

To: City Executive Board

Date: 5th December 2012

Report of: David Edwards, Executive Director Housing and Regeneration

Title of Report: Urban Broadband Fund (Phase Two) – Oxford Super Connected Cities Bid

Summary and Recommendations

Purpose of report: To inform the Board of the bid to Government for £5m from the Urban Broadband Fund (Phase 2) Super Connected Cities Programme and recommend that Council agrees the £300,000 capital commitment and £25,000 start-up costs if the bid is successful

Key decision? Yes

Executive lead member: Cllr Bob Price

Policy Framework: No

Recommendation(s):

- 1. To note the bid;**
- 2. That CEB recommend to Council a £300k capital commitment and £25k revenue and staff resource required if the bid is successful**
- 3. To delegate authority to David Edwards, Executive Director to lead on negotiations with Government on the bid as required.**
- 4. That CEB receive a further report if the bid is successful.**

Appendices to report

Appendix One – Full Copy of the Bid submitted on 17/09/12 to Broadband Delivery UK (BDUK – part of Government Department for Culture, Media and Sports)

Appendix Two – Additional Information provided to BDUK on 31/10/12

Appendix Three – Risk Register

Appendix Four – Equalities Impact Assessment

Introduction

- 1 Government, through Broadband Delivery UK (BDUK) invited 27 smaller cities to bid for a total of £50m as phase two of the Urban

Broadband Fund (UBF) for ultrafast (80mb/s +) broadband and wireless infrastructure, particularly business focused. Government has indicated that 10 bids will be successful. Oxford was one of the cities invited to bid.

- 2 This fund builds on the £100 million fund already available to support the round one, Regional cities, to create 'super-connected cities' across the UK.
- 3 The Oxfordshire LEP kindly agreed £20k funding from the Growing Places Fund (revenue) to support the development of the bid. Oxford City Council contributed a further £10k and consultants (Regeneris working with Mott MacDonald) were engaged to lead on technical elements and deriving wider economic and social benefits to support the business case submission.

The Bid

- 4 The bid is a joint bid with Oxford City Council as the lead working closely with Oxfordshire County Council to ensure that the bid complements the Oxfordshire Broadband Plan and builds on the vision and investment planned through the Oxonline project.
- 5 The full bid is attached as appendix one. A brief summary of the bid is as follows:
 - Builds on upgrades delivered through commercial upgrades in Oxford and any "white" (market failure) area investment through Oxonline.
 - Majority of spend is on Fibre to the Premise upgrade to city core and areas of business clusters, currently not getting or planned to be able to access ultrafast services.
 - Project will ensure Ultrafast broadband is available to 96% (up from 76%) of businesses and 89% (up from 84%) of residents.
 - Wireless solution is also planned for the city centre initially, as it is more commercially viable due to footfall, with plan to expand into wider parts of Oxford through working closely with eventual telecoms partner.
 - Business support aspect is integral to project to ensure businesses realise benefit and support start-ups – this is expected to integrate into the Oxonline and LEP lead projects to ensure consistency and efficiencies are realised.
 - Bid is supported by the Universities and includes a proposal to develop an International Hub for Online Learning, in partnership with the wide range of education bodies in the City.
 - There is a very strong economic case for the bid with ultrafast broadband conservatively delivering £56m gross value added for business, and the private sector will be able to operate the network and generate sufficient revenue to make it operationally viable. The total capital cost is c£5.2m with private sector funding of £230k (based on BDUK modelling).

- The bid was strengthened by commitments to the capital side of the bid totalling £750k from the City Council (£300k), County Council (£150k) and the LEP (£300k).
- 6 The bid was submitted on 17th September and offered two funding options to BDUK – the base bid as described above with a contribution of £4.25m from BDUK or extended coverage with a contribution of £5m from BDUK.
 - 7 A letter was received from BDUK on 19th October 2012 requesting additional information on areas of the bid including economic impact, risks and state aid. Our response is attached as appendix two.

Procurement and Delivery

- 8 Successful bids will be announced in the Autumn Statement on 5th December 2012.
- 9 The City Council, County Council and LEP have been asked to support set up and management costs (£25k each). This will be needed to cover legal, State Aid, advisory and procurement costs at the initial stage.
- 10 Proposed project plan gives target to start project in April 2013 and finish BDUK infrastructure spend element by March 2014 as required by BDUK. The business support element will carry onto 2015.
- 11 Initial contact has been received from the assessment team at BDUK who have request further clarification on aspects of the bid including risk and state aid.
- 12 The work to date has generated strong interest in Oxford by potential telecoms investors. Therefore, even if not successful with UBF funding it provides a foundation to attract potential private investment into the city region to deliver ultrafast and wireless services.

Risk

- 13 The risk register including the risk management strategy and main strategic risks associated with the project and the counter measures in place to address them are set out in appendix 3

Climate Change and Environmental Impact

- 14 Ultrafast Broadband and fast wireless connectivity can have a positive impact on CO₂ emission reduction through changing the way we work. For example, through reducing the need for people to travel to work and travel to meetings as the broadband speeds will enable people to work smarter and use facilities such as free video conferencing and VOIP telephone services negating the need to travel. Large size data

transfer will also reduce the need for data to be moved on disks or hardware by road.

- 15 If the bid is successful then procurement will be carried out under Oxford City Council's strict procurement procedures and policies. These meet strategic objectives that include supporting our sustainability, environmental and diversity policies
- 16 Oxford City Council has a good track record of working with the telecommunications industry to provide advice on the installation of equipment. The City Council published a Telecommunications Supplementary Planning Document (SPD) which was adopted by the Council on the 3 September 2007. This SPD sets out guidance for developing telecommunications networks across the City. It aims to promote good practice and design for telecommunications equipment for new development. The advice seeks to balance environmental, visual, amenity and health concerns with the future development needs of the mobile technology networks.

Equalities Impact

- 17 An initial equalities impact assessment is attached as appendix 4

Financial Implications for the City Council

- 18 If the bid is successful the City Council has indicated a financial and resource commitment as follows:
 - £300,000 capital funding
 - £25,000 revenue funding towards set up and management costs
 - Staff time to lead the governance and management of the project

Financial Commitment from Partners

- 19 It should be noted that other funding committed to this bid if it is successful is as follows:
 - £300,000 capital funding (in the form of a grant) from the Oxfordshire Local Enterprise Partnership
 - £25,000 grant from the Local Enterprise Partnership towards set up and management costs
 - £150,000 capital funding from Oxfordshire County Council
 - £25,000 revenue funding towards set up and management costs
 - Staff time to be involved in the governance and management of the project
- 20 Private sector investment calculated as being levered in through the public sector investment of £230k if Government provides funding of £4.25m or £540k if Government provides funding of £5m.

Total Funding and Potential Investment into the City

- 21 Paragraphs 5 and 6 outline the details of the bid and the two options for funding that were presented in the bid. Full outline of the capital funding totals with an allocation of £5m from Government is summarised as follows:

Key Financial Information (Capital)			
	Fibre to the Cabinet	Wireless	Total
Partner Contributions (City, County and LEP)	£750,000	£0	£750,000
Government – Super Connected Cities Allocation	£4,609,000	£391,000	£5,000,000
Private Capital Investment	£540,000	£0	£540,000
TOTAL	£5,899,000	£391,000	£6,290,000

- 22 As illustrated, if the bid is successful a total investment of £6.3 million will be brought into the City.

Legal Implications

- 23 If the bid is successful we will be committed to the Open tender process; our in-house procurement team will oversee an OJEU compliant tender process. Appropriate contracts will be drawn up with selected providers.
- 24 State Aid clearance will be required and section F of the attached bid gives full details.
- 25 We have closely examined the recent Birmingham State Aid clearance for their city-based broadband scheme and plan to progress along the same lines. To quote from the Birmingham State Aid approval: “The new infrastructure will be able to provide genuine ultra-fast services (i.e. 100Mbps, 1Gbps, etc) at an affordable price which is not currently provided by the market. End users will benefit from fibre to the premise and will be served by service providers offering download speeds far in excess of those available in the market today. The infrastructure will be a genuinely 'open access' NGA network offering operators and service providers' access to a full portfolio of wholesale services including ducts, dark fibre, wavelength, ethernet and co-location services.” Our plans align exactly with this position.
- 26 Our team of advisors supported Birmingham City Council in its application for State Aid clearance and have worked with us to ensure our emergent plans align with the approval granted. The planning and processes deployed in the bid match the work undertaken in preparation of the Digital Birmingham initiative. The City Council's in-house legal team have been involved in the process and are preparing to embark upon securing a formal State Aid clearance once BDUK have indicated their support for our plans. The position is being continuously monitored, and in the event that specialist legal advice of this nature is required at any stage, the Council will obtain it.

- 27 It should be noted that on Monday 22nd October 2012, BT and Virgin Media announced that they will be launching a legal challenge to the State Aid clearance given to Birmingham. It is unclear at the time of writing this report how long the challenge will take and the impact of the challenge. We will be keeping a close eye on how this develops.
- 28 Our response to Government dated 31st October (appendix 2) illustrates our commitment to be flexible in how we focus and deliver the project to minimise issues around State Aid. We have also made contact with other areas to learn lessons from them and have offered to host a workshop of successful cities with BDUK to explore joint working on implementation issues including State Aid.

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List of background papers:
Version number: 1.3

Appendix One – Bid submitted to BDUK

The full bid submitted to BDUK is attached separately.

Appendix Two – Additional Information supplied to BDUK

The additional information response to BDUK submitted on 31st October is attached separately.

Appendix Three - Risk Management Strategy

The main strategic risks associated with the project and the counter measures in place to address them are set out below.

Main Risks and Counter Measures	
Main Risk	Counter Measures
Design Risks	
Ultrafast broadband overtaken by other advances in technology; requirements for network capacity increase due to developments in technology and applications.	Future proofing to provide capacity and extend services will be built into our procurement objectives. This risk is limited as fibre is a long term tried and tested step-change in technology.
Development Risks	
Failure/delay in obtaining state aid notification.	Plans are being made to secure State Aid approval from the EC building upon the recent Birmingham State Aid approval.
Legal challenge from unsuccessful bidders delays the programme.	A robust procurement strategy is being prepared, backed by legal advice and support from with Oxford City Council.
Implementation Risks	
Disagreements among partners leads to delays in delivery.	The governance structure is clearly set out and a core set of partners will be engaged formally and early in the process to ensure differences of focus are addressed.
Failure to attract a suitably qualified broadband supplier or business support provider.	Early market engagement is now taking place and lessons will be learnt from other partnerships proceeding in advance of us to minimise this risk.
Unable to achieve sufficient private sector investment.	We will continue to collate evidence on demand and develop the business support component of our initiative to provide comfort on likely level of uptake.
Costs of delivery of infrastructure increase.	Robust analysis to accurately forecast costs and develop realistic objectives has been undertaken. The competitive dialogue process will insulate Oxford City Council from cost over-runs.
Delivery by private sector does not meet standard or expectations.	Strong contract management, close contact with suppliers. KPIs and performance standards will be built into the contract.
Planning permission/way leaves leads to delays in delivery on the ground.	Strong commitment to roll out programme from Oxford City Council and Oxfordshire County Council to ensure coordination and compliance. There is a Telecommunications SPD that sets out relevant guidance.
Delivery costs exceed available budget due to unforeseen challenges.	Clear expectations set out in contracts, robust contract management, and phased delivery.
Delay in roll out of infrastructure.	Milestones will be integral to contracts and monitored closely through contract management.
Limited supplier capacity lead to delays.	Early market engagement will ensure supplier anticipation is progressively built.
Demand & Impact Risks	
Take up lower than anticipated, may impact upon income generation for supplier and economic benefits to businesses.	Demand stimulation measures will be built into business support services.
Ultrafast broadband benefits lower than projected for businesses, affecting anticipated business performance impacts and discouraging take up.	The business support offer will be designed to ensure broadband is central to driving up ICT use in businesses.
Termination risks	
Network operation is discontinued at the end of the project.	The gap funding model ensures that funded infrastructure becomes part of a commercial operation.

Potential for Risk Transfer

Risk transfer is central to the approach to procuring the required services. The principle is that risk will be passed to the party most appropriate to

managing it. For the supply of the ultrafast broadband network infrastructure, risks are apportioned as follows:

Potential for Risk Transfer				
Risk Category	Potential allocation			Notes
	Public	Private	Shared	
1. Design risk		X		Network supplier will bear design, construction, performance and operating risks. Procurement is designed to test capabilities and capacity.
2. Construction and development risk		X		
3. Transition and implementation risk		X		
4. Availability and performance risk		X		
5. Operating risk		X		
6. Implementation risk		X		Contract to be formulated to specify infrastructure deliverable and milestones directly linked to payments
7. Variability of revenue risks			X	Contracts to include clawback and gainshare mechanisms to minimise risk to public sector
8. Termination risks			X	
9. Technology and obsolescence risks		X		Asset to be owned by contractor, addressing risk attached to technological obsolescence and residual value
10. Residual value risks		X		
11. Financing risks			X	Forward planning by Oxford City Council ensures that risks to public sector & contractor are minimised
12. Legislative risks			X	

Appendix Four – Equalities Impact Assessment

The Initial Equalities Impact Assessment is attached separately. This has been completed with advice from Jarlath Brine, Equalities & Diversity Business Partner.