

Report of: Director of City Development

Report to: Executive Board

Date: 18 July 2012

Subject: Design & Cost Report for Broadband Projects

Capital Scheme Number: 16662

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. The government has announced two major funding schemes to deliver super fast broadband across the country by 2015. Leeds has been successful in bidding for these and is in the process of working up further detailed plans to government.
2. There are two projects, one is to deliver as 90% coverage of superfast broadband to the entire UK, termed the BDUK project. This will cost £16m and is a West Yorkshire wide project, and will require a £1m contribution from Leeds. However Leeds will benefit by ensuring 93% coverage across the district.
3. The second project is to deliver ultrafast broadband to key business districts in the country. Leeds and Bradford have been successful with a joint bid that covers a contiguous area across both districts including the city centre and for ourselves also includes the Aire Valley. This is a £50m project and will require £2m capital funding from LCC.

Recommendations

4. Executive Board is recommended to:

- (i) ratify and support the BDUK Local Broadband Plan process.
- (ii) approve the capital funding contribution to the BDUK and super connected cities project as outlined in section 4.4.1 of this report.

1. Purpose of this report

To inform members about the various broadband initiatives which are underway in the city, and to seek approval and commitment to a Leeds City Council contribution to the delivery of these projects.

2. Background information

- 2.1 This report outlines proposals for making significant improvements to broadband speeds and distribution in Leeds. Access to broadband is now an essential part of the leisure and business environment. Using the iPlayer to watch programmes and films; receiving the internet on hand held devices; transferring large files of data in the creative and digital sectors; all need good broadband access at ever greater speeds.
- 2.2 In December 2010 the government launched the National Broadband Strategy: "Britain's Superfast Broadband Future". The strategy set out the Government's vision for broadband in the UK, which is to ensure the UK has the best superfast (speeds of +24mbps) broadband network in Europe by 2015. The Council is currently developing proposals for three related and joined up broadband initiatives.
- 2.3 The Broadband Delivery UK (BDUK) Local Broadband Plan is a £16m West Yorkshire project to deliver the Government's aim to roll out superfast broadband to 90% of premises. The ambition is that the remaining 10% of premises will be able to access at least 2mbps, which is considered as the minimum to view the BBC iPlayer or have a quality home working experience. According to Ofcom currently 82% of the district are in superfast broadband areas. However, the average speed accessed within the district is 7.9mbs. Currently 14% of Leeds receives speeds of less than 2mbps, which is a slow level of provision. It is typically the more inaccessible rural areas that suffer from these speeds, as it seen as less commercially viable by the internet providers.
- 2.4 The Super Connected Cities project is a £50m project which will roll out the following infrastructure: ultrafast broadband (speeds of +100mbps) to all premises within the core area; free city centre wireless; wireless connectivity in the Leeds Bradford corridor using trains and buses; and wireless community hubs. A telehealth project will subsequently be rolled out which will highlight the benefits of having access to high speed broadband.

- 2.5 The Community Hubs will focus on libraries. Proposals are being developed which will look to provide free wireless to libraries in the community and use the mobile libraries as mobile wifi hotspots.
- 2.6 Together the projects are complementary. The BDUK project will provide equity of provision to super fast broadband across Leeds to both resident and businesses, which will have both social and economic benefits. The super connected cities projects is primarily about businesses and economic growth through ultra fast connectivity, whilst the wireless offer will contribute to the vibrancy of the city centre for tourists, residents and businesses alike.
- 2.7 Broadband is a key enabler for driving economic growth in Leeds and the region. In 2010, a study concluded that for every 10 percentage point increase in broadband penetration, GDP increases by 1 percent. This study also revealed that around 80 new jobs are created for every 1,000 new broadband connections provided.
- 2.8 Estimates by Regeneris Consulting suggest that the BDUK Local Broadband Plan could generate £60m for the economy of West Yorkshire over 15 years and create around 800 new jobs. For Leeds alone this represents £5m GVA and 70 jobs purely from the initial investment without taking into account the wider economic benefits.

3. Main issues

3.1 Design Proposals and Full Scheme Description.

Programme –

- 3.1.1 The BDUK Local Broadband Plan has been submitted and was approved by the secretary of state in April 2012. The procurement process will begin in September 2012, at which point West Yorkshire will have to commission a provider to deliver this improved service. The provider will be selected from the government's framework contract. The roll out of superfast broadband must be completed by March 2015.
- 3.1.2 State aid restricts the areas where public subsidy can be used to intervene in broadband infrastructure, so called 'white areas' where there is fewer than one superfast broadband provider. External independent consultants were appointed to identify those areas where public subsidy could be directed.
- 3.1.3 The BDUK plan identifies those white areas which are expected to be the hardest to tackle: areas where market failure is not expected to be rectified. This ensures that the limited public funding available can be used as effectively as possible.
- 3.1.4 Despite this investment, using the current plan, there will still remain 1% of premises (or 3,500 premises) in Leeds who will not be covered. However this is a vast improvement from the 14% currently experience slow connections. To roll out superfast broadband across all West Yorkshire 'white areas' would cost an additional £100m.
- 3.1.5 The Leeds and Bradford Super Connected Cities successful outline business case submission was announced in the March 2012 budget. The full business is currently being prepared and will be submitted in August. Formal approval is expected in

October. The procurement process is expected to take until summer 2013, with full completion of the project by March 2015.

- 3.1.6 The BDUK Local Broadband Plan and Super Connected Cities Outline Business Case have been delivered to date on a best endeavours basis with existing staff resources. As both significant projects enter the procurement phase, additional resources will be required to ensure these projects are successfully delivered.
- 3.1.7 The West Yorkshire authorities have agreed to each contribute funding to the Council's PPPU unit to deliver both projects.
- 3.1.8 Whilst the BDUK funding will ensure a level of digital connectivity for all, the Urban Broadband Fund will drive economic growth and productivity to a new level within the core area, and the city wireless will give an added boost to the vitality of the city centre. Accelerating the level of broadband access will give Leeds a competitive advantage and further the ambition of Leeds to be the best city for digital.

4. Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 All 99 councillors have been informed about the BDUK project and relevant ward councillors have been informed about the Super Connected Cities project. City Centre ward members have been briefed about City Centre Wireless. The Executive Member, Economy & Development and The Executive Member, Leisure and Skills have also been briefed.
- 4.1.2 Extensive soft market testing has taken place and extensive feedback has been sought from industry, including local companies and partnerships such as IX Leeds.
- 4.1.3 Business surveys have also taken place to understand the perceptions about super fast broadband and benefits to business, and barriers to use. These findings will be used to develop future projects around ICT to ensure that businesses are equipped to take advantage of the improved infrastructure.
- 4.1.4 ERDF funding has been sought to assist with demand stimulation activities to encourage use and promote the benefits of super fast broadband to businesses, especially SMEs.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 A screening document has been prepared and an independent impact assessment is not required for the approvals requested. The screening document has been sent to the Equality Team to be approved and published.
- 4.2.2 Ensuring the infrastructure is in the ground to enable broadband access is only the first stage. As such, programmes that are in place in Leeds to encourage and provide equipment to residents to enable them to take advantage of digital opportunities are essential. These include the Go Online initiative to get households online. Both of the projects include demand stimulation activities to encourage and advise businesses on the benefits (and how to use) ultra fast speeds.

4.2.3 After the project there will be 1.1% of the districts premises who still cannot access broadband, this will equate to approx 3,500 homes in the most inaccessible, largely rural areas. To fund broadband to this properties would cost a further £100m across West Yorkshire and this is not seen by the government as being viable. Other West Yorkshire authorities will also have these 'white spots' and whilst the proportions change from authority to authority Leeds fares comparatively well with the number of inaccessible areas.

4.3 Council policies and City Priorities

4.3.1 The projects fit with the Leeds Growth Strategy which has been agreed by the Executive Board. They also fit with the City Priorities, particularly creating more jobs for the city as the broadband speeds will contribute to the cities competitiveness.

4.4 Resources and value for money

4.4.1 The BDUK Project and Super Connected Cities project are both dependent on capital contributions from Leeds City Council. This is a total of £3.345m which breaks down as up to a £1m for the BDUK project, £2m for the Super Connected Cities and £345k for the delivery of both projects.

4.4.2 BDUK have allocated West Yorkshire £6.34m which has to be matched by the local authorities. Leeds capital contribution to the project is currently £720k, of which it is hoped that £340k will come from an European Regional Development Fund Bid, however if this is unsuccessful the match would need to come from the capital programme.

4.4.3 A further £280k is needed as a contingency for the BDUK project and possible further delivery costs. Therefore whilst we are requesting up to £1m from the capital programme for this part of the project, it is feasible that only £340k will be required.

4.4.4 For the Super Connected project, Leeds and Bradford have been allocated between £10m - £14.6m from government. The project is seeking c£22m private sector, and £2m ERDF is being sought for 'final mile connectivity'. £4m of capital funding between Leeds and Bradford authorities is also required and will be split evenly.

4.4.5 On the basis that the government funding is yet to be finalised, officers will advise Executive Board should there be any substantive variation to the forecast amounts identified above.

4.4.6 It is proposed that the Council's contribution of £3.4m be financed through Capital scheme number 16500 which provides £15m for economic initiatives and that the broadband project therefore makes a call on those monies. This proposal is outlined fully in the Capital programme report which forms a separate item on this agenda.

4.4.7 A project team has been agreed by West Yorkshire local authorities to lead on the delivery of broadband projects over the next 3 years across West Yorkshire.

4.4.8 Based on similar projects and on suggested resources from DCMS, the total revenue costs per year for a delivery team is c£410k. This equates to an annual

contribution of c£60k for Calderdale, Kirklees and Wakefield, and c£115k per annum for Bradford and Leeds, therefore totalling £345k over 3 years for Leeds. However as these are project delivery costs they will be financed from the Capital Programme funding outlined above.

4.4.9 Prior Approvals – The initiative is within the capital programme and is incorporated into the quarterly update report which forms a separate item on this agenda.

4.4.10 Capital Funding and Cash Flow

Funding Approval :	Capital Section Reference Number :-						
Previous total Authority to Spend on this scheme	TOTAL	TO MARCH	FORECAST				
		2011	2011/12	2012/13	2013/14	2014/15	2015 on
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	0.0						
OTHER COSTS (7)	0.0						
TOTALS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Authority to Spend required for this Approval	TOTAL	TO MARCH	FORECAST				
		2011	2011/12	2012/13	2013/14	2014/15	2015 on
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
OTHER COSTS (7)	3345.0			500.0	1115.0	1730.0	
TOTALS	3345.0	0.0	0.0	500.0	1115.0	1730.0	0.0
Total overall Funding (As per latest Capital Programme)	TOTAL	TO MARCH	FORECAST				
		2011	2011/12	2012/13	2013/14	2014/15	2015 on
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
LCC Borrowing	3345.0			500.0	1115.0	1730.0	
Total Funding	3345.0	0.0	0.0	500.0	1115.0	1730.0	0.0
Balance / Shortfall =	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Parent Scheme Number : 16662
Title :

Revenue Effects

Currently we are unaware of revenue implications, however this will be reviewed and reported on in a future report if necessary.

REVENUE EFFECTS	2012/13	2013/14 and SUBSEQUENT YEARS
	£000's	£000'S
EMPLOYEES		
PREMISES COSTS		
SUPPLIES & SERVICES		
EXTERNAL INCOME GENERATED		

4.5 Legal Implications, Access to Information and Call In

4.5.1 The decision is available for call in.

4.5.2 There are possible state aid issues and legal advice has been sought to resolve the issues. The projects are being devised in accordance with state aid rules, following recent precedents set in Birmingham and Westminster.

4.6 Risk Management

4.6.1 These projects now have guaranteed external funding streams. The significant risk to project delivery is that the local authority capital funding is not committed and that the teams are not resourced adequately with the right level of experience and expertise to deliver effectively. Without this commitment these projects should be halted, with the exception of the City Wireless initiatives which only require limited funding to run the procurement. The cost and risk in this case will be with the supplier.

5. Conclusions

5.1 The investment in broadband both nationally and locally is aimed at increasing competitiveness to improve economic recovery. The two projects complement each other by increasing the penetration of superfast broadband to the significant majority of the district whilst ensuring that our key business districts have both access to ultrafast and wireless connectivity. This will place Leeds at the forefront of broadband speeds in the UK and ensure that we are able to compete on a global stage.

5.2 Business needs and personal lives are increasingly reliant on high broadband speeds and therefore this project will mean more residents and businesses will have access to the speeds that make a real difference to how we work. The 93% penetration and access to both superfast and indeed ultrafast in key business areas

will transform the way businesses can work and residents can access services as well as leisure experiences.

6. Recommendations

6.1 Executive Board is recommended to:

- (i) ratify and support the BDUK Local Broadband Plan process.
- (ii) approve the capital funding contribution to the BDUK and super connected cities project as outlined in section 4.4.1 of this report.

7. Background documents¹

7.1 EIA Screening Form

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.