

## **Broadband and Economic Growth**

### **Purpose of report**

For discussion and direction.

### **Summary**

Superfast broadband is essential infrastructure for many businesses, and a key enabler that will help drive growth in the local economy and create jobs. It will also enable councils to carry out their business more effectively by delivering services online for those able to access them. It could dramatically improve the quality of people's lives and is central to the government's wider public service reform agenda – for instance, the government wants access to Universal Credit to be online by default.

Councils are leading the rollout of the nation's broadband programme and have seized the opportunity to transform the economic fortunes of places which for too long have suffered from very slow or intermittent internet access. This report updates Members on the progress of the programme and key issues for councils as background to a discussion with Robert Sullivan, Chief Executive of Broadband Delivery UK.

### **Recommendation**

Members are invited to note the issues in this report as background for discussion with Robert Sullivan, Chief Executive of Broadband Delivery UK.

### **Action**

To be taken forward by officers as directed by Members.

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## **Broadband and Economic Growth**

### **Background**

1. Superfast broadband is essential infrastructure for many businesses, and a key enabler which will help drive growth in the local economy and create jobs. It will enable councils to carry out their business more effectively by delivering services online for those able to access them. It could also dramatically improve the quality of people's lives and is central to the government's wider public service reform agenda – for instance, access to Universal Credit will be online by default.
2. Councils are leading the rollout of the nation's broadband programme. In two-thirds of the country, the infrastructure for superfast broadband will be provided by the market. However, in the remaining third, predominantly rural areas, this infrastructure will require public investment to supplement private investment.
3. The Government has committed to delivering the best superfast broadband network in Europe by 2015. It wants to provide superfast broadband to at least 90 per cent of premises in the UK and to provide universal access to standard broadband – some of it via mobile technology - with a speed of at least 2Mbps by 2015. To put that in context, 2Mbps is slightly faster than the minimum speed needed to watch streaming TV on a computer via the BBC iPlayer.
4. Government views superfast broadband as a key element of its growth strategy and:
  - 4.1. has allocated £530 million to stimulate commercial investment to roll-out high speed broadband in rural communities by 2015;
  - 4.2. will invest £100 million to create up to ten 'super-connected cities' across the UK by 2015 and a further £50 million for a second wave of cities;
  - 4.3. will invest up to £150 million to improve mobile coverage in the UK for the five to 10 per cent of consumers and businesses that live and work in areas where coverage is poor or non-existent; and
  - 4.4. has negotiated with mobile operators to extend 4G coverage to the majority of the population by summer 2013.
5. Broadband Delivery UK (BDUK), a unit within DCMS, is responsible for managing the government's broadband funding. Individual projects are the responsibility of local authorities. BDUK offers a range of support to councils – including the development and implementation of a national procurement framework and on-going support to local bodies on both technical and commercial issues. Local Partnerships works with BDUK and individual councils to support the rollout on the ground.
6. Councils have seized the opportunity to transform the economic fortunes of places which for too long have suffered from very slow or intermittent internet access, and most have risen to the challenge of match funding the BDUK funding at a time of austerity.

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7. **Annex A** is a summary of progress to date of the broadband programme.
8. After delays to the rollout of the rural programme, largely due to delays signing off the Procurement Framework, and further delays whilst state aid issues were clarified, the projects are now progressing well. The time it took to secure state aid clearance was the real barrier to the rollout – not the local planning system. A perceived lack of competition in the supply chain is also giving rise to questions of how councils can assure themselves that they are achieving value for money in the process within the parameters of commercial confidentiality.
9. Delays caused by state aid and the tight timescale for delivery are now also impacting upon the urban programme and councils are keen to resolve these as soon as possible.

**Key issues for councils**

10. **Timeframe.** Although projects are progressing well, the government's timetable is still extremely tight. Whilst suppliers will seek to prioritise Enterprise Zones and clusters of businesses, councils are discouraged from attaching further local requirements. The logic here relates to the more complex projects log-jamming the procurement programme and timescales slipping even further. Projects reliant on European Regional Development Fund (ERDF) have additional timing issues and these challenges are being worked through at a government working group.
11. **Value for Money.** With only one active supplier for the rural programme (BT), and to ensure councils can secure a good deal for taxpayers, councils need to be clear whether or not the total investment will meet the target of 100 per cent coverage with 90 per cent superfast. They also need to be able to cross-reference with projects that have already been out to procurement to gain an idea of definite costs.
12. **Planning.** The LGA opposes the government's plans to relax planning restrictions on the installation of broadband infrastructure. As the Growth and Infrastructure Bill makes its way through Parliament, the LGA is arguing for the deletion of Clause 8, which would open the door to unwelcome changes the Electronic Communications Code – namely that broadband and potentially other communications infrastructure could be placed almost anywhere.
13. **Links to other agendas.** Broadband is an enabler of economic growth, not an end itself. Councils are key to ensuring that businesses and people actually use the internet and benefit from it. For example, many councils offer free access to computers at public libraries or other community hubs 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 kit. An ideal scenario is one where service transformation, digital inclusion and superfast broadband come together, with councils joining this activity up.

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14. **Future proofing.** Digital technology is continuing to develop extremely rapidly and it is essential for global competitiveness that the UK's digital infrastructure keeps pace with the next big development. To ensure that the content works for different devices that will be supported by the broadband infrastructure councils will need to design services that work on smart phones and tablets as well as PCs and laptops.
  
15. **Maximising our investment.** Once we have the infrastructure in place, it will be important to work directly with business and the wider community to ensure that it works for them, and to actively engage them in maximising how we use this asset.

## **Annex A – Progress to Date**

### Rural broadband

1. Superfast broadband was first rolled out in a number of pilot areas, starting with Herefordshire and North Yorkshire. This was followed by a second wave of pilots in Wiltshire, Norfolk and Devon & Somerset.
2. All upper-tier local authority areas who want to access national funding now have broadband plans approved for delivering 90% or greater superfast access. After a long delay the government has secured state aid clearance for the rural projects. Procurement for this programme is now under way, with around one project moving into formal procurement every week. The government hopes that all projects will have signed contracts and started delivery by August 2013, although this is extremely tight.
3. In addition, the Rural Community Broadband Fund, jointly funded by Defra and BDUK, is aimed at the 10 per cent hardest to reach areas which risk only receiving standard 2Mbps broadband. Government intends this to be community-led but councils are key partners and we have highlighted the importance of aligning procurement timescales with the rural programme so that the best possible deals can be secured. Whilst the funding is very welcome, councils would also like to see greater flexibility as currently projects which would deliver a significantly better service but fall short of the superfast speed are ineligible for the government funding.

### Urban broadband

4. The government's £100 million urban broadband fund will mean that around 15 per cent of the UK population will have access to ultra-fast speeds of 80-120 Mbps along with universal high speed wi-fi. This enables high speed wireless internet access in a defined area, such as a city centre or business district. It particularly benefits high-tech and digital companies.
5. Birmingham, Bristol, Leeds with Bradford, Newcastle and Manchester along with the four UK capital cities successfully bid to become Super-Connected Cities and will share the government funding. The cities submitted detailed plans to government in July and are developing these further alongside BDUK.
6. In the Autumn Statement the Chancellor announced a second wave of cities who will receive a portion of £50 million to help bring ultra-fast broadband to businesses and residents. The English cities are: Brighton and Hove, Cambridge, Coventry, Derby, Oxford, Portsmouth, Salford and York.
7. Both waves of the programme depend upon the government securing state aid clearance from the European Commission. The LGA is pressing Ministers to do all they can to secure clearance as soon as possible to keep the programme on track. Although the final approach is yet to be agreed, it is likely that BDUK will develop an umbrella agreement for the cities.

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Mobile Infrastructure Project

8. In October 2011, the Government announced £150 million in capital expenditure to improve mobile coverage and quality – known as the Mobile Infrastructure Project (MIP). This project is being run BDUK. The objectives are:
  - 8.1. To improve the coverage and quality of mobile network services for the five to ten per cent of consumers and businesses that live and work in areas of the UK where existing mobile network coverage is poor or non-existent.
  - 8.2. To extend coverage to 99 per cent of the UK population.
9. The Government expects that the procurement will begin later on this year, and to complete the project by 2015. There are implications for councils in terms of connectivity with the rollout of broadband and planning issues, and we are awaiting further information from government.

4G

10. By summer 2013 the majority of the population should have access to 4G on their smart phones and tablets – this will give people internet speeds up to 10 times faster than currently available. This follows an agreement between DCMS and the four main mobile operators.
11. The government anticipates that 4G services will boost the UK's economy by around £2-3 billion and councils have highlighted to the LGA the importance of 4G to improving the mobile signal in rural communities.