

Record of officer decision

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|--|---|-----------------|-----------|--------|----------|--------------|------------------|------------|----------|------------------|------------|--------------|--------------|--------|--------|
| Decision title: | Change to BT Contracts for Fastershire Broadband Strategy Stage 3 Lots 3a and 3b | | | | | | | | | | | | | | |
| Date of decision: | 17 December 2018 | | | | | | | | | | | | | | |
| Decision maker: | Assistant Director Corporate Support | | | | | | | | | | | | | | |
| Authority for delegated decision: | An executive decision authorising the officer : http://hc-modgov:9070/ieDecisionDetails.aspx?ID=4494 | | | | | | | | | | | | | | |
| Ward: | Central, Kings Acre, Red Hill, Widemarsh, Hinton & Hunderton, Saxon Gate, Whitecross, Greyfriars, Tupsley, Newton Farm, Holmer, Eign Hill and Bobblestock wards as well as Cheltenham Borough and Gloucester City. | | | | | | | | | | | | | | |
| Consultation: | Gloucestershire County Council Cabinet member economy and corporate services Broadband Delivery UK | | | | | | | | | | | | | | |
| Decision made: | That a change to the Lot 3a and 3b contracts is approved by the authorities with the effect of: <ul style="list-style-type: none"> a. Increasing the subsidy for Lot 3a by £72k b. Decreasing the subsidy for Lot 3b by £14k c. Decreasing the number of premises to be reached by the Lot 3a contract by 800 premises d. Increasing the number of premises to be reached by the Lot 3b Contract by 5 premises. | | | | | | | | | | | | | | |
| Reasons for decision: | <p>Lot areas 3a and 3b cover some of the remaining areas of Cheltenham, Gloucester and Hereford.</p> <p>The procurement for Lots 3a (Cheltenham & Gloucester) and 3b (Hereford) concluded in March 2017. However, due to prolonged contractual negotiations to close down the initial BT rural contract these urban contracts were not signed by BT until November 2017 - signed on the final day before the procurement lapsed.</p> <p>The subsidy agreed in the contracts was £910k (£219k Herefordshire; £691k Gloucestershire). The breakdown of premises per area was Hereford 2,258 premises and Cheltenham & Gloucester 5,042 premises. The subsidy per premise is lower when compared to rural delivery as these premises are predominantly urban premises and can be resolved from a superfast perspective by FTTC.</p> <p>The reason for the change is that some premises included in the coverage are already capable of being served with >30mbps – these are to be withdrawn from the contract, while a few additional premises from the original procurement intervention area are brought into the programme. Openreach have submitted a change request based on a reduction in premises to be delivered under the contract of c.800 and an increase in subsidy by c. £60k taking account some of the change in profile of premises. This is broken down below.</p> | | | | | | | | | | | | | | |
| | Lot | Contract Premis | QR Premis | Change | Desocpes | Net Position | Contract Subsidy | QR Subsidy | Change | Contract Private | QR Private | IVR Contract | Contract IVR | QR IVR | Change |
| | 3A | 5,042 | 4241 | -801 | 757 | -44 | £691,320 | £763,641 | £72,321 | £2,429,476 | £2,522,607 | £93,131 | 22% | 23% | 1% |
| | 3B | 2,258 | 2,263 | 5 | 40 | 45 | £218,790 | £204,999 | -£13,791 | £668,491 | £768,095 | £99,604 | 25% | 21% | -4% |
| | Total | 7,300 | 6,504 | -796 | 797 | 1 | £910,110 | £968,640 | £58,530 | £3,097,967 | £3,290,702 | £192,735 | 23% | 23% | 0 |

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| | <p>The “change request” premises include some properties that were ‘white’ but not originally bid. These have been brought in to support the numbers. For Herefordshire the change means an extra 5 properties and a reduction in subsidy of £14k, for Gloucestershire an extra £72k subsidy with a reduction of 800 premises. The change represents a drop in value for money (in the case of Lot 3a). However, a number of mitigating issues needs to be considered:</p> <ul style="list-style-type: none"> • The principle of the change and the risk of its impact on ‘value for money’ had already been accepted when the contracts were signed • Given the need to reach further out to compensate the descoped premises, the costs were likely to increase • The costs are justified on the basis of an increase in the number of planned structures with 3 more required to deliver Lot 3a • The impact on the public / private intervention ratio is negligible therefore both parties are equally affected • The change in monetary terms is low value and the contracts retain a low £ subsidy per premise passed figure based on other delivery • The low cost of the impact would be significantly outweighed by the lost opportunities that would accrue from further delays. <p>Once accepted the decision will be forwarded to Broadband Delivery UK (BDUK) for consideration as part funder.</p> |
| <p>Highlight any associated risks/finance/legal/equality considerations:</p> | <p>The additional subsidy is within the tolerance allowed for change within the procurement regulations.</p> <p>No premises are being descoped from the original contract that do not already have a superfast capability.</p> <p>There is a risk that BDUK will not approve the change unless converted from FTTC (fibre to the cabinet) to FTTP (fibre to the premise) - a new approach introduced by BDUK after the 3a and 3b contract was agreed by all parties. This would have in-adverted consequences for the agreement as it would require a wholesale change to the contract terms and outcomes.</p> <p>If this was to happen the current delivery would be cancelled and Openreach would be tasked to re-plan the coverage as FTTP which could take in the region of 12 months. The cost would also be likely to be significantly more or needing to reduce the number of premises. As a consequence it would be likely that the whole procurement would need to be re-started which would be of considerable concern to the local community.</p> |
| <p>Details of any alternative options considered and rejected:</p> | <p>The alternative option is not to accept the change. This would create considerable time delay in restarting the procurement.</p> |
| <p>Details of any declarations of interest made:</p> | <p>n/a</p> |

Signed..... Date: 17.12.18