

Date of Meeting: 03/09/19

Lead Member: Gary Suttle – Lead Member for Economic Growth & Skills  
Peter Wharf – Lead Member for Corporate Development & Change

Local Member(s): All members

Lead Officer: John Sellgren - Executive Director for Place  
Aidan Dunn - Executive Director Corporate Development

Item tabled on Forward Plan as:

“Superfast Broadband - To invest funds, made up from grant from the Department of Food and Rural Affairs (DEFRA) and contract outturns”

**Executive Summary:**

Universal provision of superfast broadband is critical to the future economic and social prosperity of the county of Dorset. The Superfast Dorset (SFD) programme aims to deliver the most appropriate superfast broadband solution for communities, maximising benefits in a cost effective manner across the business and domestic community.

The Superfast Dorset programme provides gap-funding state aid to build open access ‘Next Generation’ Superfast Broadband network in locations where the commercial market will not provide a solution. It has been working with BT over the past 5 years and has delivered access to superfast broadband to over 84,000 premises in the county, and a host of related activity to ensure strategic benefits are realised.

The Phase 3 Ultrafast programme is the third contract to be let by the Superfast Dorset programme to BT; however this is not an extension of the previous two contracts with BT. The Phase 3 contract has significant design differences to those previously let, intended to address lessons learned from the original national framework contract.

The Phase 3 contract was let under the conditions of the UK 2016 National Broadband Scheme (NBS), with a focus on ultrafast (or full-fibre) deployment. The contract was let to an overall value of £8.9m.

To date however only £3.9M has so far been committed.

Contracted delivery and commercial plans will leave circa.10,000 predominantly rural premises in Dorset unable to take a superfast connection.

To find the best approach for applying available & prospective additional resources to close this gap, the SFD team has recently completed a range of activities:

- Bid for and received provisional award of a £3.7m DEFRA (Rural Payments Agency) Rural Broadband Infrastructure (RBI) grant for rural businesses
- Carried out detailed market engagement to properly understand opportunity and potential in Dorset
- Explored a new procurement
- Explored and pursued the deployment of broadband through community schemes and vouchers,
  - Gigabit
  - BBSS
  - our own vouchers
- Assessed change control opportunities via our existing contracts

The conclusions drawn from the above activity, including responses from other network infrastructure providers in consideration of a procurement alternative, are that expansion via Change Control (modification to contract) of the current Phase 3 contract delivery presents the only viable option in order to utilise the DEFRA RBI grant within the available claim window, as well as the best means of maximising the efficient use of the remaining contractual headroom from re-investable funds against identified areas in need.

**Equalities Impact Assessment:**

This report builds on the existing Superfast Dorset project work carried out to date and has been subject to an Equalities Impact Assessment that confirmed the positive impact that improved broadband will have. The proposed additional coverage will significantly extend fibre broadband availability at the fastest available speeds in some of the most rural parts of the County and provide a further enhanced network base for future expansion initiatives.

**Budget:**

The proposal for Phase 3 contract expansion via the Change Control process would require additional public funding. This would be drawn from the £3.7M RBI grant award from DEFRA (RPA), public funding released from the initial Phase 3 build from descoped structures (structures cancelled on cost considerations, areas now provisioned by third party or other in life changes) and existing capital underspends in the SFD programme.

The Change Controls under consideration would increase total public expenditure under contract (original plus additions) from £3.9M to c.£8.3M. Further specifics are provided in the Appendix.

It should be further noted that the DEFRA grant award remains conditional pending assurance by Building Digital UK (BDUK) on behalf of DEFRA and final approval by the RPA of the modelled coverage and delivery specifics put forward under the Change Control process by Openreach.

The deployment and associated activities will be managed through the Superfast Dorset team and related programme governance, for which Base budget provision

has been made.

There are no VAT implications from the capital investment in broadband infrastructure.

**Risk Assessment:**

Having considered the risks associated with this decision, the level of risk has been identified as:

Current Risk: HIGH

The bulk of the public funding proposed to fund Phase 3 contract expansion is the £3.7M DEFRA RBI grant. In the absence of approval to enter this funding into the Phase 3 Ultrafast contract the Council has no alternative means of utilisation. This would require withdrawal of Dorset's application/cancellation of grant award with a major impact on the strategic priority of universal broadband coverage.

Residual Risk MED (see Appendix)

Broadband Infrastructure in Dorset remains critically reliant on Openreach.

**Climate implications:**

None

**Other Implications:**

None

**Recommendation:**

That the Cabinet:

- i. Give delegated authority to the Lead Member for Economic Growth & Skills after consultation with the Lead Member for Corporate Development & Change and the Executive Directors for Place & Corporate Development to approve Change Control(s) under the Superfast Dorset Phase 3 Ultrafast contract to incorporate funding derived from the DEFRA RBI grant award, released from in life contractual changes and from current programme underspends into the existing contract, to the contracted maximum public funding contribution of £8.9M.
- ii. Note that the Change Control process requires that the proposal(s) from BT (Openreach) described above will be subject to central government assurance (BDUK and RPA for DEFRA) and Dorset Council's own assurance (to include Superfast Dorset, Finance and Legal consultation) prior to seeking to enter into contract.
- iii. Further note values presented in this report are subject to finalisation within the contractual limits specified under (i) above.

**Reason for Recommendation:**

To further the Council's corporate plan focus on Enabling Economic Growth through maximising the level of external funding drawn into Dorset to extend the provision of superfast broadband services to rural areas.

Central government commissioned research suggests that a £1 investment in NGA broadband returns a £20 increase in GVA for the local economy.

**Appendices:**

Exempt appendix – Full overview and funding breakdown of proposed Change Control for contract expansion / Commercial in Confidence

**Background Papers:**

Cabinet – Approval of Contracts valued at £500,000 and above, Cabinet Minute No. 68, 13 April 2016 (original authorisation for Officer Delegated Authority to award contract)

Officer Delegated Decision Record (Key Decision) – Date of Decision: 09/05/17. Matter for Decision: Contract Award to British Telecommunications PLC for the provision of deployed superfast / ultrafast broadband networks

Rural Payments Agency – Rural development Programme for England (RDPE) 2014 to 2020 Grant Funding Agreement (Dated 13<sup>th</sup> August 2018) &

Rural Payments Agency - Rural development Programme for England (RDPE) 2014 to 2020 'Guide to managing a successful RBI project' (Explanation of grant claims process)

**Officer Contact:**

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**1. OVERVIEW**

1.1 The Superfast Dorset Phase 3 Ultrafast contract was tendered from the outset to enable the integration of additional funding as this might become available to permit expanded coverage. Potential sources of additional funding were conceived to be underspends from previous programme phases, realisation of contract gainshare (income generated from customer take up of funded deployment) and applicable supplementary local or central government awards or allocations.

- 1.2 The contract was awarded at a public contribution value of £3.9M with the potential to expand this value to £8.9M (an additional £5M contractual headroom) under the OJEU procurement notification.
- 1.3 In February 2018 Superfast Dorset bid into DEFRA for a grant award under the Rural Development Programme for England, Rural Broadband Infrastructure Fund and was notified of successful provisional Grant award of £3.7M in August 2018.
- 1.4 Associated project activity since that time has included full evaluation of options for optimum application of this grant and other available funding, while meeting the specific grant requirements and the overall requirements of the Councils strategic broadband objectives.

## **2. RBI GRANT REQUIREMENTS**

- 2.1 The RDPE Growth Programme provides funding for projects in England which create jobs and growth in the rural economy. The grants are funded by the European Agricultural Fund for Rural Development (EAFRD), which is part of the European Structural Investment Funds (ESIF).
- 2.2 The Rural Broadband Infrastructure Fund is intended to assist the provision of Next Generation Access broadband infrastructure in rural areas where this is not already available or planned, with a specific focus on connecting businesses.
- 2.3 Dorset Council's application supports the national objectives of the scheme through prioritising coverage to rural businesses, which include business sectors within the Council's ESIF strategy and LEP Strategic Economic Plan.
- 2.4 The provisional grant award requires a minimum coverage level of applicable rural businesses in the planned deployment. Assurance and acceptance of the associated Change Control proposal received from BT will be made against these requirements by the RPA.

## **3. DELIVERY – OPTIMISATION & BENEFITS REALISATION**

- 3.1 Significant consideration has been given in the specification of Dorset Council's Change Impact Assessment (Change Control) requirements to BT to ensure the modelled output proposed to utilise the present funding opportunities (RBI and others) maximises their combined potential under the contractual delivery model.
- 3.2 The conditions of the RBI grant require completed drawdown of all grant funds by December 2021. The current Phase 3 contract provides the only viable mechanism for the utilisation of the RBI grant award within this timeframe.
- 3.3 The existing contract also provides the most expeditious route to reapply funds released through earlier in life changes and current programme underspends to

realise programme objectives and returns through a ready mobilised and structured deployment vehicle.

#### **4. DELEGATION**

- 4.1 In consideration of the above it is recommended that Delegated Authority is given to enable Change Control(s) under the Superfast Dorset Phase 3 Ultrafast contract to incorporate funding derived from the DEFRA RBI grant award, released from in life contractual changes and from current programme underspends into the existing contract, to the contracted maximum public funding contribution of £8.9M.

**Dominic Fitzgerald**  
**Programme Manager, Superfast Dorset**  
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