Report To: STRATEGIC PLANNING AND CAPITAL MONITORING PANEL

Date: 18 November 2013

Reporting Officer: Damien Bourke - Assistant Executive Director – (Sustainable Growth)

Subject: GREATER MANCHESTER BROADBAND

Report Summary: This report sets out the proposed financial and governance arrangements as they pertain to the ERDF rural broadband programme in Greater Manchester. This programme will allow for connectivity to over 400 SMEs in Tameside in return for a contribution to the ERDF match of £312k.

Recommendations: To recommend to Executive Cabinet that authority is given to:

1. Agree to fund £312,500 as an equal contribution to the Match Funding, subject to the other 7 AGMA authorities agreeing to contribute identical amounts and subject to obtaining external funding.

2. That the Borough Solicitor be authorised to enter into any relevant legal agreements and make any necessary decisions to implement the scheme as identified in the report.

Links to Community Strategy: Broadband connectivity is crucial for businesses and communities – this programme to connect SMEs will enhance competitiveness of our business base. This is linked to Prosperous Tameside theme.

Policy Implications: Connecting businesses to high speed broadband is strongly linked to business performance and creation of jobs. Links to Economic Strategy.

Financial Implications: The Funding of £312,500 needs to be approved to be funded and included within the Capital Programme.

Legal Implications: These are set out in the report.

Risk Management: Stockport Council are leading the tendering of the process and acting as lead authority on this project. We will be asked to sign a partnering agreement – committing to provision of a portion of the required grant match.
Access to Information: The background papers can be obtained from the author of the report, Damien Bourke – Assistant Executive Director, Sustainable Growth by

☎ Telephone: 0161 342 3544
✉ e-mail: damien.bourke@tameside.gov.uk
1. **MATTER FOR CONSIDERATION**

1.1 This report provides an update on Greater Manchester’s revised approach to delivering the GM Broadband Programme, with a particular focus on the roll-out of broadband infrastructure across Bolton, Bury, Oldham, Rochdale, Stockport, Tameside, Trafford and Wigan and the requirement to approve match funds in order to secure ERDF and BDUK investment.

1.2 Broadband Delivery UK (BDUK) is part of the Department for Culture Media and Sport (DCMS) and is responsible for managing the programme for the roll out of high-speed broadband.

1.3 This matter was considered at the AGMA Executive Board on the 25 October 2013 and provides an update on Manchester and Salford’s Urban Broadband Fund award as well as an overview of the GM-wide demand stimulation work that is underway to ensure that businesses and residents are aware of, and able to benefit from increased broadband speeds and associated digital growth opportunities.

2. **INFORMATION**

2.1 The Greater Manchester Broadband Plan sets out how superfast and ultrafast broadband services will be delivered to both the residential and business markets, focusing on our principal town centres and employment sites. Greater Manchester’s ambition is to become one of the world’s top 20 digital cities by 2020. Greater Manchester’s Local Broadband Plan (LBP) and ERDF (European Regional Development Fund) application complements Manchester’s and Salford’s Urban Broadband Fund (UBF) awards to deliver a solution for the whole of Greater Manchester by ensuring that the provision of superfast broadband (defined as providing more than 30Mb/s) and ultrafast (defined as providing more than 80Mb/s) broadband goes wider, deeper, and faster than would otherwise be provided by the market without intervention and within the constraints of public funded initiatives.

2.2 An assessment has been undertaken on which areas within the Borough will be provided with coverage by commercial providers using their own funds and which areas will not. The areas that are not covered have been targeted for public sector intervention to ensure that there is greater coverage across the Borough. The public sector is only allowed to intervene in areas where there is demonstrably no current or planned investment in broadband infrastructure within the next three years.

*Rural Programme Update*

2.3 Faster Broadband continues to transform the way that people do business but it is not always economically viable for private sector companies to invest in broadband infrastructure in areas that are considered to be harder to reach. Therefore, the ‘rural’ programme focuses on using government funding to stimulate private sector investment in broadband and ensure that the benefits of improved broadband infrastructure reach areas where it may not be commercially viable to install it.

2.4 Using the latest data, it has been estimated that the rural infrastructure roll-out planned under this scheme will provide more than 40,000 premises with the opportunity to access a superfast fibre network. This will increase superfast coverage across the 8 Greater Manchester districts to circa 99%.

2.5 In areas such as principal Town Centres and key employment sites across the Greater Manchester region (which tend to be poorly connected due to the presence of exchange only lines) the investment will see coverage increase in some areas from no superfast coverage whatsoever up to at least 70% and, in some instances, as high as 95%.
2.6 The planned broadband investment will ensure that businesses in priority growth areas are able to benefit from the opportunities associated with existing and emerging broadband infrastructure and digital technology, providing a major boost to the local economy, generating economic growth, new jobs and attracting new business investment.

2.7 A recent economic impact study estimates that an investment in the region of £14 million will deliver more than £80 million in Gross Value Added (a common Government measure of economic growth) for the Greater Manchester economy, will create more than 510 new jobs and will offer a £5.70 return on every £1 spent.

2.8 The benefit to Tameside is expected to be an increase of productivity through enhanced business performance, new start businesses and flexible working. Investment in Tameside’s priority areas is expected to enable an additional 400 SME’s to receive access to the fibre network, substantially raising superfast broadband coverage for SME’s in Tameside.

2.9 In order to maximise coverage and economic impact BDUK have recently agreed to inject a further £2 million into the programme (bringing the total BDUK contribution to £2.99 million). This additional contribution will not only increase overall infrastructure coverage, but will also extend the programme by another year. This will ensure that greater coverage is provided within the Region as it will allow ERDF funds to be defrayed by the September 2015 deadline, whilst continuing further infrastructure build funded by the Preferred Bidder’s contribution (into 2016).

2.10 Prior to securing the additional funding from BDUK, initial analysis undertaken by the Preferred Bidder estimated that, given the ERDF eligibility and timing constraints, a build programme of only c. £7.7 million (including a £2.5 million contribution from the eight Greater Manchester Authorities involved) would be achievable, providing superfast infrastructure to c.24,000 premises across the districts would be achievable.

2.11 The additional funding from BDUK, however, will also leverage additional private sector investment, and result in a programme in the region of £14.5m, providing infrastructure to c.40,000 premises across the districts. This shows that public sector funding will stimulate private sector investment to ensure that there is greater and faster broadband coverage in the Region than without our intervention.

2.12 A GM match fund contribution of £2.5 million will still be required to support the expanded programme and is one of the conditions associated with securing the additional £2 million from BDUK.

2.13 The additional funding from BDUK, will also result in a similar uplift in private sector match, leveraging a far better outcome for Greater Manchester (with a programme c. £14.5 million as opposed to £7.7 million) whilst maintaining the required GM match at £2.5 million.

2.14 In order to ensure the investment is targeted at areas that present the biggest economic growth opportunities, a list of priority areas has been drawn up in conjunction with each of the 8 Local Authorities. Tameside’s priority areas are in Town centres and established employment locations where superfast infrastructure is known to be inadequate.

2.15 Supporting the growth and development of these types of areas is a strategic economic priority for Greater Manchester, as they are the location of the bulk of the Region’s SMEs, and have the greatest potential to drive economic growth.

2.16 Under the current programme, these areas have been flagged as ‘priority areas’, ensuring that they are given priority consideration for inclusion in the scheme (subject to meeting value for money and coverage criteria set out by BDUK as part of the funding conditions and State Aid assurance process).
2.17 Superfast coverage in areas that have been identified as priority sites across AGMA is currently very poor and in some cases (such as Bury Town Centre) non-existent. Whilst future coverage of the identified priority sites cannot be confirmed until the final bid submission is received on 25 October, the Preferred Bidder has indicated that coverage of the priority areas will increase to at least 70% with some areas increasing to as high as 95% (although specific areas cannot be named as of yet due to commercially sensitive information).

2.18 Given that the benefits associated with increased coverage will reach across all 8 districts, it is proposed that the £2.5 million GM contribution is split equally between the eight authorities. This means that each of the authorities would contribute £312,500 capital to the scheme. If agreed this would be added to the Council’s capital programme by the Executive as part of its ‘Investing in Stockport’ approach and financed accordingly.

2.19 It should be noted that the investment is intended to increase the competitiveness of all of the GM boroughs as places to do business. It should also be recognised that where there are particular concentrations of businesses that would be advantaged (for example in and around Trafford Park), that the resulting benefit is one for the City Region as a whole.

2.20 As part of the on-going procurement process, the Preferred Bidder is currently undertaking a detailed modelling exercise which will confirm coverage targets, high-level roll-out plans, as well as their proposed match fund contribution.

2.21 The procurement process remains on track. Transport for Greater Manchester is continuing the competitive dialogue phase of the tender process with the Preferred Bidder who is the remaining sole tenderer. Upon receipt of the final bid from the Preferred Bidder, the bid will be scored against the defined evaluation criteria and a decision made with regards to awarding a contract. As part of the funding assurance process, BDUK will also undertake a full review of the Preferred Bidder’s submission, benchmarking the outputs and costs against other infrastructure roll-outs across the UK and ensuring a value for money outcome is secured for Greater Manchester. A recommendation will be made to the GM Broadband Programme Board for formal approval to proceed with an award of contract mid-November.

**Contractual Arrangements**

2.22 To progress with the scheme across 8 authorities, it is necessary for a Lead Authority to enter into the following agreements:

a. A Contract with the Preferred Bidder to provide the Broadband roll out Programme in accordance with the tender documentation.

b. Grant Agreements with BDUK and DCLG to obtain grant funding on behalf of all 8 Authorities.

c. A Project Management Delivery Agreement with Transport for Greater Manchester to project-manage the procurement and roll out of the infrastructure programme across the authorities from procurement to full roll-out. This will also provide cross-indemnities with regard to the obligations under the Grant Funding Agreement. In addition it will allow certain project resource costs to be funded by ERDF as soon as the grant funding agreement is in place.

d. A Partnership Agreement to ensure that the benefits and liabilities of the grant funding and the Contracts are shared between the 8 participating authorities.

2.23 Stockport Council have been requested to take the role of Lead District and will therefore sign the supplier contract and enter into the grant agreements with BDUK and DCLG on behalf of the other 7 AGMA authorities that will benefit from the funding.
2.24 In order to apply for ERDF grant funding, DCLG have requested a letter from the Lead Authority to guarantee the required GM contribution of £2.5 million. Therefore all of the relevant authorities have been requested to confirm their contribution to the match funding to release the grant monies to deliver this project.

**Timetable**

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<thead>
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<th>Event</th>
<th>Date</th>
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<tr>
<td>Final Bid Submission back from Preferred Supplier</td>
<td>25 October</td>
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<tr>
<td>Tender Evaluation</td>
<td>28 October – 1 November</td>
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<td>Supplier recommendation report issued to Stockport (Lead District)</td>
<td>4 November</td>
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<td>Supplier recommendation signed off by Head of Procurement (TfGM)</td>
<td>6 November</td>
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<td>BDUK Assurance Board</td>
<td>14 November</td>
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<td>Stockport Executive sign-off</td>
<td>12 November</td>
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<td>GM Broadband Programme Board sign-off</td>
<td>18 November</td>
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<td>Contract Signature</td>
<td>19 November</td>
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<tr>
<td>Detailed survey and planning</td>
<td>December 2013 – June 2014 (TBC)</td>
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<tr>
<td>Build programme</td>
<td>June 2014 – March 2016 (TBC)</td>
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**Risks**

2.25 The Lead Authority will have to comply with the conditions and guarantees provided for in the Grant Agreement. This Agreement provides conditions relating to:

a. Use of the funds for grant purposes and comply with the Grant Conditions.
b. To comply with the grant programme.
c. To provide monitoring reports and keep appropriate records.
d. The Section 151 officer putting appropriate professional arrangements in place to manage the Grant and report expenditure.
e. Ensure lawful conduct, procurement process and compliance with State Aid rules throughout the project.
f. Provide appropriate insurance coverage in place in connection with the Grant.

2.26 The Lead Authority will therefore enter into a separate agreement with TfGM who have extensive experience of delivering similar infrastructure projects to provide the necessary support and assurances under the contract.

2.27 The other Councils will enter into a Partnering Agreement with the Lead District to ensure that each local authority share the liabilities and benefits of the Contracts and funding agreements.

2.28 TfGM will continue to be responsible for the procurement and day-to-day project management of the infrastructure programme with each authority having to allocate an internal resource to assist in the roll-out of the program in their area.

2.29 The final contracts will not be entered into until all the decisions have been confirmed with regard to the levels of external funding.

3. **RECOMMENDATION**

3.1 The Strategic Planning and Capital Monitoring Panel is asked to make any comments or recommendations to the Executive on the report.

3.2 Subject to the comments of the Panel, Executive Cabinet will be asked to:
• Agree to fund £312,500 as an equal contribution to the Match Funding, subject to the other 7 AGMA authorities agreeing to contribute identical amounts and subject to obtaining external funding.
• To delegate to the Borough Solicitor the ability to enter into any relevant legal agreements and make any necessary decisions to implement the scheme as identified in the report.