

SCHEDULE 3D6

SERVICE PLAN

SERVICE AREA	Corporate
FUNCTION	Economic Development - Digital infrastructure
SERVICE TREATMENT	Lead
PROVIDER AUTHORITY	North Northamptonshire Council (“NNC”)
RECEIVING AUTHORITY	West Northamptonshire Council (“WNC”)

1. OVERVIEW

1.1 This Service Plan sets out the approved budget and key performance indicators (KPIs) in respect of the delegated Function(s) and Services detailed in the corresponding Schedule 2D6.

2. CRITICAL SERVICE FAILURES

2.1 Critical service failures in respect of the Delegated Functions in this Schedule 3D6 are;

2.1.1 failure to pass two consecutive BDUK Checkpoint D Gateway assurance checkpoints, (described in the corresponding Schedule 2), without reasonably addressing any advisory matters or points of failure to the satisfaction of BDUK;

2.1.2 failure to deliver local broadband speed and coverage targets as set out in the KPI’s table 4.2 (and any future agreed changes thereto) within the tolerances and only to the extent that any failure is not attributable to, or unreasonably influenced by, circumstances beyond local control within the wider UK policy and telecoms deployment market. The tolerances to be applied to local broadband speed and coverage targets in accordance with the respective delivery dates for those targets are:

Green – within 5% of target

Amber – within 10% of target

Red – more than 10% below target

2.1.3 failure to provide highlight and update reports on the services for more than two consecutive quarters unless otherwise agreed between parties.

2.2 A service failure will trigger a governance review of the Services and the point(s) of failure and, as agreed between parties, may lead to a Remedial Plan and/or the withdrawal of part or all Services agreed under this Inter-Authority Agreement.

3. NOTICE PERIOD

3.1 The Notice period for termination of this Delegated Function is 12 months with the following exceptions:

3.1.1 3 months for pilot projects and trials unless otherwise agreed on a project-by-project basis

3.1.2 the remaining contract Term for deployed services in accordance with the Contract(s) at any point in time. As of 01/04/21, these being Gigaclear Lot 1 and Lot 2 contracts. Contract Terms and Conditions and related grant agreement terms and conditions take precedence.

4. KEY PERFORMANCE INDICATORS

4.1 National / statutory reporting

Ref	KPI description	Target	Performance threshold levels	Guidance on definition	Reporting frequency	Reported to
-	None	-	-	-	-	-

4.2 Locally agreed KPIs

Ref	KPI description	Target	Performance threshold levels	Reporting frequency	Overview / Supporting notes (may include references to baseline data)
	Overall Superfast Northamptonshire project (RAG) status as at end of quarter	Green	Green = Project on track and forecast to deliver coverage targets within 5% tolerance Amber = Project forecast to deliver coverage targets within 10% tolerance Red = Project forecast to under deliver by more than 10% below coverage targets	Quarterly	In addition to reporting the overall project status, a copy of the Superfast Northamptonshire project highlight report will be provided at the end of each quarter to support the project outturn RAG status. <i>Nb: Targets for the delivery of gigabit-capable and full-fibre broadband have been set. Local targets are for 75% gigabit-capable coverage and 40% full-fibre coverage. Both targets are countywide, relate to ensuring that premises can access fast and reliable broadband services, and are to be achieved by the end of 2023. Additional longer-term targets (subject to IAA governance approval) have also been set which are for 90%</i>

Ref	KPI description	Target	Performance threshold levels	Reporting frequency	Overview / Supporting notes (may include references to baseline data)
					<i>gigabit capable and 80% full-fibre coverage by the end of 2028</i>
	A project update report on all Digital Infrastructure projects and activity (excluding Superfast Northamptonshire project) is provided to WNC within 20 working days from end of quarter	Yes	Green = Yes Red = No	Quarterly	A report will be produced on a quarterly basis and provided to WNC to outline progress against key projects (excluding Superfast Northamptonshire) during each quarterly period.

5. FINANCIAL INFORMATION

SCHEDULE 3 – FINANCIAL INFORMATION

SERVICE AREA	Corporate
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RECEIVING AUTHORITY	West Northamptonshire Council ("WNC")

Schedule 3 – Financial Information

1. Recharging Principles

- 1.1. All costs and income associated with running the service will be recovered during the financial year in line with the disaggregated budget as approved by each Council respectively.
- 1.2. The lead authority shall invoice the receiving authority for the payments quarterly, each payment will be an equivalent proportion of the budget for quarters 1-3, as set out in table 1. Quarter 4 will be a balancing payment or refund to reflect actual expenditure incurred by the host authority, following a reconciliation process as set out in the financial KPI's.

2. Capital Budget considerations

- 2.1. The base budget commitment of £13,280,020 requires an adjustment reduction. This is to take account of changes to income supporting budget activity which had not been adjusted prior to vesting day. **This reduces the overall budget to £11,412,039.** The budget set out in Table 1 shows the adjusted figure. The budget adjustment does not affect the forecast for 2021/22.
- 2.2. The Digital Infrastructure capital budget is dependent on income from two main sources. The first source is external and involves a combination of HM Government grant and Investment Fund return via broadband contracts (see below). The second source is local match from discretionary capital funding. This is a match-funding requirement of the external grant. The budget includes £2m front-funding from the former County Council which requires repayment from Investment Fund returns.

- 2.3 In addition to this, there is a legacy £1m income target against gain-share. However, at the time the £1m target was proposed it was not clear that HM Government would be seeking to recover their share of the fund based on the 'project investment ratio'. This target is challenging and indicated as a future commitment beyond 2023/24 to enable sufficient Investment Fund to be accrued (net of the shared return payment to Government).
- 2.4 Forecast expenditure includes commitments against the £2m front-funding outlined above, and payments to suppliers. These supplier payments are linked to delivering plans for additional full fibre coverage through the contracts with Gigaclear Networks. They will also include future measures with suppliers through Project Gigabit to address areas of market failure and gaps in coverage i.e. the harder to reach areas. These measures will help to support achievement of the service targets.
- 2.5 Income in support of the project includes £5,351,182 Investment Fund receipts in advance secured pre 01/04/21. This includes gain-share to be paid to HM Government and the £1,737,176 due was repaid in Q2 of 2021/22. Grant funding agreements are in place with BDUK and The Rural Payments Agency. The £2m RPA grant is supporting business connectivity being delivered through the Gigaclear contracts and is due to be claimed in 2022/23, subject to evidenced spend and output achievement.

3. Investment Fund

- 3.1 Investment Fund is a contractual safeguard in the broadband contracts to ensure subsidy is not overpaid to suppliers. The fund is managed by the supplier and accrues when the take up of broadband services out performs assumptions in the contract finance model. The value of the Investment Fund is determined and repaid at set review points - this is known as 'gainshare'. Investment Fund repaid to NNC as the Local Body is shared with HM Government as required in grant agreements with BDUK. The final take up review point is 7 years post completion of the build. There are four broadband contracts which involve different take up assumptions. We expect both contracts with Openreach to generate Investment Fund clawback due to the low take up assumptions included in the contract finance models which have been significantly outperformed. At present, we do not expect gain-share returns from the Gigaclear contracts as they modelled for much higher take up levels.
- 3.1 At closure of a contract following build completion, there may also be Implementation Clawback in the Investment Fund - this is funding the supplier committed to invest but hasn't due to efficiencies in delivering contracted coverage targets. This would be a one-off consideration at contract closure and would be shared proportionately between BDUK and the Local Body. Unlike gain-share, which must be repaid to HMT, BDUK has flexibility to agree with Local Bodies to re-invest Implementation Clawback into other project measures alongside other funds.
- 3.3 At 01/04/21, the Investment Fund only concerned Openreach Contract 1 which completed build in March 2016 – the final take up review point is 31st December 2022. The first review point for Openreach Contract 2 has just been triggered and we expect a statement and a

potential payment this financial year. Openreach Contract 2 involved a third of the build coverage of Contract 1, and therefore the returns are expected to be much lower. The final review point for Openreach Contract 2 is 30th September 2025.

3.4 In order to meet existing capital budget commitments and the additional £1m revenue target it will be necessary to secure additional income in the Investment Fund of c. £2,730,000 Investment Fund. with c.50% repayable to HM Government. It is anticipated that this will be achieved beyond 2023/24.

3.5 Table A sets out how Investment Fund receipts in advance at 01/04/21 are committed.

Table A		Investment Fund value of receipts in advance at 01/04/21			
BT Contract 1 Investment Fund	Allocation of funds	Payment Received	Local Body (LB)	BDUK	HMT
Implementation Clawback	Committed or allocated with BDUK to the Gigaclear Contracts	1,978,024	959,342	1,018,682	
Gainshare	Govt repaid. LB value is repayment towards £2m NCC front funding (GC)	3,373,158	1,635,981		1,737,176
TOTAL - Investment Fund supporting committed budget activity		5,351,182	2,595,323	1,018,682	1,737,176

Repaid Q2 2021/22

4. Revenue Budget considerations

- 4.1 The Revenue Budget involves associated staff costs to deliver the services. The relevant revenue budget cost centre for NNC is 20000243 (Economy & Strategy), the previous NCC budget was disaggregated on a 56/44 basis (WNC/NNC).
- 4.2 The related forecast full year staff costs for 2021/22 for the Digital Infrastructure superfast team is £173,822 (44% of which should be funded from NNC budget 20000243, and 56% from the corresponding budget in WNC).
- 4.3 Three other current projects are referenced in the services for delivery in 2021/22. The Northamptonshire e-scooter and Starship Delivery Robot trials involve 0.1 FTE days of NNC Head of Economy & Strategy and 0.1 FTE of NNC Senior Project Manager. Both trials are planned to run for the whole year 2021/22. The related full year costs are forecast as £14,342.73 (44% of which should be funded from NNC budget 20000243, and 56% from the corresponding budget in WNC). Digital Northamptonshire project is principally delivered by two staff, one each employed by NNC and WNC. No net-cost apportioned nor associated cost transfer.

Table 1 – Disaggregated Capital Budgets to be recharged – 2021/22

Service area	Budget before disaggregation	WNC Expenditure Budget 2021/22	NNC Income Budget 2021/22	Quarter 1 recharge April - June 2021	Quarter 2 recharge July - Sept 2021	Quarter 3 recharge Oct - Dec 2021	Quarter 4 recharge Jan - March 2022
Economic Development – Digital Infrastructure							
Cost Centre 20CPX00030 HG0220	Lifetime £11,412,039 FY 2021/22 £5,350,000	£2,996,000	£-2,996,000	£4,207	£975,671	£578,096	£1,438,026 Plus or minus reconciling amounts based on actuals incurred throughout the year

Disaggregation % split
Disaggregation metric used

56%	44%
Council Tax	

Summary - North Lead Budget [PROJECT LIFETIME]

North Economic Development – Digital Infrastructure Gross Budget	Northamptonshire Council	£11,412,039
Income from West Northamptonshire Council		-£6,390,742
North Net Budget	Northamptonshire Council	£5,021,297

Table 2 – Disaggregated Revenue Budgets to be recharged – 2021/22

Service area	Budget before disaggregation	WNC Expenditure Budget 2021/22	NNC Income Budget 2021/22	Quarter 1 recharge April - June 2021	Quarter 2 recharge July - Sept 2021	Quarter 3 recharge Oct - Dec 2021	Quarter 4 recharge Jan - March 2022
Economic Development – Digital Infrastructure							
Revenue							
Economy and Strategy Cost Centre (Staff)							
20000243 NNC cost centre	£188,165	£105,372	-£105,372	£26,343	£26,343	£26,343	£26,343 Plus or minus reconciling amounts based on actuals incurred throughout the year

Disaggregation % split
Disaggregation metric used

56%	44%
Council Tax	

Summary - North Lead Budget

North	Northamptonshire	Council	
Economic Development – Digital Infrastructure			£ 188,165
Gross Budget			
Income from West Northamptonshire Council			-£105,372
North	Northamptonshire	Council	£82,793
Net Budget			