

HAMPSHIRE COUNTY COUNCIL**Decision Report**

Decision Maker:	Executive Member for Policy and Resources
Date of Decision:	8 December 2011
Decision Title:	Broadband Update
Decision Reference:	2721
Report From:	Director of Culture, Communities and Business Services

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1. Executive Summary

- 1.1. The purpose of this report is to provide an update on proposals to secure government funding for rural broadband and propose a model for matched funding arrangements and District and Borough Councils for involvement in the Programme, subject to discussions at the Senate meeting on 7 December.
- 1.2. This report also recommends to Cabinet that they confirm their commitment to this project, with the additional funding source to be considered as part of the County Council's budget setting process in February 2012.

2. Context

- 2.1. Broadband UK (BDUK) was set up by the Government to oversee the planned rollout of high speed broadband across the UK. Funding for this was ring fenced from a number of sources, totalling £513 million nationally.
- 2.2. Hampshire was not in the first wave of BDUK funding, which went to the more sparsely populated regions with a greater rural broadband challenge – Norfolk, Somerset and Devon (combined) and Wiltshire. Since then, other county regions have received funding, including Rutland and Suffolk.
- 2.3. Hampshire has received positive feedback on its draft proposals, confirmed in meetings which have taken place subsequently with BDUK. These proposals have now been refined based on feedback received and have been re-submitted to BDUK.
- 2.4. BDUK advise that a decision will be announced regarding funding by January 2012. The programme can then formally commence the process for procuring an implementation partner from the BDUK framework, which is not expected to be in place before July 2012. Current estimates suggests this stage should be

completed by November 2012 with the first Hampshire properties benefiting early in 2013.

- 2.5. Recent announcements from BDUK confirm how funding will now be allocated across the country, with over £8 million set aside for Hampshire (including Portsmouth, Southampton) and the Isle of Wight. The proposed funding allocation is based on a standard calculation which considers existing broadband infrastructure, the number of properties that will be served by the market by 2015 without any intervention, distance from telephone exchange and the number of properties connected to the exchange.
- 2.6. The funding will only be released by BDUK on the basis of an agreed project proposal demonstrating effective use of the investment and the existence of matched funding.
- 2.7. Following discussions, BDUK have agreed a separation of arrangements for the Isle of Wight, leaving an estimated £5.3 million allocated to Hampshire and the two cities. This separation will be helpful given the significant differences between the Isle of Wight and the County of Hampshire, including starting positions regarding broadband. The Hampshire programme will continue to include Portsmouth and Southampton City Councils, whilst they will have jurisdiction over the implementation priorities and matched funding required in their areas.

3. Governance and Programme Structure

- 3.1. A programme structure to manage the delivery is now in place, and a programme delivery manager has been appointed from within the IT Management team. No external recruitment has been undertaken.
- 3.2. Work now needs to be undertaken to ensure involvement of Senate organisations and formalising links established with the Local Enterprise Partnerships (LEP's).
- 3.3. Subject to discussions with Senate, it is proposed that a representative from each district and borough impacted by the Programme will meet on a quarterly basis with the Programme Delivery Manager to ensure all stakeholders are engaged and up to date on progress.

4. BDUK Modelling Assumptions

- 4.1. The Government's vision for broadband in the UK is to ensure the UK has the best superfast broadband network in Europe by 2015. Assumptions for the current BDUK funding as part of this ambition have recently been clarified and vary from those used in our first submission:
 - BDUK have assumed less than 100% broadband coverage across the UK and therefore funding allocations are lower than previously hoped. A coverage of 90% (average across Hampshire) superfast broadband (at least 20Mbps) is now assumed by BDUK.
 - BDUK have assumed extensive re-use of BT ducts which significantly reduces civil construction costs. However, the process

of re-using BT ducts and the charging arrangements have not yet been fully agreed between OfCom (the regulatory body) and BT, representing a financial risk. This is noted in our submission.

- BDUK have assumed lower levels of take-up than our own Hampshire based surveys have suggested. This reduces potential private sector returns, so that if take-up is higher, then the returns to the private sector will be greater. The Hampshire submission assumes that some share in the return of investment to the public sector will take place, should take up prove higher.

4.2. Work has now reconciled the analysis for Hampshire with BDUK assumptions. The new submission reflects the level of funding now assumed to be available.

5. Joint Venture or Gap Funding Model?

5.1. Previously it had been thought that a Joint Venture Company (JVC) might offer advantages as a mechanism to deliver Hampshire Broadband.

5.2. Feedback from BDUK indicates that a JVC approach is not being proposed generally and may carry greater risk. For example, if there is a significant change in market conditions or new technology solutions emerge over the period of the programme, the JVC could be left with risks and cost of change. It could also take between 18-24 months to set up the company, delaying initial progress and making Hampshire seem slower than other areas.

5.3. At the same time, the JVC model could give greater control in managing supplier offerings, deciding on coverage, roll-out strategy, stimulating demand and extracting additional financial or other benefits.

5.4. By comparison, a 'gap funding' model is simpler – paying for a commercial implementation partner to deliver broadband, closing the gap between the viable and unviable commercial services through public sector investment.

5.5. On the basis of being able to move as quickly as possible and in order to limit financial and other risks, the gap funding model is now preferred and that is the route that has been proposed in the submission to BDUK.

6. Financial Model and Matched Funding

6.1. The BDUK grant assumes matched funding from local public services. Subject to Senate agreement, it is proposed that the funding model for each District and Borough area should, as far as possible, be based on the same assumptions used by BDUK in establishing the overall £5 million requirement for Hampshire as a whole. Joint funding by Senate organisations is not without precedence, such as the arrangements for the Hampshire Insulation Programme.

6.2. Of the total BDUK funding, £310,000 is likely to be allocated to Portsmouth and Southampton City Councils. This will be treated separately, and matched funding and implementation priorities for Portsmouth and Southampton will be subject to their local decisions.

6.3. The remaining amount for the rest of Hampshire will be around £5 million. This is the level of matched funding that needs to be found. The submission to BDUK confirms the principle of matched funding from the County Council and District and Borough Council partners. The table below indicates the relative impact on each district council, based on the BDUK overall funding assumptions:

	Estimated premises to reach target	Estimated BDUK Funding £000	County Council Match Funding £000	District/Unitary Match Funding £000
Basingstoke and Deane	12,034	901	451	451
East Hampshire	13,307	731	366	366
Eastleigh	0	0	0	0
Fareham	696	58	29	29
Gosport	2,620	180	90	90
Hart	6,407	276	138	138
Havant	2,792	148	74	74
New Forest	30,127	1,378	689	689
Rushmoor	0	0	0	0
Test Valley	8,233	742	371	371
Winchester	9,096	557	278	278
City of Portsmouth	2,500	265	0	265
City of Southampton	3,297	64	0	64
Total	91,109	5,300	2,486	2,815

6.4. There will be a need to approve a £5 million programme in order to ensure that there are no cashflow or other implications, the anticipated contribution from the County Council is £2.5 million, subject to the details of an agreement by the districts of their £2.5 million contribution to the programme.

6.5. It should be noted that this level of funding will only achieve 90% average coverage, at a minimum broadband speed of 20Mbps. Further investment from the private sector, local communities or public service organisations will be required to achieve higher level penetration. However, as the Hampshire Broadband Programme develops, it is likely that new opportunities to increase coverage will occur, which do not assume new public sector investment.

6.6. For example, improved technologies, greater reach of the Hampshire Public Services Network (HPSN2), greater or faster investment from suppliers, such as BT are all likely. We know also that the re-use of the FM radio spectrum is planned for improved mobile coverage from 2012 and new satellite services have recently been launched with coverage across Hampshire. These may all help increase the reach of broadband in rural areas.

6.7. We also expect to offer the use of the HPSN2, should commercial implementation partners wish to access it. Legal analysis has been undertaken which demonstrates that this is possible, with minor underlying contract variation. Estimates suggest that the re-use of HPSN2 could reduce total costs of broadband across the County by as much as 30%, and the

success of the Little London and Smannell community broadband programme, which uses the HPSN2, has provided considerable experience and proof of concept in this respect and is believed to be nationally unique.

- 6.8. The County Council is also exploring opportunities to access rural development programme (RDPE) funding. However Defra have not yet agreed the allocation process for RDPE funding and it is likely that funding will be limited both in scale and use. We understand there may be an announcement this autumn, BDUK are also now involved to ensure the schemes do not overlap.

7. Next Steps

- 7.1. Discussions with BDUK indicate that Hampshire is still further ahead in its modelling and planning than most areas. Indeed, they have indicated that our proposals are in the top three of those they have received and would like to use them as an example for others.
- 7.2. We are therefore well-positioned to initiate the programme subject to our proposals being accepted and resolving questions regarding matched funding.
- 7.3. More detailed planning is underway, with early stages to include an Industry Day for suppliers. Meetings will be held with all those District and Borough Councils involved in funding the programme.
- 7.4. Once the submission has been accepted by BDUK, project delivery can begin in earnest.

8. Recommendations

8.1. That the Executive Member for Policy and Resources:

- a) Approves the direction of travel for the Hampshire Broadband Programme, including the basis on which a submission has been made to BDUK.
- b) Recommends to Cabinet that they confirm their commitment to this project, with the additional funding source to be considered as part of the County Council's budget setting process in February 2012, subject to discussion at the Hampshire Senate.

CORPORATE OR LEGAL INFORMATION:

Hampshire safer and more secure for all:	No
Corporate Business plan link number (if appropriate):	
Maximising well-being:	Yes
Corporate Business plan link number (if appropriate):	
Enhancing our quality of place:	Yes
Corporate Business plan link number (if appropriate):	

Other Significant Links

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Direct links to specific legislation or Government Directives		
<u>Title</u>	<u>Date</u>	

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.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

- 1.1. An Equalities Impact Assessment has been completed in the development of this report and no adverse impact has been identified

2. Impact on Crime and Disorder:

- 2.1. The County Council has a legal obligation under Section 17 of the Crime and Disorder Act 1998 to consider the impact of all the decisions it makes on the prevention of crime. The proposals in this report have no impact on the prevention of crime.

3. Climate Change:

- 3.1. It is hoped that the Hampshire Digital Strategy, as part of the Broadband Project, will 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.
- 3.2. The ability to transact online and work from home allows people to be economically active in adverse weather conditions, which may become more frequent and extreme as the climate changes.