

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Cabinet
<b>Date:</b>	28 February 2011
<b>Title:</b>	Broadband Project : Future Management Arrangements
<b>Reference:</b>	2634
<b>Report From:</b>	Chief Executive, Director of Culture, Communities and Business Services, County Treasurer and Director of Economic Development

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#### 1. Executive Summary

1.1. The purpose of this paper is to consider successor project sponsor and project resourcing arrangements for the Hampshire Broadband project in light of the impending retirement of the Director of Economic Development.

Economic Development will be merged with the Environment Department, but there are good arguments for locating this project in the new Department for Culture, Communities and Business Services.

1.2. Robust successor arrangements need to be put in place if Hampshire is to have the best chance of successfully competing for Broadband Delivery UK (BDUK) funds, assembling complementary funding, mobilising demand, and planning and procuring infrastructure. This report considers project sponsorship, management and resourcing.

1.3. Progress with the project and the next steps were considered by Hampshire Economic Board at its 16 February 2011 meeting and are briefly summarised in this report.

1.4. This paper seeks to:

- (i) set out the background to the project and the wider digital strategy context;
- (ii) briefly consider the future direction of the project and priorities for the next six months;

- (iii) consider the resources needed to develop and deliver the project over the next two years; and
- (iv) consider the finance for the project and the impact on the budget of the recommended decision.

## **2. Contextual information**

- 2.1. With the digital economy now accounting for 10% of economic output, and growing fast, in December 2009 Hampshire Economic Board considered whether the Council should have a role in addressing slow broadband speeds in Hampshire. Lord Carter's Digital Britain report had been published in July 2009 and concluded that there should be a minimum 2 Mbps broadband speed everywhere, and that around a third of users, mainly in rural areas, would not get access to high speed broadband if left to the market.
- 2.2. Hampshire Economic Board noted that such areas could benefit considerably from some of the applications that high speed broadband can offer, such as tele-presence, more flexible working patterns, e-healthcare in the home and, for small businesses, the increasing benefits of cost-saving opportunities such as buying services rather than owning hardware and software (cloud computing) and more rapid product and service innovation.
- 2.3. Following more detailed research into broadband speeds in Hampshire, interventions being pursued elsewhere in the UK and potential legal and financial implications, in February 2010 the Board concluded that it wished to pursue a strategic level intervention, to improve access to broadband services in Hampshire beyond the likely commercial provision. Officers were asked to undertake detailed discussions with commercial providers as part of the next stage. It was noted that the Council would need to consider how it could link this project to existing initiatives and upcoming opportunities and widen the impact through all Departments.
- 2.4. In September 2010 the Board considered progress on:
  - (i) infrastructure project definition;
  - (ii) results of the first stage business case;
  - (iii) public and private capital financing possibilities; and
  - (iv) exploration of the establishment of a not-for-profit delivery company, to address potential market failure and secure best value for Hampshire broadband customers in the final third.
- 2.5. In the context of the impending budget reductions, and because no external funding support was available for areas that did not qualify for European and Regional Development Agency (RDA) funding, it was agreed that the project should be approached as a self-financing model, albeit with a fairly long payback period and looking to mitigate financial risk. The first stage business case had identified that it should be possible to secure provision for much of the 'final third' in Hampshire, subject to various assumptions, such as

customers' willingness to pay at the price assumed, Internet Service Providers being willing to buy wholesale products at the price envisaged, and the cost of finance. However, given the project value, there would inevitably be significant financial risk in the project and the delivery mechanism.

- 2.6. The national context for delivering the project has recently changed. At the end of 2010 the Government published a National Broadband Strategy, with the aspiration of having the best superfast broadband network in Europe by 2015. To facilitate infrastructure provision the Government established BDUK under the Department for Business, Innovation and Skills (although overseen by the Secretary of State for Media, Culture and Sport) and set aside £530 million, during the life of this Parliament, to provide support for the delivery of infrastructure in rural areas, with a potential further £300 million in the following two years.
- 2.7. Hampshire will wish to bid for this funding at the earliest opportunity. Details of the BDUK bidding framework are now expected in early March 2011, and April 2011 is the expected bid opening date with a short bid window. In line with the National Broadband Strategy published in December and the intelligence being gleaned from BDUK ahead of the formal guidance, it is expected that the bid will need to include a digital strategy, not just make the case for public subsidy for delivering broadband infrastructure to rural areas. The digital strategy will need to include interventions to broaden use of technology and digital channels (digital inclusion) and the transformation to online public services.
- 2.8. The Government's priority for digital inclusion has been evidenced by strong support of the 'Race Online 2012' campaign led by Martha Lane-Fox, digital champion and advisor to Francis Maude. It is likely that a broad approach, which includes broadband take-up and citizen benefit, will need to be part of a BDUK bid, including issues such as citizen support, access to technology, design and availability of suitable online services and different channels (eg mobile phones).

### **3. Key issues**

- 3.1. Grant support would significantly reduce the risks to Hampshire County Council of delivering superfast broadband infrastructure in areas with low speeds, and has significant implications for the business model. For example, it is now more likely that the market will respond to the greater certainty national funding provides, and setting up a broadband delivery company may not be necessary. However, offering capital finance to the market at public sector borrowing rates, and sharing demand risk, is likely to reduce the cost of delivery and maintain more competition. One of BDUK's criteria will be value for money, in order to maximise the proportion of superfast broadband connections in rural areas of the UK with their funding pot.

- 3.2. Urban areas with poor broadband speeds are unlikely to be eligible for grant support in a BDUK bid, but the Council's strategy will need to address the whole of Hampshire, both in the bid and to meet the expectations of its communities. So a local funding strategy to address urban "not-spots" – areas with low speeds - may still need to be developed if the market does not itself tackle the problem.
- 3.3. The changing approach to the project comes at a time of transition for the project resources. The Director of Economic Development is the current project sponsor and has committed significant time to the project. While access to broadband is a whole Council issue, Economic Development has championed high-speed broadband for rural areas because this is a business-critical issue for rural businesses and the general economic well-being of communities.
- 3.4. The broadband infrastructure project has been developed to date with a dedicated resource of one member of staff within Economic Development, utilising South East England Development Agency (SEEDA) funding support for e-Hampshire. A modest amount of external work was commissioned to build the initial business case assessment and to undertake market testing (currently underway). Some limited inputs are being drawn upon from elsewhere, mainly IT, on specific tasks.
- 3.5. Robust successor project management and resourcing arrangements need to be put in place if Hampshire is to have the best chance of successfully competing for BDUK funds, assembling complementary funding, mobilising demand, and planning and procuring infrastructure. Leadership of the project and capacity is required at a senior level, with a capability to steer the project, engage with all Departments, engage with and mobilise public service organisations in Hampshire, conduct a public campaign and engage local communities and oversee a major procurement.
- 3.6. On balance, it is thought appropriate to transfer the main project sponsorship role to the Director of the new Culture, Communities and Business Services Department (CCBS), both because it includes IT services and because of the fit of the broad range of responsibilities to the tasks ahead. Responsibility for continuing work on a financing strategy might best sit with the County Treasurer. It should be recognised that the Director of CCBS will not be able to devote the attention that has been given to the project by the Director of Economic Development, and the demands of the project and timetable are becoming more pressing. It is therefore recommended that a project director be appointed for a period of two years. This post would, of necessity, focus on broadband infrastructure funding and delivery but could assist with coordinating the wider Hampshire digital strategy, which in any event needs to be developed to support a bid to BDUK.

- 3.7. It is suggested that overseeing the infrastructure project remains with Hampshire Economic Board, to ensure that this critical economic objective remains at the forefront of the project direction as it evolves. However, the Hampshire Digital Strategy, with its much more wide-reaching implications for the transformation of public services and supporting diverse communities, might better be a matter for Cabinet to oversee.

#### **4. Finance**

- 4.1. The economic development budget for 2011/12 is £1.28 million, including the additional Local Authority Business Growth Incentives (LABGI) funding allocated to economic development last year (£500,000 per annum for each of three years). The budget can accommodate the current support post (previously benefiting from SEEDA funding) and a small project development budget, as agreed by Cabinet last May. It could also provide resourcing for a dedicated project director for the next two years, after allowing for the savings reduction consequent on the deletion of the Director's post. As the LABGI funding only covers the next two years, it would be appropriate to utilise it on a matching, time limited project. The dedicated funding for the project would then be £193,000 per annum, include £30,000 operational budget for project development. This figure does not include the estimated value of wider organisational support for the project. Assuming the bid is successful, additional resources will need to be put in place for the procurement and delivery phases, which should be funded out of the capital budget.

#### **5. Other key issues**

- 5.1. This project will continue to evolve and change, and the skills and resourcing of the project will need to be kept under review. At a time of significant budget reductions, it could be seen as a less pressing priority. However, the changes to the economy and society arising from the technological changes underway will be significant, and almost certainly go beyond what can currently be imagined. Better councils will continue to invest in the long-term future of their areas and seek to harvest the cost savings that online public services can bring.
- 5.2. A recruitment process has been initiated to avoid a direction and resourcing gap at this critical time, which starts with an internal process, in line with redeployment commitments.

#### **6. Recommendations**

- 6.1. That the Director of Culture, Communities and Business Services takes on the broadband infrastructure project sponsor role, supported by the County Treasurer with regard to the funding strategy and the Head of IT on digital inclusion and technology matters.

- 6.2. That a full-time project director, at the appropriate level, be appointed for two years, funded from the final tranche of Local Authority Business Growth Incentives funding allocated to the Economic Development Budget in the three year period from 2010/11 to 2012/13.
- 6.3. That a Hampshire Digital Strategy be prepared which addresses online services and digital inclusion, for future consideration by Cabinet and the Hampshire Senate.

**CORPORATE OR LEGAL INFORMATION:****Links to the Corporate Strategy**

<b>Hampshire safer and more secure for all:</b>	no
Corporate Improvement plan link number (if appropriate):	
<b>Maximising well-being:</b>	yes
Corporate Improvement plan link number (if appropriate):	
<b>Enhancing our quality of place:</b>	no
Corporate Improvement plan link number (if appropriate):	

**Other Significant Links**

<b>Links to previous Member decisions:</b>		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Hampshire Economic Board – ‘E-Hampshire: the role of the County Council in delivering digital Britain’	1107	14 December 2009
Hampshire Economic Board – ‘The Role of the County Council in Digital Britain’	1367	25 February 2010
Hampshire Economic Board – ‘Broadband Strategy Progress Report’	2033	21 September 2010
Hampshire Economic Board – ‘Broadband Project: Next Steps’	2659	16 February 2011
Cabinet – Review of Hampshire Economic Board	1623	24 May 2010
<b>Direct links to specific legislation or Government Directives</b>		
<u>Title</u>	<u>Date</u>	
Britain’s Superfast Broadband Future (DBIS and DCMS)	December 2010	

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

## **IMPACT ASSESSMENTS:**

### **1. Equalities Impact Assessment:**

- 1.1. A Hampshire digital strategy will consider barriers to digital inclusion.
- 1.2. The delivery of superfast broadband infrastructure in rural areas will prevent the widening of the digital divide between urban and rural areas and reduce the risk of rural residents getting worse public services because of higher delivery costs.

### **2. Impact on Crime and Disorder:**

- 2.1. Not applicable.

### **3. Climate Change:**

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

Not directly applicable. A Hampshire Digital Strategy may be able to estimate the indirect carbon savings from being able to transact public services online. The business case for investment in getting services online could consider potential carbon savings as well as the financial case.

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

Not directly applicable. The ability to transact online and work from home does allow people to be economically active in adverse weather conditions, which may become more frequent and extreme as the climate changes.