

Superfast Broadband

Purpose of report

For update and information.

Summary

This paper provides Members with an update on superfast broadband. Jon Zeff, Director, Department for Culture, Media & Sport, will join the Board at 2.30pm for a discussion with members.

Case studies are attached at **Annex A**.

Recommendation

Members are invited to discuss the recommendations in paragraph 38.

Actions

Subject to comments from the Board, officers to take forward actions.

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Superfast Broadband

Background

1. Councils strongly support the extension of access to superfast broadband through the commercial rollout, and are also leading the rural and urban publicly funded programmes.
2. Superfast broadband is an important growth priority for councils and the LGA. As well as providing direct support to councils through Local Partnerships, the CTS Board has promoted councils as best placed to join-up the broadband rollout with efforts to encourage people and businesses to get online, and wider public service transformation.
3. This report updates Members on the rollout, and invites Members' steer on actions to try and ensure that councils, businesses and citizens get value for money from their significant investment.

Progress Monitoring

Rural Broadband Programme and Rural Community Fund

4. The Government has allocated £430 million of grant funding to 44 council-led partnerships with the private sector to procure superfast broadband for the predominantly rural locations which are less commercially viable.
5. Local government has exceeded match-funding requirements (sometimes in order to bring coverage closer to 100%), and are projected to spend £730 million by 2015, because of the economic benefits. BT is committing £356 million of capital funding to the rollout, significantly less than the £563 million projected in the Government's business case. The Government has said this discrepancy was due to inaccuracies with early modelling.
6. After long delays while the Government clarified state aid issues, and the Procurement Framework was signed-off, all but 2 of the 44 projects have now completed procurement. Superfast broadband is rolling out to approximately 10,000 rural premises every week, rising to 25,000 by next spring and up to 40,000 per week by summer 2014.
7. DCMS recently announced an extra £250 million to be locally match-funded to extend coverage plans so that 95% of UK homes and businesses (4.6 million) have access to superfast broadband by 2017.
8. Value for money is an on-going concern for councils. Only two suppliers – BT and Fujitsu – were appointed to the National Procurement Framework, and in March 2013 Fujitsu withdrew. This left BT as the only active supplier and there was not the competition which Government expected would drive down costs. Some cost controls were secured, but recent reports from the National Audit Office and Public Accounts

Committee were very critical of Government's failure to secure greater transparency over BT's costs (especially the labour component of capital costs). This meant that councils were at a disadvantage in contractual negotiation.

9. The structure of the telecommunications market, and BT's dominant place within it, presents further challenges. BT Openreach is run separately to the rest of the BT Group, and manages the local network or "last mile" between the local BT exchange and the phone socket, or fibre termination point in a home or business. This matters because it means BT Openreach controls access and pricing of the fixed infrastructure required to extend access to superfast broadband by Fibre to the Cabinet and Fibre to the Premises.
10. OFCOM, the independent regulator, requires BT Openreach to allow wholesale competitors to access BT's physical infrastructure. However, OFCOM has been criticised for allowing BT Openreach to set its wholesale price too high, so that it is not profitable for alternative suppliers. Despite trials, so far no provider has actually deployed new network assets using this access.¹ BT's dominant position is further strengthened by the fact that broadband customers need to have an active BT landline and pay line rental, thus tying in new customers to a combined phone and broadband package.
11. The Rural Community Broadband Fund is a £20 million fund to help 'hard to reach' communities (the approximately 5% of the population who live in remote locations that will not be covered by the main rural programme by 2017) get access to superfast broadband.
12. The third and final round of the RCBF was launched in March 2013 and closed on 17 June. 36 expressions of interest were received and the outcome will be known in the autumn. Under the scheme, applicants are permitted to bid for 50% or more of the total sum required to rollout small-scale improvements to broadband infrastructure.
13. However, progress has been stalled by the lack of disclosure of BT's plans, as projects cannot prove that they do not overlap with the main rural programme. The Government has brought together BT and the most advanced community-led rural broadband schemes to encourage closer joint working.

Super Connected Cities

14. In 2011, the Government set aside £100 million for an Urban Broadband Fund that would create up to ten Super-Connected Cities across the UK through brand new fibre optic cables. The successful cities were Birmingham, Bristol, Leeds with Bradford, Newcastle and Manchester, along with the four UK capital cities.
15. This was followed in 2012 by a further fund of £50 million for a 'second wave' of cities in Brighton and Hove, Cambridge, Coventry, Derby, Oxford, Portsmouth, Salford and York. The super-connected cities will benefit from increased access to ultrafast

¹ National Audit Office, The Rural Broadband Programme <http://www.nao.org.uk/report/the-rural-broadband-programme/>

broadband (80-100 Megabits per second (Mbps)), and large areas of public wireless internet (wifi) access.

16. After BT and Virgin raised legal concerns about the impact of new urban infrastructure on competition, the Government asked the cities to revise their plans so that they give small and medium sized businesses (SMEs) vouchers to pay for installing faster broadband from a range of suppliers. The cities were extremely frustrated at having to change their local plans, especially those whose focus was on new infrastructure.
17. A key challenge with the voucher scheme will be working with local businesses to stimulate demand for ultra-fast broadband. The LGA has encouraged BDUK to ensure that the cities are able to develop simple schemes that are tailored to their needs. The voucher scheme has recently been market tested in Cardiff, Belfast, Edinburgh, Manchester and Salford, with SMEs able to apply for vouchers worth between £250 and £3,000 to get connected. Community and social enterprises can also apply. Businesses have to pay the line rental themselves. BDUK is currently analysing the results from the consultation.

The next phase

18. The Government is consulting on a programme of work to target the group of premises which will not be able to receive superfast broadband services as a result of commercial broadband deployments or the current BDUK and council projects. It is expected that this will use more innovative fixed, wireless and mobile broadband solutions, to reach at least 99% of premises in the UK by 2018.
19. The key issue for the next phase is how to secure proper competition and value for money, and this is considered further in paragraph 38. The Public Accounts Committee has recommended that BT publish detailed rollout plans so that other suppliers can get on with trying to reach the remaining population still without superfast broadband.

How councils get value out of their investment

20. The National Audit Office estimates that BT will benefit from around £1.2 billion of public funding for broadband. Securing value for money for taxpayers is a top priority for councils and this will be determined by both managing contracts with suppliers and securing the take-up rates that mean faster broadband is driving growth.
21. This report has already highlighted some of the challenges councils in the rural programme faced when negotiating contracts with BT. As well as learning lessons from this experience for the next phase of the rollout, and the urban programme, a priority will be to ensure that councils can effectively monitor actual costs and take-up during the lifetime of the contracts.
22. The Public Accounts Committee has highlighted the challenges of a system that relies upon BT's self-certification of expenditure, and has recommended that DCMS support councils to have the capacity to carry out adequate checks. In the rural programme, BT bears the risks on take-up. BT uses a 20% take up assumption for both its

commercial and publicly subsidised programme, but the PAC pointed out this is lower than that for Northern Ireland. Potentially this means that BT is being compensated for a risk that is not very likely to happen. Monitoring take-up and securing clawback from BT in the event of materially higher take-up or lower costs will be important for securing value for money.² The recommendations in paragraph 38 suggest some actions the LGA could take to support councils in getting value for money from current and future broadband contracts.

23. Councils are also supporting residents and businesses to get online and take advantage of digital opportunities. This is part of councils' wider work to radically re-design public services, enabling the digital services agenda and improving efficiency.
24. The direct benefits to the council as a business and employer include enabling transactions to be carried out online and therefore more cheaply, enabling staff to work remotely and therefore more efficiently, and providing more choice to residents and businesses about how they access well-designed council services. For example, a SOTICOM study across 120 councils estimated that the cost of contact for web transactions was just 15 pence on average, compared to £8.62 for face-to-face transactions.
25. Many councils have strategies to enable greater self-service based on detailed studies on customer insight. The work taking place at a national level - such as the Cabinet Office's Assisted Digital Scheme, which will make more Government services available online - could provide a boost to thinking at the local level, but we need to think carefully about where it might add value to the existing activity. We are also pressing Government to ensure that the role of councils and the various internet access points they provide - including those in public libraries – are fully reflected in the Universal Credit delivery model.
26. Superfast broadband also supports councils' wider economic regeneration objectives by helping businesses to become more efficient, grow and generate new jobs, and attracting new businesses. Public Wi-fi networks in places with high footfall – such as shops and tourist attractions - help to attract visitors and encourage people to stay longer and spend money in the local area.
27. Sir Peter Bazalgette, Chair of Arts Council England, has recently highlighted how investing in digital arts opportunities can feed into creating places with a dynamic cultural offer where people want to live, work and visit.

How citizens, customers and businesses get value

28. The take-up rate of superfast or ultrafast broadband are also central to ensuring that citizens, customers and businesses get value for money from investment in broadband infrastructure. Factors influencing take-up include the cost of broadband packages, the quality of service, awareness and digital skills.

²Local Broadband Scheme Clawback Guidance, Broadband Delivery UK,
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/120696/state-aid-guidance-claw-back_v1_0.pdf

29. For rural and urban businesses of all sizes, access to digital infrastructure and connectivity is vital for future growth, and a key factor in deciding where to set up or expand. The internet enables businesses to boost profit by working more efficiently, innovate and communicate better with customers and suppliers. For small and micro sized businesses, access to a reliable internet connection is sometimes more important than high speed³. Although predominantly a rural issue, even some cities still have variable internet access that can hamper business performance.
30. SMEs businesses account for 99% of all private sector businesses in the UK, 59% of private sector employment and 48% of private sector turnover. According to UK Go On Line, only one-third of SMEs sell products or services online. The more digitally enabled a company is, the faster it tends to grow, and people in the UK are twice as likely as the OECD average to buy goods online.⁴ So, there is significant potential to boost growth by encouraging more smaller businesses to get online.
31. For businesses in parts of the country that will have an Urban Broadband Voucher Scheme, it is essential that the scheme is promoted widely, the process is as quick and as simple as possible, and there are a range of suppliers to ensure competitive pricing. For businesses who receive faster internet access due to the rural broadband programme, BT's requirement to buy a landline can be a barrier due to additional costs.
32. There are also many potential benefits for residents from faster and more reliable internet access. This includes improving quality of life, strengthening connections with friends, family and wider communities, and securing the financial benefit from buying online. There are major opportunities to embed digital inclusion in the improvement of public services and developing independence and resilience in communities. For example, people can look for jobs online, set up businesses and access telecare.
33. According to UK On Line 1 in 5 adults in the UK still do not have basic online skills – yet 90% of all jobs will require ICT skills by 2015, and the default option for Universal Credit will be online.⁵ An ONS survey revealed that the main reason why people do not use the internet is because they feel no need to do so. Cost, lack of knowledge about the broadband offer and lack of confidence about using new technology are all factors too.⁶
34. Councils are already doing lots to help residents and businesses develop digital skills in readiness for superfast broadband, and as part of the general drive to make more public services available online. For example, many councils offer free access to computers at public libraries or other community hubs , volunteer digital champions

³ Federation of Small Business

http://www.fsb.org.uk/policy/images/0932fsb%20broadband%20report_web.pdf

⁴ Go On UK <http://www.go-on.co.uk/challenge/uk-snapshot>

⁵ Basic online skills includes sending and receiving emails, and filling out an online application form. For a full definition, visit: <http://www.go-on.co.uk/challenge/uk-snapshot#skillsbuild>

⁶Office for National Statistics http://www.ons.gov.uk/ons/dcp171778_310435.pdf

and classes about how to use the internet. Councils are also working with social housing landlords and local partners to give tenants access to affordable IT kit.

35. However, as this report has already noted, the commercial and publicly funded broadband rollout will still leave around 10% without access to fixed infrastructure (although this varies between places). These people may be helped by final 10% plans and in particular the rollout of 4G networks. Access to 4G on smart phones and tablets will give people internet speeds up to 10 times faster than currently available. The Government anticipates that 4G services will boost the UK's economy by around £2-3 billion. Councils have highlighted to the LGA the importance of 4G to providing cost effective mobile coverage in the very rural and isolated places where it is most challenging and costly to deploy fixed infrastructure.
36. However even once 4G rollout is completed there will still be small percentage of homes where provision of mobile services are not commercially viable. In response DCMS is leading the Mobile Infrastructure Project. The first mast in a 'not-sport' area went live in September in Weaverthorpe, North Yorkshire, and will provide a service to 200 premises.
37. The Department for Transport recently announced that the rail industry is to rollout high speed mobile broadband on the busiest parts of the rail network. 70% of passengers are expected to benefit by 2019.

Next Steps

38. Members are invited to discuss the following suggested actions:
 - 38.1. **Engage Ministers in a debate on the next phase of the broadband rollout to ensure that there is proper competition in the market.** Key issues might include whether or not a national procurement framework is the right approach, would putting out contracts for tender at the same time enable smaller providers to achieve the necessary scale, how can other suppliers get greater access to BT's infrastructure, such as existing ducts in the ground and telegraph poles, and what should the role of 4G be in reaching the final 10%?
 - 38.2. **Officers to meet OFCOM to discuss the regulatory framework for the telecommunications industry and report back to CTS Lead Members.** Key discussion points might include the impacts on competition of BT's wholesale pricing structure, the conditions attached to accessing BT's infrastructure, and how this is impacting upon councils' ability to secure value for money for the public purse. This would also be an opportunity to take-stock on supplier interest in the Urban Broadband Voucher Scheme.
 - 38.3. **Officers to have exploratory conversations with BT to test their appetite for discussing key issues arising from the rural programme.** Key issues include learning from positive partnerships between BT and councils, securing robust in-contract monitoring, obtaining clarity on how economies of scale will be passed onto the public sector and future-proofing public investment.

- 38.4. **LGA and Local Partnerships to continue to support councils to encourage businesses and residents to get online.** This could be taken forward through the Chair's dialogue with Baroness Lane-Fox (the Government's Digital Champion), the Economy and Transport Board's dialogue with the CBI and FSB, and with Local Enterprise Partnerships, and sharing good practice case studies.

Case Studies

High-speed fibre broadband will be rolled out to around 96% of Cheshire homes and businesses in the next three years under a £28.5 million project between four Cheshire councils and BT. The Connecting Cheshire Partnership has secured funding to provide additional rural broadband infrastructure to over 80,000 premises that will build on BT's on-going commercial investment in fibre across the county. As a result more than 400,000 premises (around 96%) across Cheshire, Halton and Warrington, should have access to broadband speeds of up to 80Mbps by the end of 2016. Those premises in the remaining 4% that currently experience low speeds will also see an uplift, as the project aims to deliver a minimum of 2Mbps or more to almost all homes and businesses.

In late August 2013 Leicestershire County Council signed a £16.9 million contract with BT to deliver fibre broadband to around 95% of business and residential premises in Leicestershire. It has been identified that 72,500 premises within the County will not receive improved broadband connectivity without public investment. This equates to 25% of all Leicestershire premises. It is estimated that super-fast broadband investment in this area could result in economic growth totalling £92 million over the next 7 years.

The County Council is investing £4 million as part of this deal, with £3.3 million from the Government and £1.2 million from the European Union. BT is contributing a further £8.3 million. Further investment of £90,000 is being made to ensure a basic broadband service to all premises in Leicester City. It is expected that the first connections will go live in summer 2014 and the rollout will take 2 years to complete. In total more than 56,000 premises within Leicestershire will have access to fibre broadband through this project.

The County Council is keen to ensure that all Leicestershire communities and businesses can access the benefits of super-fast broadband. They will work with BT and partners to explore opportunities to extend the rollout into hard to reach rural areas. This may include innovative solutions, including wireless schemes, working direct with target communities.

In addition to the investment committed by the County Council and District Councils, demand for high speed broadband from communities and businesses is critical to the future success of the project. In 2012 the council conducted a broadband survey to identify where there were problem areas and to help identify demand for superfast broadband. In total the council received over 4,600 responses, including 650 from businesses, and this is being used to target digital support.

Fastershire is a project to bring fibre broadband to around 90% of homes and businesses in Herefordshire and Gloucestershire by the end of 2016. That's roughly 148,000 premises.

Fastershire is a non-profit making collaboration between Herefordshire Council, Gloucestershire County Council and BT that will boost the local economy by approximately £419 million over 10 years. The two counties' industrial zones and business parks are a key priority as fibre broadband will help local businesses to become more competitive. The project will also be of significant benefit to those premises which currently receive downstream speeds of less than 2Mbps.

Gloucestershire, Herefordshire, Wiltshire, Dorset, Devon and Somerset have joined forces to offer support to businesses to drive demand and uptake of ICT in order to increase take-up of superfast broadband. Eligible businesses are assigned a dedicated adviser who will help benchmark where businesses are in terms of readiness and IT capability. They will use this opportunity to help businesses highlight areas they could most benefit from, agree a support plan and introduce a specialist in the area they have chosen to focus on.

The 'e-sussex' project, led by East Sussex County Council in partnership with Brighton & Hove City Council, was launched to improve Internet access for homes and businesses in East Sussex. The £34 million project means that by 2016, alongside existing commercial broadband roll-out plans:

*96% of all properties across East Sussex and parts of Brighton & Hove will have access to superfast broadband of at least 24Mbps.

*99% of all properties in the county will have access to higher-speed fibre broadband

*Every property in East Sussex will be able to access a broadband service of at least 2Mbps

There will be 1,000 km of new fibre cable installed, over 100 people on the ground working to upgrade 49 telephone exchanges and install over 400 new "green" cabinets.

The project is aiming to push fibre as far as possible so as to enable future proofing. Where fibre cannot be installed, it will also be looking at alternative technologies (such as satellite or wireless). Detailed planning and network design is currently underway.

Free Wi-Fi will be available in city centre locations in a deal by Manchester City Council and Transport for Greater Manchester (TfGM) with Arqiva. Arqiva has created free citywide public internet access for those on the move, providing up to 30 minutes access to the internet with unlimited access to public sector websites such as Visit Manchester and Manchester City Council.

Bath and North East Somerset (B&NES) Council has announced plans to improve broadband, which it says will help to increase the value of the local economy by £1 billion by 2029 and expand creative industry and ICT employment by 20 per cent. The council's key aims are:

- * giving nine out of ten premises in B&NES access to high speed fibre broadband of at least 24mbps – and ensuring all premises have at least 2 mbps speeds – by the end of 2016 through the Connecting Devon and Somerset consortium, of which it is part
- * opening up the 13 miles of fibre network owned by the council - which runs between the A46 and Twerton Fork - to encourage inward investment by ultrafast broadband companies bringing speeds of at least 300mbps to the city centre and other parts of the official enterprise area along the River Avon.
- * working with the private sector to roll out wi-fi, 4G, and 3G technologies to shopping centres, sports venues, and transport infrastructure – particularly in those areas where the council owns assets, such as street furniture and lamp posts, on which infrastructure could be placed.
- * promoting greater local innovation through a mesh testbed - an online private network that enables hi-tech businesses and universities to push the boundaries of their research and development.
- * looking at how the planning system could be used to encourage developers to ensure that future homes are high-speed broadband-ready.

Liverpool City Council is working with Go Online UK to help the 104,000 adults (29% of its population) who have never used the internet. The council has embraced the digital agenda as crucial for skills, jobs and education. In 2010 the council launched a campaign to get more Liverpool people online. Through a network of volunteer digital champions out in the community helping people to develop digital skills, and high-profile promotional events to raise awareness about the campaign, working with partners including the BBC, has helped 43,000 adults to use the internet. The next stages of the campaign are exploring the impact of welfare reform, a bigger role for social landlords, improving access to free wi-fi and supporting businesses.