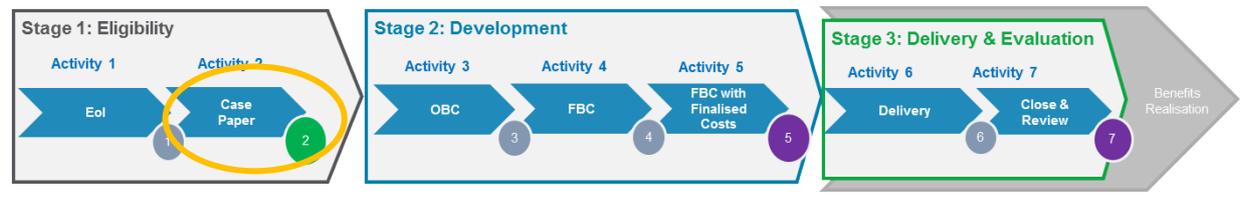


Scheme Summary

Name of Scheme:	Superfast Broadband West Yorkshire and York – Contract Three
PMO Scheme Code:	WYY-BB-003
Lead Organisation:	West Yorkshire Combined Authority (CA)
Senior Responsible Officer:	Head of Economic Policy
Lead Promoter Contact:	Justin Wilson
Case Officer:	Ben Manuja
Applicable Funding Stream(s) – Grant or Loan:	Grant
Growth Fund Priority Area (if applicable):	Priority 4 – Infrastructure for Growth
Approvals to Date:	None
Forecasted Full Approval Date (Decision Point 5):	Jan 2019
Forecasted Completion Date (Decision Point 6):	April 2022

Total Scheme Cost (£):	£16.428 million (including revenue costs for staffing)		
Combined Authority Funding (£):	The Combined Authority is the accountable body for all of the funding. The breakdown of funding is as follows:		
	Funding	Cost £ (Millions)	Status
	Business Rate Pool Allocation (Project Development and Procurement Costs)	0.090	Secured
	Capital		
	DEFRA Rural Broadband Initiative Funding Bid	9.912	Decision expected December 2018
	ESIF Capital: Funding Bid	2.810	Decision expected October - December 2018
	Contract One Gainshare	Up to 1.700	Secured
	Broadband Delivery UK (Grant Confirmed)	1.110	Secured
	Capital Total	15.532	
	Revenue		
	ESIF Revenue: Funding Bid	0.386	Decision expected October - December 2018
	Combined Authority (BET Refund)	0.310	Secured
	Business Rate Pool Allocation (ESIF Revenue Match Funding)	0.076	Secured
	Business Rate Pool Allocation (Additional Revenue Funding)	0.034	Secured
	Revenue Total	0.806	
	Total	16.428	
Total other public sector investment (£):	None		
Total other private sector investment (£):	None		
Is this a standalone Project?	No		
Is this a Programme?	Yes		
Is this Project part of an agreed Programme?	Yes the Superfast West Yorkshire and York Broadband (SWYY) programme		

Current Assurance Process Activity:



Scheme Description:

City Region Policy Context

The City Region's **Strategic Economic Plan (SEP)** has laid out an ambition to achieve 99% superfast broadband 30 Megabits per second (Mbps) connectivity in the region by 2018/19. The Superfast West Yorkshire and York Broadband (SWYY) programme is well on the way to meeting this ambition with the first two contracts of the programme on track to deliver up to 98% by 2021.

The emerging Leeds City Region Digital Framework – **Leeds City Region transformed by digital tech** – is the second big idea proposed as part of the emerging Local Inclusive Industrial Strategy. The Digital Framework has 5 interconnected outcomes which will help to set out our approach to the digital economy and to the strengthening of digital capability across the City Region's population and institutions:

- **Digital opportunities for non-digital businesses** – helping all City Region businesses to embrace and grow through improved use of new technologies;
- **Digital skills for all** – giving everyone access to the skills they need to operate and thrive in a digital economy and tackling digital exclusion.
- **The digital sector that serves the rest** – making Leeds City Region the best place to start and grow a digital business
- **World-class digital infrastructure** – ensuring everyone can access a fast, reliable and resilient network
- **A smarter, more intelligent City Region** – using technology and data to solve the City Region's biggest challenges and improve citizen outcomes.

While all of these strands are important and require concerted interventions to progress, our ambitions to become a smarter, digital tech-leading City Region will not happen without the underpinning digital infrastructure being in place.

Superfast West Yorkshire and York Programme

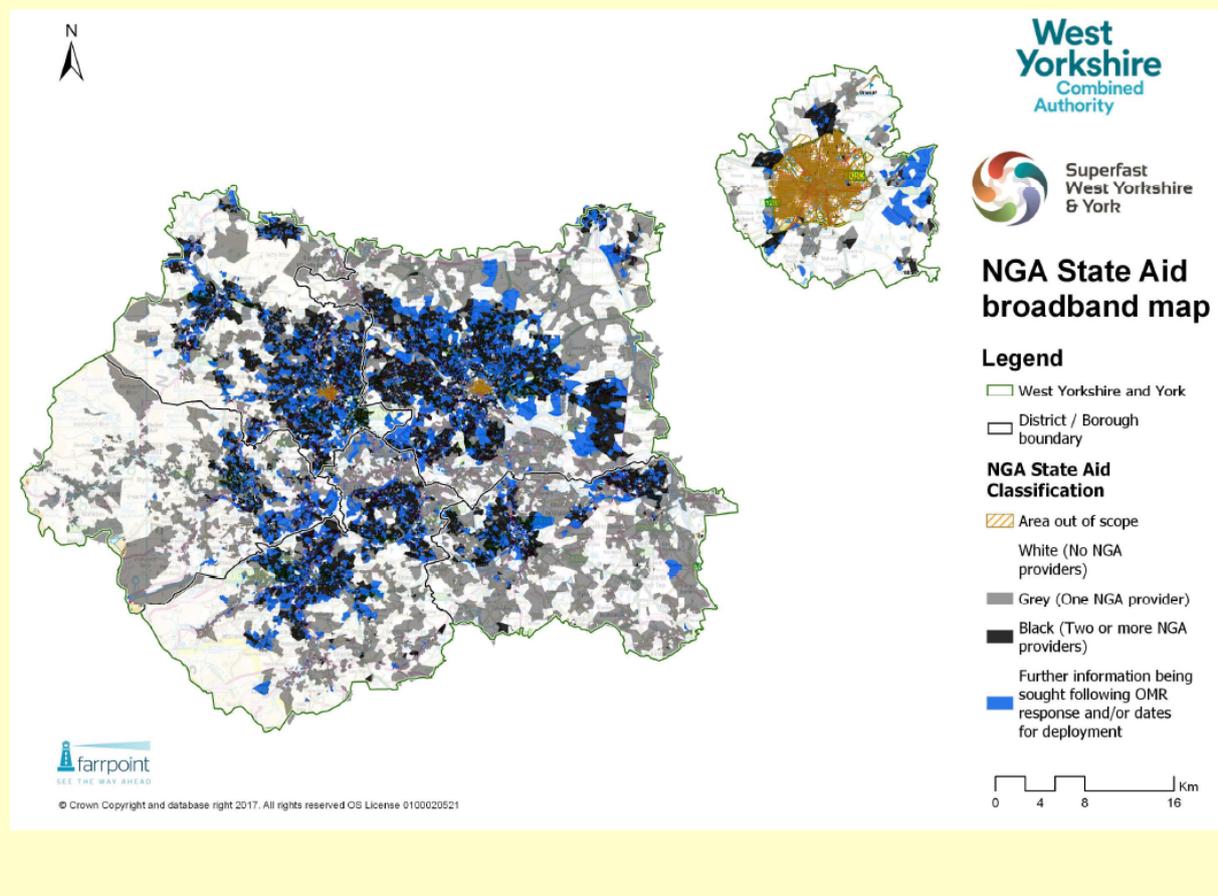
The 'Superfast West Yorkshire and York – Contract 3' (SWYY) programme helps to deliver fast and reliable superfast broadband at 30 Megabits per second (Mbps) or above.

The project will deploy broadband infrastructure across the West Yorkshire and York geography within:

- some of the hardest to reach urban and rural areas;

- areas not already targeted through a commercial roll out over the next three years or areas of market failure;
- areas not targeted by the previous phase (Contract Two) of superfast broadband delivery.

This project (Contract Three) will deliver superfast broadband connectivity of at least 30 Mbps to eligible Small and Medium sized Enterprises' (SMEs) premises within eligible post code areas (referred to as 'white postcodes' for State Aid purposes) in West Yorkshire and York (see plan below) This will facilitate their growth and support the wider City Region economy.



Business Case Summary:

Strategic Case

This project is part of a programme to deliver superfast broadband service to areas in the city region that would not be offered such a service due to market conditions.

It fits with priority 4 Infrastructure for Growth in the Strategic Economic Plan. The scheme will support employment and help create quality environments which will allow additional employment in the targeted areas.

Commercial Case

To evidence the need for Contract Three of the SWYY programme the Combined Authority and council partners commissioned two Open Market Reviews (OMR) in 2017/18 to outline the extent of existing superfast broadband coverage across West Yorkshire and York.

Following engagement with the market and infrastructure suppliers the results of the OMR assist the Combined Authority and council partners in understanding the broadband infrastructure already in place, where there are commercial plans for investment in such infrastructure in the coming three years and areas of market failure (i.e. where superfast broadband is not expected to be delivered commercially).

The OMR then defines an area for public intervention. These are State Aid compliant areas with no existing or credible plans for commercial coverage.

The results of this work confirm that a total of 41,157 non-residential and residential premises (referred to as 'white premises') are eligible for public sector investment under Contract Three.

These premises are largely in areas of market failure where commercial investment will not deliver superfast broadband by at least 2020. This is the basis of the case for intervention under Contract Three.

On the basis of funding applied for and resultant potential capital spend it is estimated that the following number of SMEs could be connected in Contract Three (see Table B.4).

Table B.4: SMEs to be Targeted by SWYY Phase Three

Funding Source	Number of Eligible SMEs
ESIF Eligible (Urban Areas)	1,255
DEFRA Eligible (Rural Areas)	2,478
Total Phase Three	3,733

Source: West Yorkshire and York OMR (Farrpoint 2017 and 2018)

Economic Case

The total GVA impact arising from the ESIF funded Phase Three project within Urban areas is estimated at around **£100.8m calculated over a 15-year time period**. These economic benefits arising from the project fall into three categories:

- Productivity impacts on SMEs - £76 million over a 15-year period
- Increased employment impacts and Gross Value Added (GVA) - £23 million over a 15-year period
- Construction impacts associated with project delivery - £1.8m total GVA impact.

Productivity Impacts on SMEs

There is a growing evidence base that demonstrates the connection between improved broadband access, business productivity and economic growth. An Ofcom Report of 2018 considered the evidence base for the economic impact of a number of different OECD countries¹ and concluded that the combined impact of broadband availability and increased speed could have increased UK GDP by almost 7%.

The economic benefits were also detailed within an SQW report² which detailed the potential economic impact of new and faster broadband within the UK. It noted that:

- Improved broadband has the potential to impact positively on productivity particularly the multi-factor element in terms of the application of technology and the processes adopted.
- It is anticipated that, in terms of the number of enterprises and the associated employment, areas with relatively poor broadband will lose out to areas with relatively good broadband.
- Public investment in broadband could deliver a return of up to 20:1.
- The total net employment impacts of broadband for the UK equated to 56,000 jobs.

The Universal Service Obligation for Broadband (DCMS) builds upon the research and findings of the SQW report. This recognises that the impact of doubling of broadband speeds for business is anticipated to result in and 0.3% average productivity increase for businesses. It is these findings from this report that have been used to estimate the economic impact resulting from the expansion in broadband.

It is anticipated that the ESIF element of the project will significantly improve broadband speeds for an additional 3,733 SMEs within the City Region's West Yorkshire and York geography. The impact on

¹ The Economic Impa

² UK Broadband Impact Study, (SQW and DCMS, 2013).

productivity has been calculated through:

1. Average productivity per worker across the City Region - sourced from the Regional Econometric Model (REM)³.
2. Average employment per SME – equates to an average of 9 workers per SME⁴.

These figures enable the productivity uplift to be calculated per SME and applying the total number of benefitting SME's to this enables the expected uplift in GVA to be calculated. The total impact is expected to be around **£49m over a 10-year period** and **£76m over a 15-year period** (the time-frame adopted by SQW in their report).

³ Developed for the Combined Authority by Experian

⁴ Calculated from data within the Statistical Digest for Rural England (DEFRA, 2017)

Financial Case

A DEFRA funding application was submitted at the end of May and the ESIF bid was submitted in mid-June. The outcome of these bids is expected in August and between September and December 2018 respectively.

The Business Rates Pool bid has been successful.

BDUK have indicated that they may be willing to match fund bids with up to £1.1m of funding subject to seeing adequate progress with the public consultation and procurement stages, which are scheduled to commence in August.

Contract One Gainshare (up to £1.7m) is contributing match funding towards capital requirements.

SWYY Contracts One and Two with Openreach have a claw-back mechanism which relates to superfast broadband take-up above a given threshold across the full programme. Above this threshold, Openreach pay a contractual amount into an Investment Fund known as Gainshare. The intention is that the Investment Fund is re-invested into further broadband delivery during the lifetime of the programme, as per contractual obligations.

BDUK have confirmed that from September 2018, the Combined Authority and Partner councils could draw down funding of circa £1.5-£1.7million Gainshare as 100% capital to invest in a third phase of the broadband programme.

The submitted funding applications outlined above propose that this funding is utilised as capital match funding for Contract Three, as agreed via the Programme Board, local authority representatives and the Combined Authority.

This enables up to £1.7million Gainshare to act as match-funding with BDUK funding against ESIF capital funding and allows 100% of the Gainshare funding to be utilised.

Management Case

The project will be led by the West Yorkshire Combined Authority as the Accountable Body, in partnership with Bradford MDC, Calderdale MBC, City of York Council, Kirklees Council, Leeds City Council and Wakefield MDC. The majority of the team is in place to manage this project, with the exception of a Project Manager who will be recruited during 2018.

Within the Combined Authority, the responsibility will sit with the Head of Implementation as the Senior Responsible Officer for the Contract Three with the Economic Regeneration Lead supporting this role. Collectively these posts will spend up to 10 hours per week/0.27 FTE.

The delivery team based in Leeds City Council consists of three dedicated full time officers – a Programme Manager, a Project Support Officer and a Project Assistant. This delivery team will be supported by a part time Project Director (one day per week) and a Finance Manager (one day per week).

The majority of the above posts are existing employees within the Combined Authority and Leeds City Council, with two of the three full time officers being transferred from the existing Broadband Project and a new post (the proposed Project Support Officer) being specifically recruited to work on Contract Three. The team has significant experience in delivering broadband projects and in managing complex projects with multiple funding streams. Individual staff members have been assigned to deliver this project. These members of staff have successfully managed and delivered broadband projects, using the same proven procedures, processes and assurance checks.