

Agenda Item No. 5(a)

DERBYSHIRE COUNTY COUNCIL

**MEETING OF CABINET MEMBER – HIGHWAYS, TRANSPORT AND
INFRASTRUCTURE**

21 November 2019

Joint Report of the Executive Director – Economy, Transport and Environment
and the Director of Finance & ICT

**FUNDING OF THE DIGITAL DERBYSHIRE TEAM AND FUTURE
DELIVERY OF DIGITAL INFRASTRUCTURE**

(1) **Purpose of Report** To seek approval to fund the revenue costs of the Digital Derbyshire Team from financial year 2021-22. The budget is required to cover the salary costs of the three temporary posts which were created at the outset of the project back in 2013 but have been required to continue due to the ongoing national deployment of fibre broadband technology.

(2) **Information and Analysis**

Background

In 2013, the Council entered into a contract with BT to facilitate the delivery of superfast fibre broadband throughout the County. The award followed a procurement exercise which utilised the Department for Digital, Culture, Media and Sport (DCMS) national framework. The Digital Derbyshire broadband programme was established to manage delivery throughout Derbyshire.

The programme remains a key deliverable for “A Prosperous Derbyshire” set out in the current Council Plan and underpins other priorities around “Empowered and Self-Sufficient Communities” and “High Performing Council Services”.

Progress and Delivery

Since 2013, Digital Derbyshire has delivered faster broadband to over 103,000 premises, of which over 97,000 have access to superfast (in excess of 24Mbps) broadband. The current deployment phase is due to continue until December 2020, by which time it is anticipated that over 112,000 premises will have access to faster broadband and of which, over 104,000 premises will have access to superfast broadband. At present, the take up of fibre services for enabled premises is approximately 56% and is expected to increase due to the targeted efforts with local communities.

Government and BT have built a reward mechanism into the delivery programme and performance targets (gainshare/clawback mechanism) which essentially returns a level of investment back into the local pot based on achievement of take-up above 30%. Section 3 and Appendix A of this report outline the current level of gainshare that can be expected based on a number of scenarios.

The roll-out of digital infrastructure continues to be a key enabler in helping ensure all Derbyshire's communities and businesses are fit for the 21st Century. Effective digital infrastructure directly supports business competitiveness, boosts productivity, creates employment and allows business to explore and access new markets; of equal importance is its role in helping tackle climate as a critical means of transporting and widening access to services and reducing the need to travel.

The pace of technological advancement is unprecedented and its impact is recognised in the Government's Industrial Strategy. The recent Queen's speech highlighted the continuing ambition to "*accelerate the delivery of fast, reliable and secure broadband networks to millions of homes*". The roll-out of gigabit capable broadband will rely on the infrastructure the Council is currently delivering and will require major local input into providing the blend of technologies required to achieve this aim, as well as implementing 5G (the fifth generation mobile network).

Through Digital Derbyshire, the Council is committed to building on the investment already made in digital infrastructure and exploring emerging technologies to ensure Derbyshire continues to be a great place to live, learn, work, invest and visit. This is made possible through the rollout of full fibre which will provide the necessary infrastructure to support 5G and 'smart cities' initiatives. In addition, the Government is committed to providing this infrastructure and has outlined its objectives in the Future Telecoms Infrastructure Review (FTIR), a copy of which can be found at: <https://www.gov.uk/government/publications/future-telecoms-infrastructure-review>.

As part of the arrangements with DCMS, the Council is responsible for ensuring satisfactory resource is in place to continue the roll-out of the Building Digital UK (BDUK) programme in Derbyshire, especially Contract 2. However, the reward from increasing the level of take-up, and subsequent gainshare/clawback amount, is considerable and resourcing the team should, therefore, be viewed as more than just meeting responsibilities as managing body but also as an invest to save initiative.

(3) Financial Considerations The contract with BT (which is fundamentally a capital investment contract) does not allow the Council to capitalise associated revenue costs such as salaries against the programme.

As a result, the Council has been required to allocate revenue funding from other salary budgets in Economic Development to cover delivery of the Digital Derbyshire programme up to 31 March 2021. Although this arrangement was considered appropriate at the time (as the programme was only due to run for 4 years from 2013), the continued extension and expansion of the programme by Government has placed great revenue (salary) strain on the service.

The contract with BT does, however, include a gainshare/clawback mechanism whereby funding is returned to the investment pot. It is expected this be used for: further reinvestment in fibre technology until such time as there is no money left in the investment pot; no further deployment of infrastructure is required; or until it becomes too expensive to deliver any remaining premises with fibre technology (furthest from the grid). After the term of the contract, any remaining funding within the investment pot is returned to the Council by BT. The gainshare mechanism is calculated by actual take-up figures of fibre services and is reviewed at regular periods throughout the term of the contract. Basically, the higher the take-up, the more funding is returned by BT to the investment pot.

As a clear 'invest to generate model', retention of the Digital Derbyshire team is fundamental to ensuring take-up of fibre services and delivery of the Council Plan priority. The targeted activity of the team will also help maximise the level of gainshare which will be returned to the Council.

It is proposed to fund the Team by the use of General Reserve for the four years from 1 April 2021 until 31 March 2025. Reimbursement of staff salary costs will be returned to General Reserves through the gainshare mechanism as described above. Therefore, the Revenue budget can be reduced by £150,000 in accordance with the five year savings plan.

The Digital Derbyshire Core Team currently costs £130, 000 (with attributable on-costs such as pension and National Insurance (NI) contributions) and consists of:

- Programme Manager - (G13) – Permanent.
- Project Officer (Engagement) - (G9) – Fixed term until 31 March 2021.
- Project Officer (Contracts) - (G9) – Fixed term until 31 March 2021.

An additional £20,000 per annum is requested to support marketing, design and community engagement activity – critical to increasing premises take up and ultimately feeding the investment pot. The total revenue cost of the team therefore is £150,000 per annum.

Using a projected gainshare/clawback calculator, a number of scenarios have been produced to detail the potential funding amounts that could be available. These scenarios are listed in Appendix A.

The information listed in Appendix A is based on the projected gainshare from the first contract with BT. It is anticipated that additional gainshare funding will be made available through the 2nd contract over the coming years. The level of risk in funding the team through the General Reserve in the interim is therefore considered low.

(4) **Social Value Considerations** The impact of improved digital infrastructure on access to services, access to procurement and wider economic growth for both residents and businesses cannot be underestimated. Without an active and dynamic investment programme that secures faster speeds and adopts modern infrastructure, the County could be left behind as a place in which to live, learn and invest.

(5) **Transport Considerations** Faster and smarter digital technology will significantly aid the drive to tackle climate change by helping reduce the need for travel, supporting remote working and the electronic movement of goods and services.

Other Considerations

In preparing this report the relevance of the following factors has been considered: legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health and property considerations.

(6) **Key Decision** No.

(7) **Call-In** Is it required that call-in be waived in respect of the decisions proposed in the report? No.

(8) **Background Papers** Held on file within the Economy, Transport and Environment Department.

(9) **OFFICER'S RECOMMENDATIONS** That the Cabinet Member:

9.1 Notes the importance the Council plays in enabling the delivery of an effective digital infrastructure through the Digital Derbyshire in delivering Council Plan priorities.

9.2 Approves the funding for the Digital Derbyshire Team of £150,000 per annum from the General Reserve for the four years from 1 April 2021 until 31 March 2025.

Mike Ashworth
Executive Director – Economy,
Transport and Environment

Peter Handford
Director of Finance & ICT

Appendix 1 – Gainshare/Clawback Scenarios

Gainshare/Clawback scenarios (Increase)	1st Review Point (Sept 2019) – Provided early and remodelled in new CR	2nd Review Point (Sept 2021)	3rd Review Point (Sept 2023)	4th Review Point (Sept 2024)	Total Gainshare over term:
Based on actual take-up to Q2 2019 of 56%, and then increases by 1% per quarter to 60%, and remains at 60% for the remaining term.	*£2,410,976	£2,559,068	£2,841,861	£1,420,930	£9,371,893
Based on actual take-up to Q2 2019 of 56%, and then increases by 1% per quarter to 65% and remains at 65% for the remaining term.	*£2,410,976	£2,559,068	£3,098,946	£1,592,320	£9,800,368
Based on actual take-up to Q2 2019 of 56%, and then increases by 1% per quarter to 70% and remains at 70% for the remaining term.	*£2,410,976	£2,559,068	£3,150,363	£1,755,140	£10,014,605
Based on actual take-up to Q2 2019 of 56%, and then increases by 1% per quarter to 60% and drop by 5% per quarter to 20% for the remaining term.	*£2,410,976	£2,559,068	£1,299,353	£49,813	£6,458,267

*Gainshare/Clawback amount already included within Change Request CR007 in March 2018.