

COMPANY FORMATION FOR AYLESBURY VALE BROADBAND

Councillor N Blake

Leader of the Council and Cabinet Member for Resources

1 Purpose

- 1.1 To seek authorisation to establish a company, Aylesbury Vale Broadband, in order to progress with the pilot project agreed by Council in December 2014.

2 Recommendations

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| <ol style="list-style-type: none">2.1 To note the content of the report and the business case attached as appendix 1.2.2 To recommend to Council that a company is formed to deliver superfast broadband across the Vale.2.3 To recommend to Council that the Director with responsibility for this project is delegated the responsibility for setting up the company structure and the detailed arrangements, in consultation with the Leader of the Council. |
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3 Supporting information

- 3.1 In December 2014, the council agreed to allocate up to £1.536m of funding the next stage of the rollout of superfast broadband across the Vale from the New Homes Bonus fund. This included the implementation of a pilot project using a small proportion of the available fund. Whilst the Chief Executive, after consultation with the Leader of the Council, was authorised to finalise the detailed arrangements for the implementation of the programme, it has become apparent that in order to progress this project, a standalone company would be the best way deliver the desired outcomes.
- 3.2 It is proposed that Aylesbury Vale Broadband (AVB) will be formed drawing on the funds allocated for the pilot project (estimated to be in the region of £185k-£200k) The company would be a limited liability company and its primary objective would be to enable the provision of affordable superfast broadband in Aylesbury Vale.
- 3.3 The outline business case for the project and company is attached as Appendix 1, referred to in the confidential section of the agenda. This includes the key metrics and assumptions about the proposal and indicates the key elements that will need to be delivered and the key risks associated with the project. This will be kept under constant review to ensure that the key deliverable and issues are being appropriately managed and delivered. Attached as Appendix 2 (also in the confidential section of the agenda) are two spreadsheets detailing the financial model.
- 3.4 Appendices 3 and 4 are the draft Articles of Association for the company and the Shareholders Agreement. These too form part of the confidential section of the agenda. The majority shareholder would be Aylesbury Vale District Council (95%) and Andrew Mills of Ironic Thought, who is project managing the pilot project, would have a minor shareholding (5%).
- 3.5 It is proposed that a limited liability company is formed to enable a return on AVDC's investment to be made in due course, in line with the new business model philosophy, which can then be reinvested into further broadband provision or indeed another Council priority. A standalone company would also enable other grants and investments to be secured where the funding is

aimed at supporting the provision of rural broadband, including where possible EU funds.

- 3.6 It is proposed that the company appoints a Board of up to four Directors, three from AVDC and one from Ironic Thought (Andrew Mills' company). The appointment of the Directors would be for the Leader of the Council to determine and approve.
- 3.7 As the majority shareholder, AVDC will control all key decision making and the strategic direction for the project and the minor shareholding for Ironic Thought is part of the incentive/reward for their involvement in the development and implementation of the project. Ironic Thought has been commissioned to work on this project for a flat fee of £2.5k per month, which is a discounted rate in recognition of the shareholding element to the proposal.
- 3.8 It is also proposed that the company applies to be an Independent Communications Provider in order that the proposed network can be linked to the national telecommunications infrastructure provided and maintained by BT Openreach.
- 3.9 Since the approval in December, progress with the pilot project continues and the first meeting with the local communities in the trial area took place on the Thursday 5th March. Over 100 people attended this meeting in Granborough and the feedback has been extremely positive.
- 3.10 At the time of writing this report, since the community meeting in early March over 100 people have registered an interest in receiving Superfast Broadband (up to 30MB/s), which is a significant level of interest, surpassing the number that many other companies looking to gauge interest before they would consider investing in delivering superfast broadband.
- 3.11 A website AV Broadband has also been set up and can be found at www.avbroadband.co.uk , which contains the latest information about the project's progress and is the source that local communities can register their interest.
- 3.12 The site survey work for the pilot area has also been commissioned and it is expected that first tranche of customers will be able to access the network at the end of June.
- 3.13 When the original decision was made by Council it was also agreed that regular progress reports be provided to Members via the Members' Information Sheet and, in particular, on the results of the pilot scheme to the relevant scrutiny committee to enable an assessment to be made of the business case before proceeding with the continued rollout. It is expected that the outcomes from the pilot scheme will be evaluated in the early summer in order to confirm the next stages of activity and investment for the remaining funds allocated for broadband investment.

4 Options considered

- 4.1 The other options considered include not forming a company but this was discounted on the basis that in order to operate the service effectively a separate company needed to be created. Also not having a separate company would limit the ability for the initiative to ultimately be transferred to the open market and recoup the initial AVDC investment, once the project has been demonstrated that it is profitable, if that is deemed to be the best way forward to realise the initial investment and reinvest in another initiative.

5 Reasons for Recommendation

- 5.1 To progress with the agreement by Council to progress with the pilot project.

6 Resource implications

- 6.1 The resources to support this initiative have already been allocated by full Council and the expected budget for the pilot project is set out in Appendices 1 and 2. The business plan indicates that the company will make an operating profit in year 2.
- 6.2 In addition to the Articles of Association and Shareholder agreement, a loan agreement will be entered into with the company to account for the initial investment made by AVDC. In the event that the shares in the company are realised, this loan arrangement will need to be repaid in full before the share value is calculated.

Contact Officer
Background Documents

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None