

## **Planning and infrastructure for growth, including broadband**

### **Purpose**

For discussion and direction.

### **Summary**

This paper provides an update on the project on planning and infrastructure, including broadband, as agreed as part of the board's work programme.

Part 1 of the report covers planning and infrastructure and part 2 covers broadband.

### **Recommendation**

That the Board discuss the emerging policy proposals for the Planning and Infrastructure for Growth project and comment on the draft LGA response to DCMS and HMT Digital Communications Infrastructure Strategy Consultation.

### **Action/s**

Officers to progress the project as directed by the board.

**Lead Member:**

Cllr John Pollard

**Contact officer:**

Rebecca Cox / Laura Caton

**Position:**

Senior Advisers

**Phone no:**

020 7187 7384 / 7764 3154

**Email:**

[Rebecca.Cox@local.gov.uk](mailto:Rebecca.Cox@local.gov.uk) / [Laura.Caton@local.gov.uk](mailto:Laura.Caton@local.gov.uk)

## **Part 1 - Planning and infrastructure for growth**

### **Introduction**

1. This paper outlines the research findings to date from the project on planning and infrastructure for growth agreed as part of the Board's work programme and suggests a number of policy proposals for further development.
2. At its June meeting the Board agreed work in this area should be reported to both the Environment and Housing Board and the People and Places Board, and that the City Regions Board and Economy and Transport Board should be kept informed. Subsequent to this decision the Environment and Housing and Economy Transport Boards have been replaced by the Economy, Environment, Housing and Transport (EEHT) Board. The EEHT Board agreed to receive reports on the project as part of its legacy work.

### **Background**

3. At its June meeting the Board agreed a project to examine how planning and infrastructure provision might be better-deployed in non-metropolitan settings to drive growth. Planning and infrastructure are closely linked to housing and the project also draws on the LGA's work in this area.
4. Councils play a critical role, through the planning system in identifying and securing the delivery of infrastructure to facilitate sustainable development and attract investment. In the lead up to the next election, the planning system and the way councils use it to facilitate and support growth is likely to remain under scrutiny, particularly with regards to whether councils are able to deliver the duty to cooperate and work together to support housing need. In addition, councils will need to counter perceptions that planning is a barrier to growth and demonstrate the effectiveness of locally led planning processes to safeguard against moves to further centralise control of planning.

### **The importance of infrastructure delivery and issues to be addressed**

5. The provision of infrastructure is key to supporting and sustaining economic growth and delivering services to meet the needs of communities both now and in the future. That includes transport, housing, broadband, energy, water, waste and flood defences needed to create successful places. Ensuring adequate infrastructure is in place is also important in securing public support for housing development. An LGA survey<sup>1</sup> found that councillors reported 24 per cent of their residents were generally supportive of housing developments in their area; this rose to 60 per cent where it included the necessary infrastructure to support the new housing and community. At a time when we face a significant shortage of housing, it is important to reduce as far as possible the barriers to public support for new developments.
6. The demand and capacity for new housing varies across councils. It is therefore important that councils work together to plan strategically for their areas, as many do. Over 80 per cent of respondents to a recent LGA survey indicated that they were planning to work in partnership to deliver new housing in the next five years.<sup>2</sup> There

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<sup>1</sup> New Housing Developments Survey, LGA, 2012

**Item 1b**

needs to be further discussion on how benefits can be delivered for communities who accept development whilst meeting the needs of those where land is restricted. Planning authorities, county councils and other public bodies are also subject to the Duty to Cooperate, which has put in place a legal duty to undertake meaningful discussions (although not necessarily agree) around strategic planning matters. The Planning Inspectorate has the power to reject local plans which do not show this cooperation, which it has exercised in a number of cases. In this way, the Duty acts as a disincentive to non-strategic planning, rather than incentivising greater planning across boundaries. Ed Miliband has indicated that Labour would strengthen the Duty to Cooperate, role of the Planning Inspectorate and other national measures through a proposed 'Right to Grow'.

7. Appropriate infrastructure provision also underpins successful local economies, and insufficient infrastructure prevents them reaching their full growth potential. For example, traffic congestion alone costs Britain's economy more than £4.3 billion in direct and indirect costs.<sup>3</sup> Following the severe weather in the South West and the subsequent damage to the railway at Dawlish, local business leaders estimated the damage to the local economy at between £2 and £20 million a day –this from just one event in one part of the UK. The overall national infrastructure gap has been estimated at between £430 and £500 billion between now and 2020, and various studies indicate this is likely to be an underestimate. The Government's National Infrastructure Pipeline records 429 projects, the cost of which is at least £483 billion (not including the 20 per cent of projects whose funding is yet to be defined). However, 62 per cent of public money spent will be directed towards projects in London. Councils will play an important role in ensuring infrastructure investment is fairly spread around the country.

**Challenges and barriers to infrastructure delivery**

8. Research commissioned by the LGA shows that central government funding for infrastructure is fragmented and siloed. The £4.52 billion identified for local infrastructure funding is spread across nearly 30 separate pots, many of which require a competitive bidding process. Separate research commissioned by the LGA shows that average costs to councils for a single bid range from approximately £20,000 to £30,000 per bid as well as significant officer time. This is a not a sustainable funding model, and does not incentivise long-term, strategic planning for local infrastructure provision.
9. Despite the complexities associated with government funding, councils cannot rely on developer contributions alone to fund the cost of required infrastructure. Developer contributions through section 106 and the Community Infrastructure Levy (CIL)<sup>4</sup> are also insufficient to fund the cost of required infrastructure. CIL is in place in 49 councils, and 100 councils are estimated to have the levy in place by April 2015. In councils with a CIL in place, CIL makes up between 10 and 30 per cent of required funding on average. For example, the required spend on infrastructure in Wiltshire between 2011 and 2026 is estimated to be £308 million, but CIL will contribute £57

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<sup>2</sup> Housing self-financing survey, LGA, 2014

<sup>3</sup> The economic costs of gridlock, Centre for Economics and Business research, December 2012

<sup>4</sup> The Community Infrastructure Levy (CIL) came into force on the 6 April 2010 and is a local levy that local authorities can choose to introduce to help fund infrastructure in their area. The levy is a standard charge that provides funding for strategic infrastructure to run alongside scaled back section 106 obligations which are intended to relate only to site-related mitigation and affordable housing.

**Item 1b**

million, or 18 per cent. In Bedford, £194 million is required between 2011 and 2021, of which CIL is projected to contribute £11-12 million, or six per cent. At the same time, independent research commissioned by DCLG shows that between 2007-08 and 2011-12 there was a 23 per cent nominal fall in the value of all s106 planning obligations, due largely to drops in the value of in-kind and land contributions. Additionally, in 2011-12, direct payments per local authority were just over £3 million against £3.5 million per local authority in 2007-08.

10. The Duty to Cooperate applies only to statutory bodies, meaning that vitally important elements to effective planning, such as power and water provision, are not subject to a formal duty in this regard. Although government guidance states “it is expected that private utility companies and providers will engage positively in the preparation and delivery of Local Plans,”<sup>5</sup> in practice engagement is patchy and anecdotal evidence suggests it can take a long time for utility providers to share their plans, slowing down the preparation of plans. A better mechanism for engaging utility companies in strategic planning would help streamline the process. Equally, greater local influence over providers’ national planning would help ensure that electricity infrastructure, for example, is installed according to local business and community need, avoiding unplanned shutdowns and associated loss of productivity that is cited as a concern particularly by the manufacturing industry.<sup>6</sup>

**Council achievements in planning and delivering infrastructure**

11. Councils in non-metropolitan areas have a long history of effective strategic planning, whether voluntarily or under national frameworks, and this continues under the current system. This is seen in numerous Joint Core Strategies and Joint Plans, for example, the Coastal West Sussex and Brighton and Hove Joint Local Strategy, the ‘Gatwick Diamond’ grouping’s memorandum of understanding and Local Strategic Statement, the Greater Norwich Development Partnership, Cambridgeshire and Peterborough Joint Strategic Planning Unit, the Black Country Core Strategy, and joint planning in Greater Manchester. Councils also work with Local Enterprise Partnerships (LEPs) to attract funding and plan for infrastructure, as seen for example in the funding secured for a new relief road through the Greater Lincolnshire LEP’s Growth Deal or the revolving infrastructure fund involving the Gloucestershire LEP and county council.
12. Councils currently access a range of options to fund investment in infrastructure. This includes central government funds, developer contributions, business rates, capital receipts, and prudential borrowing. In future, they will also be able to access funding from the Local Capital Finance Company, the municipal bonds agency being set up by the LGA, to access lower interest rates than through the Public Works Loans Board. Examples of innovative practice include:
  - 12.1 Oxford City Council has set up a joint venture called Barton Oxford LLP with an investment partner, enabling them to secure investment against land value to invest up-front in necessary infrastructure.

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<sup>5</sup> <http://planningguidance.planningportal.gov.uk/blog/guidance/duty-to-cooperate/what-is-the-duty-to-cooperate-and-what-does-it-require/>

<sup>6</sup> Better connected, Better business, CBI/KPMG 2012

Item 1b

- 12.2 Somerset County Council has brought together central government funding, prudential borrowing, and developer contributions to fund the Northern Inner Distributor Road, reducing congestion and providing access to brownfield sites.
- 12.3 Broadland District Council and Norfolk County Council have pooled business rates to enable them to be used to fund strategic projects according to jointly agreed priorities.
- 12.4 Northamptonshire County Council has worked closely with their LEP, borough and district councils, and the local transport body to create a £100 million plus revolving infrastructure fund. It has already identified three schemes which will unlock further local development.
- 12.5 While not a non-metropolitan area, Nottingham introduced a workplace parking levy for eligible employers. In the first year, employers have contributed just under £8m towards local transport investment and helped to lever in £3 of government funding for every £1 from the levy. Nottingham believes that once the schemes it funds are complete, it will deliver £10 of economic benefits to the city for every £1.

**Policy recommendations**

13. The report will present a series of policy proposals to increase councils' ability to deliver infrastructure. **Comments are invited on the development of the below proposals to inform the final report.**
14. Whilst joint working and cooperation is rarely straightforward it is the most effective approach to secure community acceptance through locally democratic decision making whilst ensuring planning takes place at an appropriate spatial level. As seen in the proposed Right to Grow, there is a danger than national politicians will drive greater strategic planning by legislating for centralist measures. The challenge therefore is to develop an effective, local government-led approach that is a platform for bringing together strategic planning for housing and its supporting infrastructure, particularly transport. Ways forward might include:
  - 14.1 Wider adoption of voluntary Joint Plans and Joint Core Strategies at a sub-regional level, building on good practice such as that outlined above.
  - 14.2 Developing Combined Authorities more widely in non-metropolitan areas.
  - 14.3 Build on the recent Growth Deals to devolve even more ambitious powers and funding than achieved in the initial agreements.
  - 14.4 Whatever the mechanism (and the above suggestions are not all mutually exclusive), groupings should work with LEPs to ensure that their respective strategic approaches are broadly aligned.
15. Government funding for local infrastructure should be brought together in a true single local pot to put in place a powerful and effective incentive to councils to plan together for the long term.
16. Decisions on how funding is spent should be taken at a sub-regional level through groupings that reflect functional economic areas. This could involve some adjustment to LEP boundaries to ensure the most effective decision-making arrangements are in place.

**Item 1b**

17. Government should work with councils to develop and implement an effective and cohesive package of incentives for housing and development. This should include the following:

17.1 In its response to the Lyons Housing Review, the LGA made the case for broader Compulsory Purchase powers to enable councils to acquire land for major development at its existing use value. This would support and facilitate the development, infrastructure and community facilities using the uplift in land value capture. Capturing land value uplift is much more common in Germany, the Netherlands and Australia, for example, but more could be done to facilitate its use in the UK.

17.2 As can be seen in the housing paper also being put to the Board, the LGA continues to press for a number of mechanisms to support a more effective use of the public estate and support large-scale development, including an expansion of the current approach to deferred receipts, public sector debt guarantees, and a revised and more robust approach to viability that balances risk and reward. These must form part of any proposals to help councils deliver infrastructure.

18. Existing LGA proposals to allow councils to set locally appropriate fees, charges and subsidies; set rates and discounts for council tax and business rates; and let councils retain 100 per cent of business rates growth without a corresponding cut in revenue support grant also form an important part of the narrative to support investment in local priorities.

**Timescales**

19. The following timescales are anticipated for delivering the project:

10.1 November – final report.

10.2 January – event to bring together leading practitioners and decision-makers.

## **Part 2 – Superfast Broadband**

### **Introduction**

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. Fast and reliable broadband is vital infrastructure for supporting growth in non-metropolitan areas, given the employment and business patterns in those geographies, and the importance of the visitor economy. It also makes communication between citizens, businesses and public agencies easier in more sparsely populated areas.
3. Councils are joining-up the broadband rollout with efforts to encourage people and businesses to get online, and wider public service transformation including online applications for Universal Credit and health and social care integration.
4. At its last meeting, Board Members agreed a work programme that would take forward the following actions:
  - An event for councils who have expressed an interest in the Extending Broadband Programme (Phase two of the rural rollout) to explore opportunities for collaborative procurement.
  - Influence the Government's work on post-2015 digital infrastructure to ensure that it takes account of the situation in non-metropolitan places
  - Develop proposals for regulatory reform and open up dialogue with OFCOM.
  - Influence the final 5% project so that solutions are cost effective for councils.

### **Progress Monitoring**

#### *Phase 1 of Broadband Delivery UK programme – 90% coverage by 2015*

5. The Government has allocated £530 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.
6. Local government has exceeded match-funding requirements (sometimes in order to bring coverage closer to 100%), and are projected to spend over £1 billion by 2015. After long delays while the Government clarified state aid issues, all 44 projects have signed contracts and are in delivery. Superfast broadband is now rolling out to 40,000 premises per week. Latest DCMS figures released in August show that the programme has extended superfast broadband to more than one million homes and businesses across the UK. The priority is to ensure that BT consistently works in partnership with councils, supported by BDUK, to ensure that the rollout is progressed in a timely fashion.
7. A small number of Rural Community Fund broadband projects jointly funded with DEFRA are supplementing the phase one rollout. The Rural Community Broadband Fund was a £20 million fund to help 'hard to reach' communities (get access to superfast broadband. 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 were permitted to bid for 50% or more of the total sum required to rollout small-scale improvements to broadband infrastructure. However,

**Item 1b**

progress was 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 brought together BT and the most advanced community-led rural broadband schemes to encourage closer joint working, but the programmes will make a smaller contribution to the rollout than first envisaged. The LGA has argued for any underspend to be ploughed back into the rural programme.

8. Councils faced a number of significant challenges with the rollout that continue to present difficulties as delivery gathers pace. In particular, value for money. 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 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).
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. 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.

*Phase 2 of Broadband Delivery UK programme – 95% coverage by end of 2017*

11. In March 2014, the Government announced a further £250 million fund – the Superfast Broadband Extension Programme (to be matched by local or European funding) so that 95% of UK homes and businesses (4.6 million) have access to superfast broadband by 2017. Following feedback from the Local Government Delivery Council (a Chief Executive advisory group to the LGA on service transformation), the LGA hosted an event on 30 June for the 45 councils eligible for the fund to discuss opportunities for collaboration on procurement. The LGA and councils emphasised to BDUK the need for as much flexibility as possible over match funding requirements due to the significant budget pressures facing councils and it is encouraging that European funding can be used as match. All projects are aiming to have completed procurement by July 2015.

*Phase 3 of Broadband Delivery UK programme – beyond 95% coverage*

12. The government is now focusing on the "final 5%" – those areas in the most remote and hardest to reach places in the UK that are not covered by existing plans. The LGA has consistently highlighted to Ministers the need to ensure 100% coverage. Citizens and businesses in some rural communities are already lagging behind other places and

**Item 1b**

continued gaps in digital connectivity are a major barrier to economic growth and wider service transformation.

13. On 21 March 2014, the Government invited applicants to a new £10 million innovation fund, which will test innovative ways to help take broadband to Britain's most remote communities. DCMS announced that suppliers could submit bids in three different categories:
- Technology – seeing whether a technology that works can be used in remote areas
  - Operating models – trying novel operating models such as joining smaller networks together into a common larger network
  - Financial – testing innovative public / private funding models that could bring in new investment
14. On 19 June 2014, the Government announced the eight shortlisted pilots, including North Lincolnshire and North Yorkshire. These pilots will explore how to expand coverage in remote areas, using fixed wireless and satellite technologies, a social investment financial model and an operating model which aggregates small rural networks. A series of pilot projects are currently under way in eight locations across the country to investigate the best way of tackling these areas. The findings will be used to inform future funding bids to ensure that everyone benefits from the transformation of the digital landscape currently underway.

*Mobile Infrastructure Project*

15. The rollout of 4G networks will give people internet speeds up to 10 times faster than currently available through smart phones and tablets. 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.
16. 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 £150 million Mobile Infrastructure Project to extend mobile coverage where there currently is none. Government is providing capital funding for Arqiva to build the new site infrastructure, while mobile network operators EE, Telefonica, Three and Vodafone will be providing coverage from the sites and funding their operating costs for the 20-year life of the project. Two masts in 'not-spot' areas have gone live – Weaverthorpe in North Yorkshire, and North Molton in Devon and more sites are expected to join the programme in the coming months. The LGA has met BDUK to highlight the importance of early engagement with councils at the pre-application stage of the planning process so that potential community concerns and questions regarding masts can be considered by councillors.

*Future Digital Communications Infrastructure Needs*

17. HM Treasury and the Department for Culture, Media and Sport Government have launched a consultation on the country's digital infrastructure needs post-2015. The strategy will consider and identify key next steps and action points for delivery in the following areas:

**Item 1b**

- a) How might the UK take advantage of the growth potential of the communications sector, including boosting innovation and creativity, maintaining global competitiveness and ensuring we realise the benefits of having world class infrastructure;
- b) Facilitation and encouragement of private sector investment in infrastructure;
- c) The regulatory framework;
- d) The role of Government, including coordination of policies, programmes and investment.

18. **A draft LGA submission is attached at Annex A and Members' comments are invited.** The submission is an opportunity to highlight the continued need to address the value for money challenges arising from the superfast broadband rollout, as well as to make the case for the importance of digital connectivity everywhere for future economic growth and wider public service reform. The submission is still under development and members are invited to comment on the following key issues:
- a. Future technologies - what will digital technology look like in 30 years' time and how can we ensure that the public sector is engaged in ensuring that innovation matches future need?
  - b. Funding mechanisms - what are the innovative funding models that will encourage the private sector to invest in new digital technologies, especially in those rural places where providers have so far not invested?
  - c. Competition and value for money - how can we support rural businesses and communities to make the case to providers and developers for the economic benefits of extending broadband to the final 5%, so that the commercial market is stimulated?

**LGA Actions and Next Steps**

19. Since the last Board, the LGA has strengthened its dialogue and contact with Broadband Delivery UK. In particular, the new Chief Executive of Broadband Delivery UK, Chris Townsend, spoke at a very well-attended session at LGA annual conference in July. Mr. Townsend emphasised that he is very keen to meet and engage councils to ensure that the rural rollout is kept on track. Over 20 councils were represented at an LGA seminar on 30 June to give councils the opportunity to explore joint working through the Extending Broadband Programme and to put their questions and concerns direct to BDUK.
20. In addition to responding to the consultation on future digital communications infrastructure, it is suggested that the focus of the Board's activity over the coming weeks is to use our regular dialogue with senior BDUK officials to ensure that councils can achieve value for money from their investment in phase one and that phases two and three are competitive. Suggested areas of focus are:
- **Ensuring that councils have the access to timely data from BT that allows them to accurately monitor take-up of broadband** - The Public Accounts Committee (PAC) 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 has 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

**Item 1b**

event of materially higher take-up or lower costs will be important for securing value for money.

- **Ensuring that councils have the access to timely data from BT about planned broadband coverage and speed** – The PAC published an updated report on broadband in August and highlighted that many of the maps currently available do not give sufficiently detailed information about BT’s coverage to be of use to other potential suppliers seeking to plug the gaps. DCMS has issued guidance setting out its expectation that BT makes information available at 7-digit postcode level, but the PAC concludes that it is still taking too long to get this information and this will make it harder for potential suppliers in the next round of funding.
- **Continue to influence phase two and phase three of the rollout to maximise competition, promote value for money and ensure that 100% coverage is achieved** – it is essential that the Government learns the lessons from phase one of the rollout. The PAC’s most recent report reinforced its earlier conclusion that Government had not done enough to promote competition. All 44 contracts for phase one of the rural programme have been awarded to BT. The PAC concludes that this situation has “restricted the Department’s ability to insist on value for money safeguards such as unfettered cost transparency.”<sup>7</sup> The PAC recommends that “Before the next round of funding is released, the Department should work with local authorities to identify opportunities to promote competition and value for money; including considering alternative solutions, joint working and fair capital contributions from suppliers.”

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<sup>7</sup> Public Accounts Committee Rural Broadband Programme, August 2014,  
<http://www.publications.parliament.uk/pa/cm201314/cmselect/cmpubacc/834/83403.htm>

## Annex A

### **DRAFT LGA Response to DCMS and HMT Digital Communications Infrastructure Strategy Consultation Document, October 2014**

#### About the LGA

The LGA is the national voice of local government. We work with councils to support, promote and improve local government.

We are a politically-led, cross-party organisation that works on behalf of councils to ensure local government has a strong, credible voice with national government. We aim to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems.

We welcome the opportunity to respond to the Digital Communications Infrastructure Strategy consultation document.

#### Key Messages

The UK's digital communications infrastructure is as important a strategic consideration as electricity, planning, housing and transport for living and doing business in the twenty-first century. In towns, cities and villages alike, digital technology, and the infrastructure that supports it, is an essential enabler for the achievement of many economic and social outcomes.

We need to ensure that the predominantly rural – and even pockets of urban – communities who are already lagging behind in the publicly funded broadband and Wi-Fi rollout, get access to fast and reliable digital connectivity - internet and mobile - as soon as possible.

From supporting increased levels of resident and business self-service, to delivering services differently through telecare and assisted technology, working more efficiently with partners on sharing information and enabling staff to work remotely, digital infrastructure drives economic growth and public service transformation.

Local government has a strong track record of embracing new technology to improve its own efficiency and support business and residents to deliver services better and save money. Given that councils face a funding gap of £5.8 billion between March 2014 and the end of 2015/16, increased demand on local public services from a growing and ageing population and fundamental reform of welfare and health and social care, the need to take advantage of digital innovation has never been greater.

It is vital for this country's future economic prospects that our digital communications infrastructure keeps pace with technological advancement and that access is equitable, reliable and affordable across the country. As we consider future digital infrastructure needs, we need a regulatory framework that encourages robust competition and value for money for citizens and businesses, and we need Government to recognise that without equitable access to digital technology, it will not achieve its wider public service reform agenda.

#### Introduction

**Item 1b**

Digital technology is one of the fastest changing sectors. Smart phones and tablet computers are now everywhere; town centres and public buildings routinely offer wireless access; data and systems are increasingly stored in the 'cloud'. These advances have enabled citizens, businesses and public bodies to change the ways in which they interact, gain access to information and services, and organise their work. Digital infrastructure is an essential part of creating places where people want to live, work and visit. It is as important to how we live our modern lives as transport and energy.

Councils have been quick to recognise the opportunities offered by technology and digital tools and approaches to target and deliver public services better and save money. They have explored different methods of improving local people's access to services including tele-care, online applications for school places, cashless parking payments and 'apps' to inform or alert service users. For instance, Hammersmith and Fulham's online self-service portal has saved £1.15 million annually. Staffordshire County Council has co-developed Patchwork, an online tool which allows frontline staff to quickly log-in and see which other agencies are supporting shared clients.<sup>8</sup>

At the same time, they have made their workforces more productive by introducing mobile technologies, route planning tools and video-conferencing. At a national level, councils have worked closely with central government to invest jointly in essential infrastructure such as reliable and fast broadband connections and the Public Services Network. For example, the national Tell Us Once project, which enables people to report on a birth or a death just once and has been implemented in over 90% of the councils, is delivering total benefits of £22 million annually.

The need to take advantage of such digital innovations has never been greater. Over the current spending review period, local government has suffered 40% cuts to its budgets. At the same time, demand on local services has been increasing inexorably as a result of the economic downturn, an ageing population and increasing numbers of 0-5 year-olds. People's expectations are also changing rapidly with users increasingly demanding 24/7 access to public services by a range of digital means – phone, TV, computer and in the future by new technologies we cannot even imagine yet.

Wider public service reform – especially making more services available online, collaborating and data-sharing across organisations – is driving ever more people online. This can only be successful if it is underpinned by a high-quality, affordable and geographically equitable digital communications infrastructure that citizens and businesses are also supported to use.

Digital communications infrastructure as an enabler of growth and more

From world-beating multi-billion pound businesses to R&D crucial for the nation's economic future taking place in science parks and universities, thriving gaming and creative industries and England's booming visitor economy, the consultation document rightly highlights that digital communications infrastructure is a key enabler of economic growth. Nearly every council and LEP plan for local growth emphasises the importance of superfast broadband

<sup>8</sup> For more examples about how councils are using digital technology as an enabler of growth and other social outcomes, and how this is improving the quality of public services and saving money for the taxpayer, please see the LGA publication "Transforming local public services: using technology and digital tools and approaches." <http://tinyurl.com/og33tb4>

**Item 1b**

and other digital infrastructure to attracting and retaining businesses of all sizes, helping to create local jobs and improving competitiveness.

We would like more emphasis to be placed on its importance to driving *local* economic growth and recognition that digital needs will vary between places depending upon the economic, social and geographic characteristics of that place. For example, the digital needs of Cornwall, with its less dense population, communities still lacking any internet access, and clusters of creative and cultural industries, will be very different from urban places where the focus might be on ultra-fast broadband connections and improving public Wi-Fi access in city and town centres.

In particular, there is significant potential to boost growth by encouraging more small businesses to get online. SME 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, the UK online skills alliance, 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.<sup>9</sup> Public Wi-fi networks in places with high footfall – such as shops and tourist attractions – can also help to attract visitors and encourage people to stay longer and spend money in the local area.

For example, Cambridgeshire has positioned itself as a leading base for new high-tech and IT companies, and meeting the digital needs of those businesses is at the heart of the Connecting Cambridgeshire strategy. Birmingham's Enterprise zone is developing digital infrastructure to facilitate affordable access to superfast broadband that will assist businesses operating in the IT, creative and digital sectors in Digbeth, Eastside and the Jewellery Quarter. The Humber LEP has prioritised digital connectivity to support the region's growing reputation for creative and digital entertainment and gaming innovation. Good access to broadband is one of the top five reasons why businesses locate to Camden.

Equally, it is a significant barrier to local growth and productivity that some rural communities, and even parts of some cities and towns, still do not have a reliable superfast broadband service, let alone the ultra-fast service that the most advanced businesses require. Farmers living and working in the most remote parts of the country sometimes have to drive for miles to be able to get the internet access they need to complete online forms. Even some Enterprise Zones have been unable to secure decent broadband access for their businesses. This also means that people living in these communities are unable to access vital services online or benefit from cheaper prices online. Households are missing out on estimated savings of £560 per year from shopping and paying bills online. Given the pace of technological change, there is a real risk that the digital divide will become unsurmountable, and closing it must be an urgent priority for the strategy.

While the publicly funded superfast broadband programme and the 4G rollout will go some way to closing the gap, by the end of the programme in 2017, around 5 per cent of the country will still be without superfast broadband. Given that these very rural communities are often the type of places where people want to set-up small home-based businesses, and that also depend upon tourism for local jobs, a priority must be to bring affordable digital connectivity to those places as soon as possible. It is encouraging that the government is running a £10 million competitive fund to develop innovative fixed, wireless and mobile broadband solutions that will reach the final 5% of premises in the most isolated places. It is

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<sup>9</sup> Go On UK <http://www.go-on.co.uk/challenge/uk-snapshot>

**Item 1b**

essential that the solution developed is replicable, cost effective for councils and that there is proper competition.

We also believe that the consultation document does not give enough emphasis to the importance of access to a fast and reliable internet connection for wider public service reform and the many other ways in which digital communications infrastructure can help to overcome some of the biggest and costly public policy challenges that this country faces.

As well as driving economic growth, superfast broadband is essential to deliver a number of national programmes of transformation including enabling people to claim Universal Credit online, to support a more flexible and integrated health and social care workforce that can make use of telecare and other digital innovations in patient care, and enabling the data sharing that is required to support families and people with complex needs across organisations in a coordinated and timely way.

A number of councils have also developed innovative approaches to supporting particular customer groups which also depend on superfast broadband. For example, East Riding of Yorkshire Council and Central Bedfordshire Council with Cambridgeshire County Council piloted the use of digital technology to tackle loneliness amongst older residents with the result that 43% reported an improvement in happiness and 38% reported an improvement in quality of life. Birmingham City Council reduced rent arrears by £134,000 year-on-year through a new triage process and “digital log books” as part of its Universal Credit pilot work.

The London Borough of Camden’s digital strategy highlights how digital technology can help the council to achieve its core objectives of reducing inequality, driving economic growth, ensuring sustainable neighbourhoods, and delivering value for money.<sup>10</sup>

The role of local and central government

As we have highlighted above, local government and local delivery bodies already play a vital role maximising the benefits of digital communication, and this will continue beyond 2015. Councils are joining-up the broadband rollout with efforts to encourage people and businesses to get online, and wider public service transformation. Through their leadership of economic growth, and partnerships with LEPs, councils are best-placed to know the digital needs of their businesses and to put in place solutions that drive local growth sectors and support the local workforce.

Councillors also have the democratic mandate to weigh up the tensions that can sometimes exist between those who want to access the latest technology and concerns about, for example, the impact of 50 foot high mobile phone masts, or street cabinets in conservation areas, on the quality and attractiveness of the local environment. This is particularly important with taking forward the government’s Mobile Infrastructure Programme. As digital communications infrastructure continues to develop, we need to ensure that strong local government engagement still enables people’s different views to be taken into account and solutions put in place that are right for that place.

Responsible for delivering an estimated 80 per cent of public sector transactions in their areas, councils also have a particular obligation to design their services in the most accessible, economic and ‘user-friendly’ way, and a vital role to work closely with other public, private and voluntary sector partners to ensure that local services are built around the citizen rather than the needs of service

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<sup>10</sup> London Borough of Camden Digital Strategy <http://tinyurl.com/qjorpwy>

**Item 1b**

deliverers. At a time when public services face fundamental challenges, technology and digital tools and approaches are central to achieving all of this. For councils and their partners, these tools can enable:

- a deeper understanding of local patterns of need and interaction with government, allowing resources to be managed, planned and directed to where they will have the greatest impact
- more effective management of demand – for example, enabling user self-service and supporting peer-to-peer advice-giving and assistance via social media
- more reliable, speedy, and precise handling of routine, repetitive tasks – allowing costly and scarce professional expertise to be targeted at cases which need judgement or at new and unexpected situations
- faster access to, and sharing of, data between councils, customers, and partner organisations, avoiding the need to collect the same information many times over and saving time on research and information collation
- new ways of working that potentially reconcile the goals of providing a better quality of customer experience while cutting costs.

Councils can also ensure that digital ambition is embedded in infrastructure planning for a place alongside planning, growth, transport and housing. Councils will continue to provide local strategic leadership, making the links to LEPs and driving locally-led innovation, but in a continued climate of austerity, it is vital that government is creative in how it approaches funding the digital communications infrastructure of the future. Given the funding pressures facing councils, it will be very difficult, if not impossible, for local government to match-fund future infrastructure to the extent that they did for the superfast broadband rollout. Wherever possible, the private sector should be incentivised to invest in and develop digital infrastructure. We also need to think differently about engaging other partners. For example, encouraging developers to design-in digital connectivity in new housing and partnering with Universities.

The potential of a world-class digital communications infrastructure will only be realised if citizens and businesses actually use it. Funding and making available the infrastructure is just one part of what we need to do. The take-up rate of broadband and other publicly funded digital infrastructure is also central to ensuring that citizens, customers and businesses get value for money from investment. There will always be some people who – for a variety of reasons – cannot afford the necessary kit, or lack the skills to use the latest digital technology. 80 per cent of government interactions are with the bottom 25% of income earners, who are least likely to have the internet. These people must not be left behind. Councils are already playing an important role to help people develop digital skills. From nurturing digital skills in community centres and libraries, to partnering with housing associations and IT social enterprises to offer affordable broadband kit, extending free public Wi-Fi access in community settings, training volunteer digital champions to support older people and computer coding in schools, we must continue to ensure that everybody is supported to benefit from new technology now and in the future.

We also believe that central government has an important leadership role to play.

Many of the government's wider public service ambitions depend upon digital infrastructure. The resulting strategy must join-up with existing cross-government plans, and the coordinating role of Government Digital Services, so that there is a joined-up approach to this agenda. We need government to champion a regulatory framework that ensures proper competition and removes the cost barriers to citizens and businesses accessing broadband. Government can also help to ensure that councils and local delivery bodies have the

**Item 1b**

necessary information to measure take-up of broadband so that support to encourage take-up can be targeted.

We are encouraged by progress in some places with how Broadband Delivery UK is working with councils and positive partnerships between central and local delivery bodies will continue to be important. Finally, the potential of digital infrastructure to enable the data and information sharing that underpins public service integration and transformation depends upon government genuinely committing to, and removing the barriers that get in the way, of locally-led service transformation.

Regulation and the role of OFCOM

We must learn the lessons from the publicly funded broadband rollout. Progress was severely hampered by long delays while state aid clearance was secured, the national procurement framework put in place and attempts to stimulate competition faltered.

Value for money is an on-going concern for councils. BT was the only active supplier in the National Broadband Procurement Framework, and there was not the competition which government expected that would drive down costs. Some cost controls were secured, but reports from the National Audit Office and Public Accounts Committee were very critical of the 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. We also need to ensure that BT makes available timely take-up information, so that councils can target interventions to develop digital skills and ensure value for money, and detailed rollout plans so that suppliers in the future phases of the rollout have the information they need to develop their own plans and competition is promoted.

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.

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.<sup>11</sup> 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. There is no technical reason for this requirement and it is a significant barrier to local efforts to close the digital divide.

The recent lowering of data roaming charges for consumers who use their mobile phones abroad has shown the positive role that regulation can play in ensuring that digital technology is priced fairly. The digital communications infrastructure strategy must be informed by a

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<sup>11</sup> National Audit Office, The Rural Broadband Programme <http://www.nao.org.uk/report/the-rural-broadband-programme/>

16 October 2014

**Item 1b**

review of the role of OFCOM in ensuring proper competition and fair prices for consumers in the telecommunications market.

The Rural Community Broadband Fund was a £20 million fund to help 'hard to reach' communities get access to superfast broadband, but progress was stalled by the lack of disclosure of BT's plans, as projects could not prove that they did not overlap with the main rural programme. Barring a small number of outstanding applications, the fund was closed down in March 2014. It is essential that unspent funding is ploughed back into places through the rural rollout. Under the scheme, communities bid for 50% or more of the total sum required to rollout small-scale improvements to broadband infrastructure.