Warrington	£300,000	£700,000	£51,000	£1,051,000
Totals	£1,802,000	£3,430,000	£331,000	£5,563,000

- 7.6 All figures are based on detailed data provided by BDUK but it is noted that the exact budget will be determined by formal procurement.
- 7.7 A bid is under development to the European Regional Development Fund for additional funding. If successful, this will provide for additional coverage and may reduce the Local Authority financial commitment for years two and three of the delivery programme.

8.0 Legal Implications (Authorised by the Borough Solicitor)

- 8.1 Section 2 of the Local Government Act 2000 of the Act gives Local Authorities power to take steps which they consider are likely to promote the economic social or environmental well being of their area or its inhabitants. In doing so, no action can be taken which would contravene any specific statutory prohibition restriction or limitation. Regard must also be had to the Community Strategy. The actions proposed in this report fall within this power.
- 8.2 Cheshire East Council would act as the Accountable Body for the funding, manage the procurement process, and enter into the contract with the successful commercial operator on behalf of the Connecting Cheshire partnership.

- 8.3 A binding agreement, subject to legal advice, will be developed and agreed between the members of the Connecting Cheshire partnership to establish responsibilities, actions and liabilities to the SFB programme.

9.0 Risk Management

- 9.1 The investment represents a state intervention into the private sector market, for which European Commission approval is required. The Government's BDUK Team are preparing a single application to the EU seeking approval which will be available to authorities to apply to local procurements.
- 9.2 The grant from BDUK is for receipted expenditure by the end of 2015. This will require prompt commitment to the procurement of the private sector SFB delivery partner. The Local Broadband Plan sets out a programme to deliver on this.
- 9.3 A principal issue for the prompt commencement of the procurement process is the requirement for early activation of the BDUK procurement framework for Cheshire, Warrington and Halton. The Local Broadband Plan has in place a contingency option to mitigate against delays by pursuing an alternative Competitive Dialogue process. This will be subject to discussion with BDUK.

10.0 Background and Options

- 10.1 The Cheshire and Warrington SFB project is being taken forwards as a collaborative project between the four unitary authorities of Cheshire East Council, Cheshire West and Chester Council, Warrington Borough Council and Halton Borough Council. Cheshire East Council is the accountable body for the partnership.
- 10.2 The Local Broadband Plan establishes the case for SFB as a vital infrastructure for the future growth of the sub region's economy. It has the potential to increase growth, innovation and productivity, generate new jobs and enhance the attractiveness of the sub-region as a business location.
- 10.3 The recent report on the 'Value and Impact of Superfast Broadband for Cheshire, Warrington and Halton' (2012) projects that full SFB coverage for Cheshire East would, on a central estimate, generate a gross impact of £380 million GVA over 15 years and create over 3,900 jobs.

Local Broadband Plan

- 10.4 The current position is that while c70% (by population) of Cheshire, Warrington and Halton will be able to access superfast broadband services by August 2012, investment is needed to address the 'digital divide' impact to the c65% on the geographical area which will not have access to superfast broadband services. This has a direct impact on more than 110,000 homes and businesses. Ref Appendix A; Map 1
- 10.5 Once the BDUK funding is secured, a procurement exercise through a government framework will be run to select a private sector partner to

deliver SFB infrastructure. Additionally, an EU State Aid approval process is underway to permit the public sector investment. Both of these activities will be complete by the summer, with implementation commencing in autumn 2012, with completion by the end of 2015.

- 10.6 Doing nothing is an option but would put the authority in conflict with the Secretary of State direction and will lead to a digital divide between urban and rural areas. A direct impact would be that Cheshire, Warrington and Halton would lag behind neighbouring areas which are investing in Superfast Broadband for economic growth. Further, it will limit the opportunity to deliver quality public services more efficiently through 'digital by default' service delivery.
- 10.7 Modelling of BDUK data projects that 90% SFB provision will provide an increased geographic coverage as illustrated in Appendix A; Map 2 .

Addressing the final 10% for Cheshire East

- 10.8 The government supported 90% SFB coverage funding model will leave c18,000 homes and 1,000 businesses in Cheshire East at a 'digital divide' disadvantage. The financing of the final 10% presents challenges across three key aspects:
- Weak business case for commercial market intervention.
 - High infrastructure costs to connect dispersed localities.
- 10.9 For Cheshire East the total cost to achieve the final 10% coverage has been estimated at an additional £7.34M, which would require a total council investment profiled over four years not exceeding £3.9 million to bridge the commercial investment funding gap.
- 10.10 Scope exists to begin to bridge the gap through c£410,000 from the Rural Development Programme for England funding and an EoI has been submitted to the Rural Community Broadband Fund for a local scheme for the Burleydam area.
- 10.11 The Council is actively supporting community based projects in white areas (areas of market failure).
- 10.12 A major proposal is under development to the European Regional Development Fund which, if successful, could provide for 100% SFB target by 2015, with no additional public sector investment.
- 11.0 Access to Information**
- 11.1 The background papers relating to this report can be inspected by contacting the report writer:

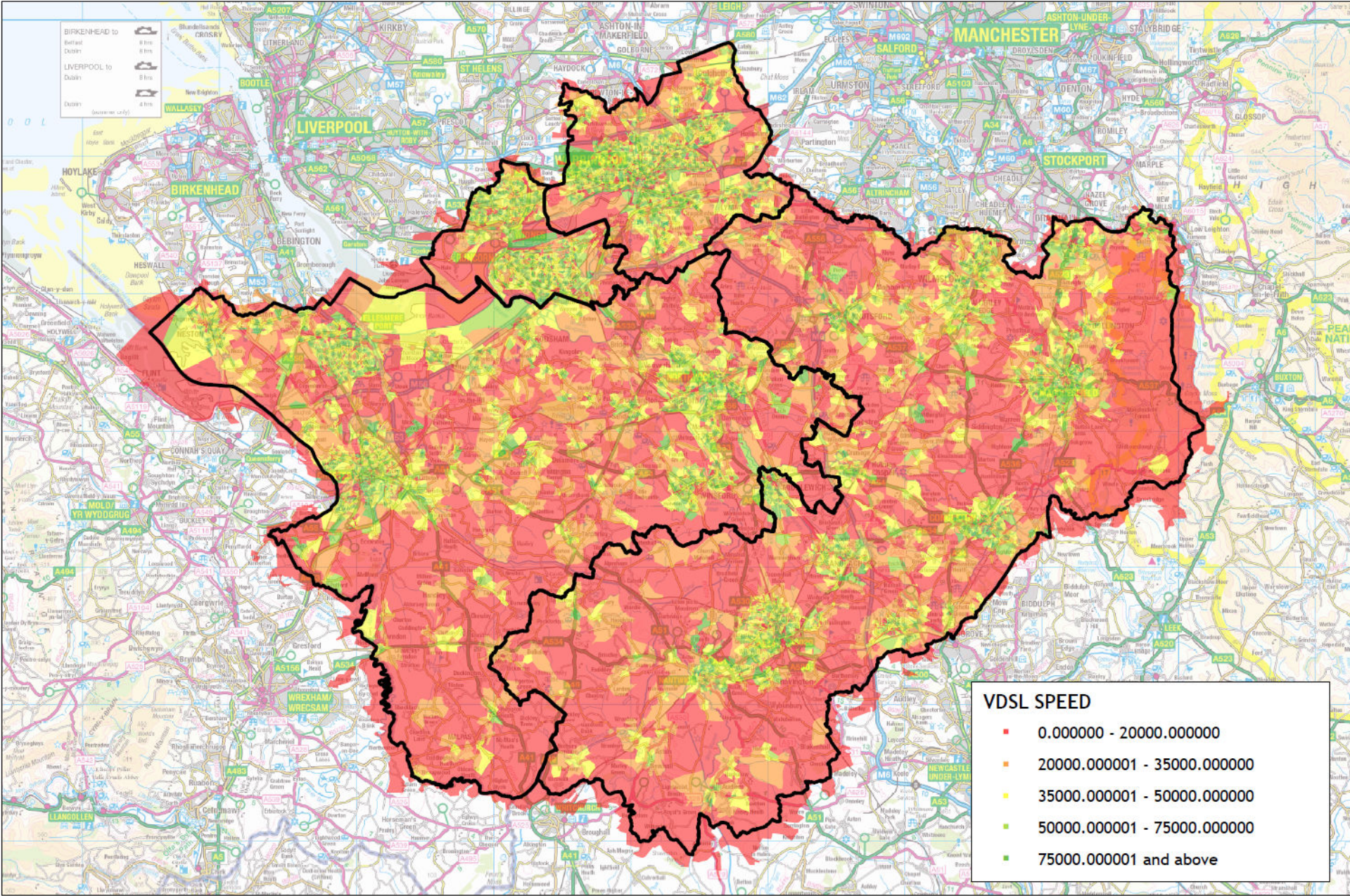
Name: *Julian Cobley*:

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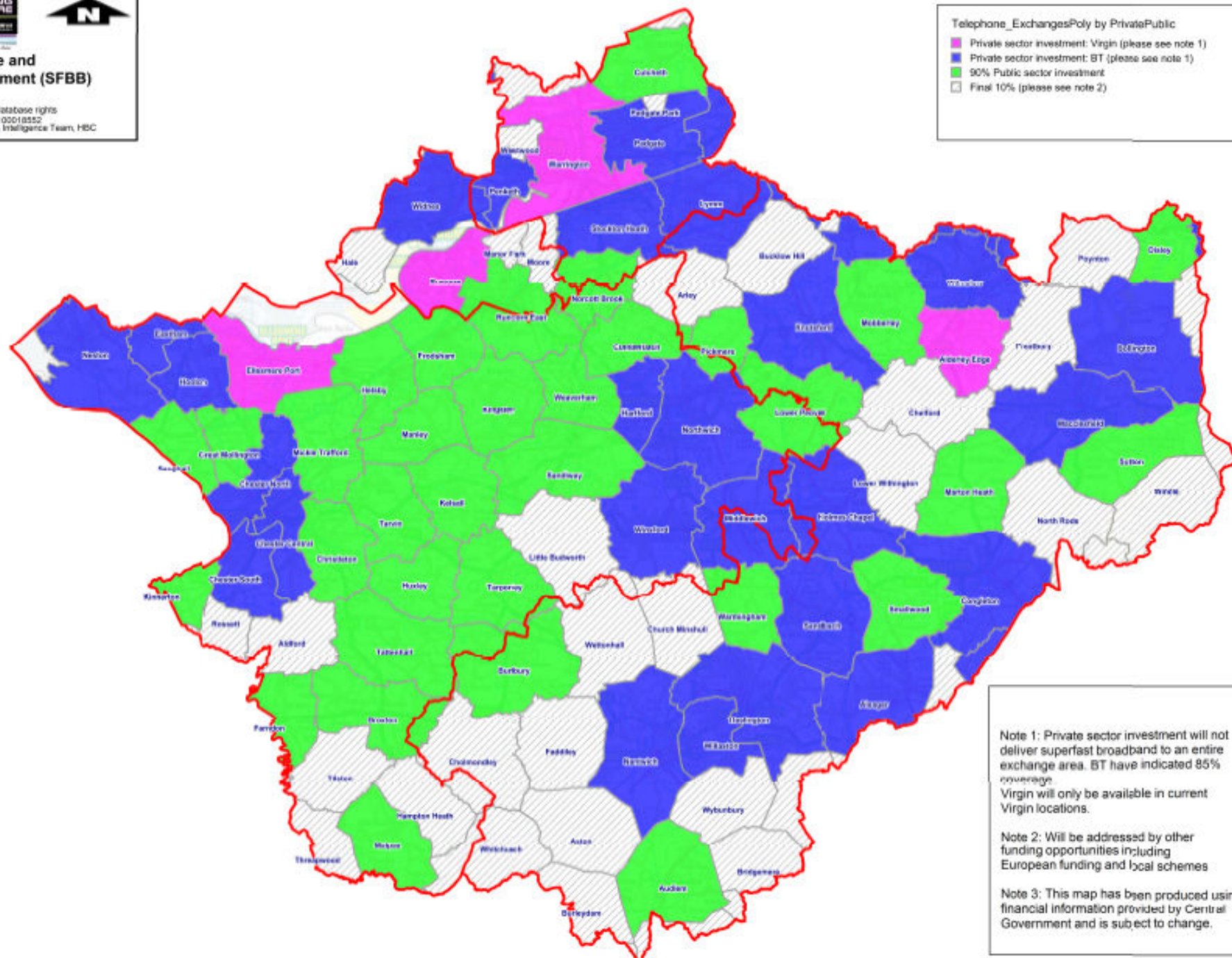
Email: Julian.cobley@cheshireeast.gov.uk

Appendix A - Map 1



Current Superfast broadband coverage - Red and amber areas represent poor broadband performance

Appendix A - Map 2



BDUK 90% superfast broadband coverage. Purple/Blue: private sector investment, Green: 90% public sector investment. Hatched: final 10%