

**CONNECTING CAMBRIDGESHIRE SUPERFAST BROADBAND  
CONTRACT EXTENSION**

*To:* **General Purposes Committee**

*Meeting Date:* **14 July 2020**

*From:* **Executive Director: Place & Economy**

*Electoral division(s):* **All**

*Forward Plan ref:* **2020/041**                      *Key decision:*      **Yes**

*Outcome:*                      **The increasing importance of digital connectivity for almost all aspects of 21<sup>st</sup> century living from economic activity through to community well-being has been both highlighted and accelerated by the Covid-19 pandemic. This has required many Cambridgeshire and Peterborough businesses and communities to work, communicate and live in very different ways almost overnight, with digital connectivity underpinning many of these changes.**

**Extending the existing Superfast Broadband contract with an additional phase of full fibre rollout and undertaking a business support programme on behalf of the Cambridgeshire and Peterborough Combined Authority will ensure more homes and businesses in Cambridgeshire have access to leading edge technology and digital connectivity.**

*Recommendation:*      **The General Purposes Committee is recommended to:**

- a) **Approve the proposed extension to the Superfast Broadband (SFBB) contract with further expenditure of up to £2.6m subject to the funding mechanisms described.**
- b) **Approve the proposal to submit a full application to the European Regional Development Fund (ERDF) for which the County Council is the accountable body. This includes provision for £725k funding to support the SFBB contract extension and £500k towards the delivery of a business support project on behalf of the Cambridgeshire and Peterborough Combined Authority.**
- c) **Approve the use of £1.875m from the Superfast Broadband “clawback” investment fund to support the proposed contract extension, subject to confirmation of approval to proceed from the Department for Digital, Culture, Media and Sport (DCMS).**
- d) **In the event of a successful ERDF bid and confirmation of approval for the use of clawback funding from DCMS, approve the use of prudential borrowing, if required, to provide interim funding for the SFBB contract extension in advance of the clawback investment fund maturing in 2023.**
- e) **Delegate to the Executive Director for Place and Economy, in consultation with the Chairman of General Purposes Committee, contract negotiations and final sign-off for a change control agreement to the existing SFBB contract to incorporate a further phase of rollout.**

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## **1. BACKGROUND**

- 1.1. The Connecting Cambridgeshire programme was set up by the County Council in 2011, with an initial remit to extend the superfast broadband coverage for homes and businesses, which rapidly broadened to encompass other aspects of digital connectivity.
- 1.2. The Connecting Cambridgeshire programme has multiple strands, however the focus of this report is on the superfast broadband (SFBB) rollout. To date the SFBB rollout has extended access to superfast broadband to around 120,000 homes and businesses across Cambridgeshire and Peterborough that would not have been able to get it otherwise. Combined with commercial coverage, the SFBB rollout has brought high speed Internet access of at least 24Mbps to just under 98% of premises across the county.
- 1.3. From being well behind the national average at the start of the programme, the area is now just above the national average, and currently remains ahead of Government targets. Cambridgeshire and Peterborough have some of the highest take-up of SFBB services in the country - at over 70% for Superfast (FTTC) and over 30% for Fibre to the Premises (FTTP) services.
- 1.4. A fourth phase of the SFBB rollout is currently underway, mainly targeting hard to reach rural premises, aiming to achieve 99% superfast coverage by the end of 2020 (subject to the impact of the Covid-19 outbreak).
- 1.5. The initial SFBB rollout incorporated a mix of fibre and copper based technology, however with the increasing reliance on full fibre services, all delivery in the last and any future phases of the contract is solely based on full fibre technology, known as Fibre to the Premise (FTTP).
- 1.6. Following a full procurement process, the Council first signed a gap funding contract with BT/Openreach in 2013. This has been extended over multiple phases and after a further procurement a second contract was signed with BT/Openreach to deliver the fourth phase of deployment. This proposal involves executing a change control to extend the SFBB Phase 4 contract.

## **2. MAIN ISSUES**

### **2.1. “Clawback” investment pot**

The 2013 Superfast broadband (SFBB) contract has a clawback clause which means BT/Openreach are required to pay into a joint investment pot where profits are higher than contractually anticipated. The investment pot is ring-fenced for supporting digital infrastructure roll-out until a certain period after completion of the contract, currently anticipated during the financial year 2023/4.

- 2.1.1. As Government contributed funding to the original contract, they also have a 38% share of the investment pot, which is due to mature in the financial year 2023/4. Take-up of Superfast services has been consistently high and continues to increase, so the investment pot has continued to grow and has already provided significant funding for Phases 3 and 4 of the rollout which has also been supplemented by EU and other Government funding sources.
- 2.1.2. It is estimated that when it matures the total investment pot could reach £14m, of which £8.9m has already been committed to support Phases 3 and 4. This proposal for an extension to Phase 4 will commit a further £1.87m of the investment pot. The proposed extension to the Phase 4 contract is capped at a total of £2.6m because that is the headroom available for contractual variation, based on the contract sum specified during the procurement and it is consistent with the available state aid exemption headroom as part of the Government's operation of the state aid notification from 2016.
- 2.1.3. As the homes and businesses which will be included in this phase include some of the hardest to reach premises the level of public funding could reach the current de facto threshold of up to £7000, but in some cases it is expected to be lower. Exact numbers will not be known until modelling is undertaken as part of a formal change request, however it is anticipated that this additional phase could deploy full fibre to around 350-500 of the hardest to reach premises which would otherwise not covered by commercial deployment.
- 2.1.4. Cambridgeshire County Council is the accountable body for the BT/Openreach contract and the investment pot, acting on behalf of Peterborough City Council in the management and execution of all aspects of SFBB delivery. In line with previous phases of the contract, the geographic scope for the proposed extension will cover both Cambridgeshire and Peterborough. Following confirmation from DCMS regarding use of clawback, a successful ERDF bid and confirmation of continuing joint investment from BT/Openreach, any prudential borrowing required to forward fund the contract extension in advance of the investment pot maturing will be undertaken by Cambridgeshire County Council on behalf of both Councils. Any interest or charges with respect to the prudential borrowing will be repaid in full to the County Council on maturity of the investment pot, in advance of any onward distribution of the remaining balances. Although the scope of the programme has been broadened and supplemented with additional funding sources in addition to the clawback investment pot, the Council's net investment of up to £20m funding for Connecting Cambridgeshire remains as it was set in 2011, when the programme was initially established.

## **2.2. European Regional Development Fund (ERDF) application**

Following submission of an outline application for the proposed SFBB Phase 4 extension, the Ministry of Housing, Communities and Local Government (MHCLG), the body with UK oversight of the ERDF fund, have issued an invitation for the Council to complete a full application. This application must be submitted by the end of July 2020 at the latest to comply with funding cut-off dates.

- 2.2.1. The full application will include two elements: a contribution of £725,000 to support the proposed SFBB Phase 4 extension; and a contribution of £500,000 to a business support programme which will be matched with Cambridgeshire and Peterborough Combined Authority (CPCA) funds. The County Council will act as the accountable body for the total

funding request (£1.25m) but will not be required to make any direct financial contribution to the CPCA project. However as the accountable body and in line with the existing partnership agreement between the County Council and CPCA for the digital infrastructure programme delivery, the County Council will be responsible for the financial and delivery management risk in relation ERDF element of the project.

2.2.2. The aim of the CPCA business support project is to deliver a business grants scheme for small and medium sized businesses to help them transition to increased reliance on digital technology, to support increased productivity and help increase the resilience of the local economy to the economic consequences of the Covid-19 crisis.

2.2.3. This forms part of the “Keeping Everyone Connected” work stream which was approved by the CPCA’s Housing and Communities Committee on 22nd June. Link to report: [CPCA June Housing & Communities Committee Connecting Cambridgeshire Report](#)

### **2.3 Timescales and contract amendment**

The ERDF application has a cut-off date of end July 2020 and the state aid exemption requires any further contractual changes to be completed by December 2020. These timescales mean that there is some urgency in proceeding with a change control request.

BT/Openreach are not contractually bound to agree to a contract extension and the gap funded nature of the arrangement means that any extension will require them to make further investment too, however they have confirmed that they are willing to participate in at least the initial stages of contract negotiation for a further phase. It is likely that any follow on phase will result in the overall SFBB delivery completion being pushed out to at least the latter half of 2022.

### **2.4 Government’s Full Fibre policy**

The UK Government has an existing target of reaching 100% of premises with “gigabit capable” digital infrastructure by 2025 and it has confirmed that around 20% of premises (known as the “F20”) are unlikely to be covered by commercial deployment and will therefore require some form of public subsidy. The Department for Digital, Culture, Media and Sport (DCMS) are currently working on proposals for an “Outside In” programme to support full fibre rollout to the F20, however detailed plans are not expected before autumn this year. As it is currently not clear when the F20 deployments will start, DCMS have indicated that they are supportive of extensions for SFBB contracts to be undertaken where possible in order to maintain the pace of full fibre deployments across the country. DCMS have confirmed that the proposed Phase 4 extension is consistent with their full fibre strategy.

## **3. ALIGNMENT WITH CORPORATE PRIORITIES**

### **3.1 A good quality of life for everyone**

The report above outlines the implications for this priority in the Outcomes paragraph above.

### **3.2 Thriving places for people to live**

The report above outlines the implications for this priority in the Outcomes paragraph above.

### **3.3 The best start for Cambridgeshire's children**

Digital connectivity is a necessary precondition for digital inclusion and is vital to children's education.

### **3.4 Net zero carbon emissions for Cambridgeshire by 2050**

Digital connectivity supports home and remote working and aids the reduction of carbon emissions from travelling for work.

## **4. SIGNIFICANT IMPLICATIONS**

### **4.1 Resource Implications**

The report above sets out details of significant implications in Section 2.1 above.

### **4.2 Procurement/Contractual/Council Contract Procedure Rules Implications**

The report above sets out details of significant implications in Section 2.3 above

### **4.3 Statutory, Legal and Risk Implications**

The risk management implications are set out in paragraph 2.21 above.

The SFBB contract extension must conform to the UK's state aid regulations and will be subject to sign off from DCMS as overseeing body for the UK Broadband scheme for 2016-2020.

### **4.4 Equality and Diversity Implications**

There are no significant implications within this category.

### **4.5 Engagement and Communications Implications**

There are no significant implications within this category.

### **4.6 Localism and Local Member Involvement**

There are no significant implications within this category.

### **4.7 Public Health Implications**

There are no significant implications within this category.

<b>Implications</b>	<b>Officer Clearance</b>
<b>Have the resource implications been cleared by Finance?</b>	Yes Sarah Heywood
<b>Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?</b>	Yes Gus de Silva
<b>Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law?</b>	Yes Fiona McMillan
<b>Have the equality and diversity implications been cleared by your Service Contact?</b>	No
<b>Have any engagement and communication implications been cleared by Communications?</b>	No
<b>Have any localism and Local Member involvement issues been cleared by your Service Contact?</b>	No
<b>Have any Public Health implications been cleared by Public Health</b>	No

<b>Source Documents</b>	<b>Location</b>
Cambridgeshire and Peterborough Combined Authority Housing Committee report June 2020: Connecting Cambridgeshire UP Update	<a href="#">CPCA Housing Committee June 2020 reports</a>