

## BOROUGH OF KETTERING

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<b>Report Originator</b>	Martin Hammond Deputy Chief Executive	<i>Fwd Plan Ref No:</i> A13/051	
<b>Wards Affected</b>	All	16 <sup>th</sup> April 2014	
<b>Title</b>	SUPERFAST BROADBAND PROVISION IN THE BOROUGH - FINANCIAL SUBSIDY		

**Portfolio Holder: Cllr I Jelley**

### **1. PURPOSE OF REPORT**

To consider a request from Northamptonshire County Council for the Borough Council to make a financial contribution towards extending superfast broadband beyond the current planned roll out.

### **2. INFORMATION**

- 2.1. There is a national programme to subsidise the roll-out of superfast broadband to parts of the country where commercial suppliers are not currently providing or have no plans to provide a superfast service. This is largely being done by Government designated unitary or county councils working in partnership with a contracted provider such as BT, under an arrangement with Broadband Delivery UK (BDUK), the Government agency with overall responsibility and the source of much of the subsidy.
- 2.2. Northamptonshire has embraced this programme, and the arrangements to date mean that 90% of the county will be covered commercially or through subsidised coverage by 2015. The Northamptonshire Next Generation Strategy (June 2013) set out the approach for the next steps towards full coverage.
- 2.3. The County Council are looking to secure the last 10% coverage and the rough cost of this is currently estimated to be between £11m and £13m. It is expected that the further the fibre roll-out progresses, the more costly it becomes to deploy. This is because the last percentage or two of premises are expected to be the most difficult to reach. NCC has already provided £4.08m in match funding in the first round to reach 90% when combined with commercial coverage plans by 2015. NCC will invest a further £2m, and a further £2m is included in the NEP's draft strategic economic plan (see separate report on this agenda). The outcome of the latter bid will not be known until after bidding deadlines for BDUK funding and therefore there is a risk that this might not contribute to the local match requirement but would still be part of the overall funding mix. There is a further £0.3m available for the Enterprise Zone in Northampton which has been secured by NCC from BDUK. The County Council's objective is to draw down £5.5m of BDUK funding for this work to provide about half the funding needed to push towards full coverage; so far they

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have an indicative allowance of £3.64m. There is no guarantee that further BDUK funds above this allowance will be available however, BDUK has invited lead local bodies to express an interest for further funds if they can demonstrate match. The ability to secure additional funds is expected to be highly competitive. The County have expressed a view that contributions from districts will help lever in the higher sum from BDUK. The following table summarises the position;

Estimated Funding Required	£11m (up to £13m)
To be funded from:	
BDUK	£5.5m
NCC	£2.0m
NEP	<u>£2.0m</u>
	£9.5m
'Gap' remaining (requested to be met from Boroughs)	£1.5m (up to £3.5m)

If all districts made the maximum contribution, and this levered in £5.5m from BDUK, then NCC could well have a surplus of funds available, depending on the extent of those other funds attracted.

- 2.4. The County Council's offer is that it will match, from their money or BDUK's, whatever each district contributes, and if a district does not contribute, it will not be part of the fast track process which NCC is piloting and the core funding will be targeted elsewhere. If members see merit in making a financial contribution, a sensible starting point could be that the council considers making a contribution 'in principle' at this stage – and that any such contribution should be based on the principle on sharing any unfunded gap with the County Council (after deducting any contributions from BDUK) up to a specified financial 'cap'.
- 2.5. An outline proposal has already been submitted by NCC to BDUK and there remains a small window before a final programme is submitted. NCC intend to issue an invitation to tender in May.

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### 3. **COVERAGE IN KETTERING**

3.1. Currently it is expected that approximately 4400 existing premises (residential and business) are not going to be covered by superfast broadband in this Borough without further subsidy. New build residential and employment areas can be connected as they are constructed, the problem exists with retro-fitting fibre optic cable to existing premises is expensive and time consuming.

3.2. These areas are:-

- **all major employment estates** (about 450 businesses in total) all or parts of:-
  - ◆ Burton Latimer Business Park
  - ◆ Woodside Business Park
  - ◆ North Kettering Business Park
  - ◆ Pytchley Lodge Industrial Estate
  - ◆ Orion Way Business Park
  - ◆ Holdenby Venture Park
  - ◆ Telford Way Industrial Estate
- **Kettering town centre** – about 300 businesses and approximately 200 residential premises
- **Parts of Kettering, Desborough and Rothwell** – just under 2000 premises
- **Rural areas** – about 1500 premises, including 100 businesses

(See maps at the end of the report – Appendix A).

3.3. We are advised that a contribution of £450,000 from KBC (matched £ for £ by NCC) would be expected to secure ensure connectivity to most premises. This is currently based on high level assumptions and would be subject to testing through the procurement process. Smaller amounts would of course generate fewer connections. Members are reminded of the comments made in section 2.4 about a suggested approach in relation to sharing any remaining gap with the County Council after taking account of any BDUK funding and subject to a committee agreed financial 'cap'.

3.4. At the point of writing, the position of the other District Councils in the County is summarised below:

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<b>Council</b>	<b>Amount requested by NCC</b>	<b>Current Position of Council</b>
Corby Borough	£250,000	£250,000
Daventry District	£800,000	No decision made to offer anything
East Northants Council	No specific figure requested	£300,000
Northampton BC	To be confirmed	£500,000
South Northamptonshire	£750,000	Still considering a figure
Wellingborough	£300,000	Still considering a figure

3.5. If members decide to make a financial contribution, it would need to be a capital funded contribution and would ideally need to be spread over a number of financial years. The first contribution would not be required until 2015/16 and therefore the method of funding would need to be identified through the next budget setting process.

#### **4. ASSESSING VALUE FOR MONEY**

4.1. A separate report on this agenda looks at the Council's medium term financial prospects and at the need to apply a prioritisation process to competing capital schemes in the same way that the Council has done for some time on revenue spending. Pending the completion of such a scheme, any decision on future capital contributions of this kind needs to be provisional, and subject to that process. It would be imprudent to make such a commitment without understanding where the funding would be sourced or indeed what other alternative schemes or programmes might emerge which members would consider of greater priority.

4.2. Equally, it is impossible for anyone at this stage to fully describe what any particular sum will achieve in terms of connecting new premises – through the County Council's procurement process; the broadband provider making a tender has to work out the relative costs of deploying a new fibre network within the envelope of the total sum available and advise the clients (in this case, the local authorities and BDUK) what can be achieved on the ground. All the clients can do at this point is to set the maximum sum available and indicate what sorts of areas are its priorities. The County Council's tender outcome is then evaluated to determine if it meets technical, local and value for money requirements.

4.3. Looking at the premises which are not yet planned for connections, there are economic arguments to secure employment areas and the town centres, because at the very least, they will be less attractive to business investment and expansion if other employment areas are connected, and it may be over time,

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they are under-occupied as businesses move elsewhere. From the point of view of the Council's own income, more business rate income will be secured from having fit for purpose employment estate and town centre offers.

- 4.4. The urban and rural residential areas not planned to be connected are generally small scale areas with relatively few people living in each. They will also contain business premises or people who work from home.

### **5. CONSULTATION AND CUSTOMER IMPACT**

- 5.1. The Council is aware of demand from individuals and businesses in various parts of the Borough for better broadband connectivity

### **6. POLICY IMPLICATIONS**

- 6.1 The Council's objective of securing "higher density, higher quality" jobs will clearly be assisted by better broadband connectivity

### **7. FINANCIAL RESOURCE IMPLICATIONS**

- 7.1. There is no provision within the capital programme for this expenditure, and any provision will have to be financed from borrowing.
- 7.2. For this reason, and in view of the other pressures that are covered in the medium term financial prospects report, it is not recommended that the full amount of the County Council's proposal be met.
- 7.3. Before funds are finally committed the full cost of funding and an assessment of other potential priorities be undertaken.

### **8. RISK MANAGEMENT**

- 8.1 Not investing in broadband connectivity would run the risk that the attractiveness of the town centre and existing employment estates would suffer, with a consequent detrimental impact on employment in the Borough, and also on the Council's business rates growth.
- 8.2 Not evaluating this proposal against other potential proposals could result in under optimising value added.

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### **9. RECOMMENDATIONS**

That the Executive;

Make a provisional (in principle) offer to the County Council for a sum up to £225,000 (to be spread over three financial years starting in 2015-16) to support superfast broadband connectivity, on the basis that;

- a. it is match funded by the County Council (excluding BDUK contributions)
- b. the priorities for connectivity are, (in order)
  - i. Employment estates
  - ii. Kettering town centre
  - iii. Residential areas (the most cost effective clusters)
- c. the County Council will engage the Borough Council on the extent of connectivity and the prioritisation of areas, as information is ascertained, (subject to commercial confidentiality requirements).

Background Papers:

Various  
Presentation to CEX Group Jan 2014

Previous Reports:

None