



Committee and Date

Cabinet

27th July 2016

CONNECTING SHROPSHIRE PHASE 2 PROCUREMENT STRATEGY

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1. Summary

The report sets out the recommended procurement approach for Phase 2b of the Connecting Shropshire Programme which is in line with the recent Broadband Strategy that was approved at Cabinet on 13th July 2016.

2. Recommendations

It is recommended that Cabinet:

- 2.1 Agree that Connecting Shropshire commences a formal OJEU 'open procurement' process defined as Phase 2b, as soon as practically possible, using the funding (£11.7m) and defined preferences (<15Mbps) as laid out in its recently adopted broadband strategy.
- 2.2 That the Director for Place and Enterprise, in consultation with the Deputy Leader and Portfolio Holder for Economic Growth are given authority to agree the OJEU tender specification and evaluation criteria that will meet with the broadband strategic objectives as defined in the Local Broadband Plan Shropshire for 2016-2020 approved by Cabinet on July 13th, 2016.
- 2.3 That a report on the outcome of the procurement process is prepared and presented back to cabinet to seek a decision on a contract award.

REPORT

3. Risk and Opportunities

- 3.1 The Open Market Review relies on the market providing an honest and balanced view of their current and projected commercial coverage area. The objective is to protect their commercial market from overbuild by a state-aided project. There is no contract obligation on the commercial provider to deliver 30Mbps to these projected areas. Connecting Shropshire will manage this risk by engaging and

encouraging suppliers to complete their commercial coverage by 2020. If the supplier market fails to deliver their projections there may be further premises without access to superfast broadband.

- 3.2 The aspiration to provide access to 30Mbps to all premises in the intervention area, with the funding that is available (£11.7m), will remain challenging.
- 3.3 There is a risk that some Suppliers may not be prepared to bid for the OJEU tender because the State Aid conditions may be deemed commercially unfavorable.
- 3.4 BDUK funding of £6.68m has been assured as available formally by the government. No formal funding agreement is yet in place for this funding.
- 3.5 An Open Procurement exercise will create some competitive tension which will potentially attract a more favorable supplier contribution than Phase 2.

4. Financial Implications

- 4.1 The Council has £11.7m of public funding for Phase 2b comprising £6.68m from Broadband Delivery UK, and £5.02m from the Marches LEP Local Growth Fund.
- 4.2 £110,880 annual base budget revenue funding remains in place to support the Connecting Shropshire programme office beyond September 2016. However, in addition to the base budget funding, phase 1 of the project has been reliant on contributions from the transformation and New Homes Bonus reserves and there is currently no commitment to maintain these contributions beyond 2016/17. A decision on use of these reserves to maintain support for the Broadband programme would need to be taken in light of the Council's financial strategy, assessing the use for this purpose against the council's other priorities and need to balance its budget.
- 4.3 Undertaking a further phase of contract delivery beyond Phase 1 and 2 is likely to incur revenue expenditure over and above the base budget available. A report will be prepared for Cabinet at the end of the Phase 2b procurement (estimated as winter 2016) to outline the revenue implications and how the revenue budget requirement will be met.

5. Background

- 5.1 Connecting Shropshire has laid out its aspirations for broadband delivery in the Local Broadband Plan reported to Cabinet on 13th July, 2016. The key aspirations are:
 - To provide all premises with access to Superfast Broadband (SFBB) by 2020
 - To prioritise coverage to those premises that are currently unable to access a speed of more than 15mbps.

- 5.2 As reported to Cabinet (20th May 2015), it was agreed to assess further opportunities with BT PLC following contract completion for Phase 2. Although both parties reviewed the options available to them, it was not possible to agree on a solution within the timescale. During the same time we commenced ‘soft market’ testing which indicated that there is now a favorable commercial opportunity to undertake an ‘open market’ OJEU procurement.
- 5.3 It was agreed in the report to Cabinet (13th July 2016) that Connecting Shropshire report back to Cabinet following the Open Market Review exercise that commenced in June 2016. Following initial assessments of the data received from those infrastructure providers that have formally responded, it is estimated that between 15,475 and 18,691 premises will not have access to 30Mbps by the end of 2020. 30 Mbps is defined by the EU as SFBB. Connecting Shropshire had previously estimated the premises gap of between 12k and 20k premises.
- 5.4 Formal Supplier engagement commenced on 15th July 2016. Initial indications suggest that there is commercial appetite to engage with the forthcoming procurement.

6. Conclusion

- 6.1 Connecting Shropshire has defined a strategy that sets out the local aspirations for ubiquitous broadband access and meets the Government’s current broadband commitments.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) 20-05-2015 Cabinet – Connecting Shropshire Phase 2 13-07-2016 Cabinet – Connecting Shropshire Broadband Strategy	
Cabinet Member (Portfolio Holder) Cllr Steve Charmley – Deputy Leader	
Local Member All members	
Appendices	
<u>Glossary</u>	
B DUK	Broadband Delivery UK
B T PLC	British Telecommunications
L EP	Local Enterprise Partnership
M BPS	Megabits Per second
O JEU	Official Journal of the European Union
O MR	Open Market Review
S FBB	Superfast Broadband – Defined as 24Mbps in UK, 30Mbps in EU

