

<b>Meeting:</b>	<b>Cabinet member economy and corporate services</b>
<b>Meeting date:</b>	<b>Tuesday, 12 September 2017</b>
<b>Title of report:</b>	<b>European Agricultural Fund for Rural Development Bid Submission and Fastershire Broadband Strategy 2017 Update</b>
<b>Report by:</b>	<b>Operational manager</b>

## **Classification**

Open

## **Decision type**

Key

This is a key decision because it is likely to be significant having regard to: the strategic nature of the decision; and / or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards) affected.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

## **Wards affected**

(All Wards);

## **Purpose and summary**

To agree the submission of a bid to the Rural Payments Agency (RPA) for European Agricultural Fund for Rural Development (EAFRD) funding and if successful to agree to act as accountable body for the funding; and to seek the endorsement of the 2017 update of the Fastershire Broadband Strategy.

The recommendations will allow funding to enable additional broadband coverage for Herefordshire (and partner areas). This is in addition to already procured coverage to target cluster areas. The clusters have been identified based on the collections of premises that are not currently in plan and which are located within 2.5km of a business National Non Domestic Rates

(NNDR) eligible property).

The strategy update does not represent a change in direction or policy shift from that which was agreed by full council in December 2015. However, it is important that the strategy reflects the current status and the approaches which define Stage 4 for the community to determine where our activity fits within the grand scheme.

## **Recommendation(s)**

**That:**

- (a) the assistant director communities be authorised, following consultation with the chief finance officer, to submit a bid for EAFRD funding based on cluster prioritisation on behalf of Herefordshire Council, Gloucestershire County Council, Shropshire Council and Telford and Wrekin Council;**
- (b) subject to the bid being successful, Herefordshire Council to be the accountable and procuring body for the project with any resulting contract award(s) being subject to further decision ; and**
- (c) the Fastershire Broadband Strategy 2017 update (at appendix 1) be approved.**

## **Alternative options**

1. That one of the other council partners take the lead on a joint EAFRD bid. This is not recommended because the potential partners in this project do not have the same degree of procurement experience with regard to alternative Broadband procurement approaches. Whilst, the other partners would be capable of taking the reins, doing so risks delays in decision making and upskilling which would have a knock on impact on Herefordshire's ability to draw down funding before the UK exits the EU.
2. That the council goes ahead with an EAFRD bid on behalf of itself and Gloucestershire County Council (in line with the Fastershire partnership agreement between the two parties with Herefordshire Council as the lead partner) but without the involvement of Shropshire and Telford. This is not recommended because the project has evolved to date as a joint initiative between the councils that are partners to the Marches and Gloucestershire local enterprise partnerships (LEPs) in order to secure the funds that were allocated for Broadband from the European Structural and Investment Fund (ESIF) strategies. The RPA have recently announced that the funding will instead be allocated via a national call which in theory reduces the onus to stay true to LEP boundaries, but this would require further work to 'decouple' the relevant elements of the bid developed to date.
3. That the cluster prioritisation approach is rejected in favour of other methodology for instance selecting the largest clusters by premise volume or allowing the market to determine which mixture of clusters to bid for. This is not recommended as such an approach would make the value for money evaluation of competing bids difficult to assess fairly and may not lead to the areas with the greatest economic potential being targeted which is the focus of EAFRD funding.
4. Not to adopt the strategy update and retain the version agreed by both councils in 2015. This is not recommended as the original strategy attested that the document would remain

live and reflect as far as possible the prevailing position. Now is an opportune time to update the documentation based on the latest position.

## Key considerations

5. Herefordshire Council is working in partnership with Gloucestershire County Council on the Fastershire project. This project aims to improve the broadband network across the two counties to enable businesses, communities and individual households to benefit from faster broadband. The emphasis of the programme has always been to extend the reach of high speed broadband as deeply into rural areas as possible, as more populated areas have or are more likely to benefit from commercial delivery.
6. The project is working towards this aim by implementing the Fastershire Broadband Strategy which breaks the task into four stages. With the conclusion of the BT contract (Stage 2) and completion of the procurement exercises for Stage 3, the project is in a position to forecast the remaining gap of 6% Herefordshire and 3% Gloucestershire. More critically, it can identify the properties which are not yet able to access >30Mbps broadband or that are not planned to do so following the conclusion of Stage 3.
7. With this information the project can begin to deploy more granular solutions under the banner of Stage 4. This stage is needs led and will look to maximise alternative funding sources. It has embarked on this already with Herefordshire Council taking the lead on an ERDF funded business broadband grant scheme.
8. The next approach is to develop a sub-project that targets residual pockets of properties which are clustered to the degree that they could, given the required subsidy, present a viable market opportunity for an alternative provider to offer solutions to those areas. This 'viable clusters' approach will form the basis of a funding bid to the Rural Payments Agency for EAFRD funding.
9. The clusters have been identified based on the collections of premises that are not currently in plan and which are located within 2.5km of a business (NNDR eligible property).
10. These clusters will be ranked in order of priority based on the following criteria.

Criteria	Weighting	Source
Cluster Density (number of qualifying properties / KM2 of Cluster)	3	Fastershire Baseline
Existing Speed (Lowest % of qualifying properties with a >10Mbps FTTC capability)	2	Fastershire Baseline
Number of Business Rate paying properties	4	Fastershire Baseline
Number of Farms	1	Fastershire Baseline
Cumulative Number of Employees in businesses located in Business Rate paying properties	4	Mint Database
Cumulative Turnover of businesses located in Business Rate paying properties	3	Mint Database
% of qualifying properties in LSOAs that are in the Bottom 10% of LSOAs in relevant county in regard to access to services	3	Index of Multiple Deprivation Geographical Barriers to services
% of qualifying properties located in Public Transport Cold Spots	3	Local Authority Commissioned

		Research
% of qualifying properties located in Postcodes linked to Demographic Types B, C, D, I, J or O	2	Mosaic
% of qualifying properties responding to the Online Survey	1	Fastershire Survey
% of Farms responding to the Rural Hub Online Survey	1	Rural Hub Survey
% of businesses located in Business Rate paying properties which have undertaken a Fasterbusiness Review	2	Faster Business Reviews
FTE job prospects relating to opportunities dependent on IT / Communications as identified by a Fasterbusiness Review	5	Faster Business Reviews
% of Home workers located in non-Business Rate paying properties	1	Fastershire Survey
% of qualifying properties that would take a service were it available	2	Fastershire Survey

11. Should EAFRD funding be awarded, costs will be requested from broadband providers to deliver at least 95% of the premises in each cluster and as many clusters as possible will be funded in descending order of their rank<sup>1</sup> within each county's ring fenced budget. All associated procurement decisions will be subject to further governance.
12. Regarding the Fastershire Broadband Strategy, unlike the 2015 revision, the landscape has remained largely consistent. This is therefore an update rather than a full scale revision and aims to add additional context at this stage and principally following the conclusion of the procurement phase of Stage 3.

## Community impact

13. Investment in the broadband network by local and national government was to reach premises that were not being covered by commercial providers. This is predominately in the rural areas of the county, and the contract with BT has seen thousands of homes and businesses benefiting from some of the best broadband connection in the country.
14. The Fastershire project aims to improve the opportunities for citizens across the two counties to make use of digital connectivity where supporting education and learning, accessing services, enhancing employment opportunities, supporting preventative health or addressing well-being by tackling isolation. Connectivity also has a key role in the sustainability of rural communities by helping rurally based businesses to be viable and competitive as well as ensuring people living in rural communities have access to the same broadband services as those in more populated areas.
15. Herefordshire Council's corporate plan includes the priority of supporting the growth of the county's economy. In addition to increasing the number of premises with the potential to access superfast broadband services, improved connectivity will assist with delivery of other corporate plan activity including:
  - Growing businesses, jobs and wage levels
  - Improved provision of information and signposting

---

<sup>1</sup> The project will reserve the right to overlook a cluster in favour of those of lower priority. However this will only be done in exceptional circumstances, for instance where the subsidy per premise is significantly higher than the average subsidy per premise across all the clusters

- Increase in self-serve web transactions
16. Improvement to broadband was identified as a key element of the Marches Local Enterprise Partnership strategic economic plan. An economic impact assessment has been developed to estimate the significant impact on the local economy which may result from the project. It estimates a gross value added (GVA) uplift for Herefordshire of £13m per annum and a cumulative GVA uplift of £120m over ten years.

## Equality duty

17. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
18. The Equality Act 2010 established a positive obligation on local authorities to promote equality and to reduce discrimination in relation to any of the nine 'protected characteristics' (age; disability; gender reassignment; pregnancy and maternity; marriage and civil partnership; race; religion or belief; sex; and sexual orientation). In particular, the council must have 'due regard' to the public sector equality duty when taking any decisions on service changes.
19. When the original 'Borders Broadband Contract Award and Partnership Agreement' (September 2012) was agreed an equality impact and needs assessment was completed, this remains current. That assessment demonstrates a range of positive impacts in tackling the inequality of broadband coverage. Primarily, by improving the broadband network, people will have better access to services and greater equality of opportunity.
20. In meeting the equality duty for this decision the focus is on eliminating the barriers to internet access based on the following:
- Infrastructure: continue with the roll out of fast broadband to everyone's household that needs it to ensure equal access of availability.
  - Age: encourage take up by older people through course and classes based on the fact that as people get older they are less likely to take advantage of broadband.
  - Cost: that free wifi continues to be available including in the network of libraries where the public access PCs.
  - Services: that services provided by the council are easy to access and navigate on the local authority webpages.
  - Communities: self-run community schemes operate with support (financial and advice) from the local authority.

## Resource implications

21. EAFRD funding is being offered at a 100% intervention rate. As such there is no additional financial contribution required from the council over and above that already agreed to deliver the Fastershire Broadband Strategy.
22. Any costs incurred to manage, procure and audit the project, particularly on behalf of other councils, will be built into the bid for remuneration. There are not anticipated to be any further HR implications beyond the existing Broadband Team and colleagues across the authority.
23. The value of the EAFRD bid will be determined once the cluster prioritisation exercise has been completed by the end of September 2017 as it will determine the premise volume of the top ranked clusters which in turn will drive the cost estimates.
24. It is probable that some clusters will not proceed following the procurement exercise, with those highest priority being favoured. The cost estimates will be based on a proxy derived from previous procurements and include a contingency element. Should the proxy prove inaccurate either more or less clusters will benefit.

## Legal implications

25. The value of the EAFRD bid will be determined once the cluster prioritisation exercise has been completed as it will determine the premise volume of the top ranked clusters which in turn will drive the cost estimates.
26. The procurement process and contracts that will result from the successful award of EAFRD funding will be delivered in line with Official Journal of the European Union (OJEU) procurement requirements, Broadband Delivery UK (BDUK) requirements and the council's contractual procurement rules.
27. State aid is also a key consideration in this project as public subsidy is being given to the telecommunications industry. The European Union state aid rules are designed to ensure that any use of public funding is targeted at areas of market failure and ensuring positive market outcomes while minimising any distortion to competition. In the context of broadband, the state aid rules require using public funding only to extend broadband coverage in geographic areas where there is no current or planned (next three years) provision of superfast broadband. This applies to this decision.

## Risk management

28. Service Risk: that communities in clusters that are ranked lowly and potentially do not achieve a solution raise frustrations about the process.  
Mitigation: the project has been explicit that the identification and ranking of clusters has been undertaken using objective data. Moreover, communities will have had the opportunity to influence the exercise by completing the Fastershire surveys.

Likely (out of 5)	3	Impact (out of 5)	1
-------------------	---	-------------------	---

29. Service Risk: The EAFRD national funding will be awarded on a competitive first come first served basis meaning that time is of the essence both in securing funding and in spending the funding prior to the exit from the EU. If the other counties are not in the same position to move quickly this could hamper Herefordshire and Gloucestershire's ability to use the funding effectively.  
Mitigation: The Herefordshire team are supporting Shropshire and Telford & Wrekin to assemble the information in time to meet Herefordshire and Gloucestershire's bid

schedule. If delays become protracted, the bid will be advanced without Shropshire and Telford & Wrekin.

Likely (out of 5)	3	Impact (out of 5)	3
-------------------	---	-------------------	---

30. Service Risk: Suppliers show a lack of interest in the EAFRD project and either refrain from bidding or from bidding in a compliant manner.  
Mitigation: The process will be detailed fully in the ITT and the inclusion of both Shropshire and Telford & Wrekin will increase the scale and thus attractiveness of the project.

Likely (out of 5)	2	Impact (out of 5)	2
-------------------	---	-------------------	---

## Consultees

31. Gloucestershire County Council as a formal partner are in agreement with this approach.  
Shropshire Council as a potential partner in the EAFRD project in agreement with this approach.  
Telford and Wrekin Council as a potential partner in the EAFRD project in agreement with this approach.  
BDUK as funders.  
The Rural Payments Agency to discuss Fastershire's approach.  
DEFRA to discuss Fastershire's approach.  
Herefordshire Rural Hub to use their data to populate the ranking criteria.  
Gloucestershire Rural Community Council to assist in communicating the EAFRD plan.  
Every premise within each cluster to explain the EAFRD plan and seek contributions.

## Appendices

32. Fastershire Broadband Strategy 2017 Update (Draft).

## Background papers

33. None identified.