

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:		Cabinet	
Date:		21 March 2016	
Title:		Superfast Broadband in Hampshire	
Reference:		7363	
Report From:		Director of Culture, Communities and Business Services	
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1. Executive Summary

- 1.1. This report is a follow up to the report submitted to the Executive Member on 23 July 2015. The purpose is to provide an update on Hampshire's Superfast Broadband Programme, giving details of coverage to date, mechanisms in the contract to increase coverage and the positioning of central government.
- 1.2. The UK continues to be the leading nation in Europe for take-up and usage of digital services, however Germany has recently announced that it will ensure 100% availability of 30Mbps broadband by 2020.
- 1.3. The public sector (HCC, its partners and Department for Culture Media and Sport - DCMS) is investing around £28M (13M from HCC) into the Hampshire Superfast Broadband Programme, which will increase coverage across the county from 80% in 2013 to 96% by September 2018. This investment will upgrade connections to over 120,000 premises with almost 100,000 of these gaining access to superfast speeds in excess of 24Mbps.
- 1.4. The contract between HCC and BT includes a gainshare mechanism, which ensures that if take-up of the service by consumers exceeds a given threshold, funding is returned to the County Council. Should the County Council wish to wait, this funding can be extracted in full at contract end or can be re-invested through the contract during its lifetime to buy additional broadband coverage.
- 1.5. This leaves circa 4% of properties, 23,000 premises, spread across the county (not in one concentrated area) that are not in any plans for an upgrade at present.

- 1.6. Interest in superfast broadband from residents and businesses not included in any plans has been growing and continues to grow as coverage extends and general acceptance and usage of the internet and digital services continues to rise. Given the success of Hampshire's programme and its proactive marketing, residents' expectations are starting to consider the provision of superfast broadband a public sector issue. This is exacerbated by the communications coming from central government around the Universal Service Obligation and Universal Service Commitment (see subsequent sections). Whilst the County Council has powers and is delivering the programme with oversight from BDUK, there is no statutory duty on the County Council for delivery of this service.
- 1.7. Take-up in the locations upgraded by the Hampshire Superfast Broadband Programme exceeds levels seen in areas enabled under BT's commercial programme. Roughly 300 new paying customers join the network every week.

2. Contextual Information

- 2.1. Access to superfast broadband is an issue which continues to grow in importance because of multiple factors, including:

- Flexible working arrangements with employees changing working patterns to work from home, with encouragement by employers to better employees' work/life balance and reduce commuting and congestion.
- Demands on school children to complete homework online.
- Access to employment and educational resources for adults.
- Helping elderly and immobile people to live independently for longer – reducing pressure on Adult Social Care budgets

All of these requirements make access to superfast broadband more essential than ever.

- 2.2. Hampshire's programme continues to be successful with positive feedback from Broadband Delivery UK (BDUK – part of DCMS). Of particular note:

- Hampshire is nearing completion for its contract for Wave 1 with BT, which has taken superfast coverage from 80% across the county to 90% to date. This has delivered 345 new cabinets connecting around 65,000 premises. Take up of superfast services delivered through Hampshire's contract has exceeded expectations and indeed is higher than BT's commercial roll-out.
- Contract for Wave 2, totalling £18.4M, has commenced and will deliver a further 35,000 premises by September 2018
- An additional £1M of funding has been secured from the Rural Communities Broadband Fund (RCBF), which has delivered a further 3500 premises.

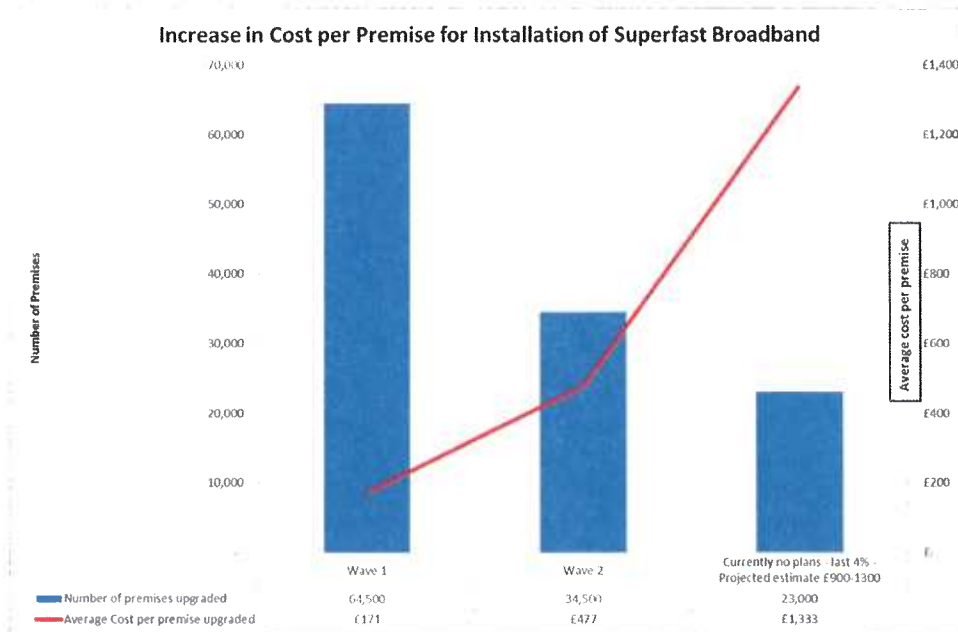
- Hampshire has hosted one of the eight central government Innovation Fund trials, delivering a further 1700 premises in one of the areas of least density population, using technologies that could help with the last 4%. DCMS are expecting to report on the trial in Spring 2016.
- 2.3. Additionally, Hampshire is currently running the most successful pilot for the government's Universal Service Commitment (USC). Hampshire is one of three pilot areas to launch the government's USC and had the first completed installation. The scheme offers households with access to broadband speeds below 2Mbps the option to have a subsidised satellite installation with a 12 month contract.
 - 2.4. Government has announced a Universal Service Obligation (USO), which will put in place plans for a guaranteed minimum speed of 10Mbps by 2020. At this stage it is not clear how this will be delivered or funded, however it seems likely that the financial burden will fall on suppliers rather than the public sector. A consultation is expected to be released in the Spring 2016.

3. State Aid and extended coverage

- 3.1. All state investment into broadband infrastructure must have European Union State Aid approval. The last State Aid agreement (which covers the existing contracts) expired in June 2015 and currently no further State Aid approval exists for further spending on superfast broadband. DCMS is negotiating a new State Aid agreement with the European Commission. Linked to this, DCMS has recently issued a consultation document with a focused market engagement exercise seeking views on a proposed new procurement approach that would form part of a new State Aid decision.
- 3.2. Some additional coverage beyond the current plans will be possible by working with the existing supplier within existing contracts, using money returned to the council from gainshare derived from additional take-up in contract for Wave 1 and further funding identified in project delivery underspend. All of these funds, if spent within existing contracts with existing suppliers, have State Aid clearance. Any reinvestment which leads to subsequent take-up above certain thresholds, will lead to further gainshare throughout the life of the contract.
- 3.3. Additionally, the County Council has submitted Expressions of Interest (Eol) proposals to both the Solent and the Enterprise M3 LEPs' Infrastructure Growth Funds, seeking capital for the provision of more infrastructure. Hampshire's Eol to the Solent LEP was unsuccessful, not being in the nine bids taken forward from 40 Eols. HCC is awaiting news from the Enterprise M3 LEP.
- 3.4. It is already becoming increasingly clear that additional funding is unlikely to be forthcoming from central government to address the remaining premises. This is on the expectation that funding from gainshare and underspend from the current contracts will make a meaningful contribution. DCMS estimate

that gainshare and underspend across the country is likely to be in the region of £250M, which could achieve an additional 1% coverage nationally.

- 3.5. The graph below is an illustration of the trajectory of costs for meeting the last 4%, though it is very difficult to quantify projections with any certainty given each community and premises is unique in its particular geography, proximity to current infrastructure etc.



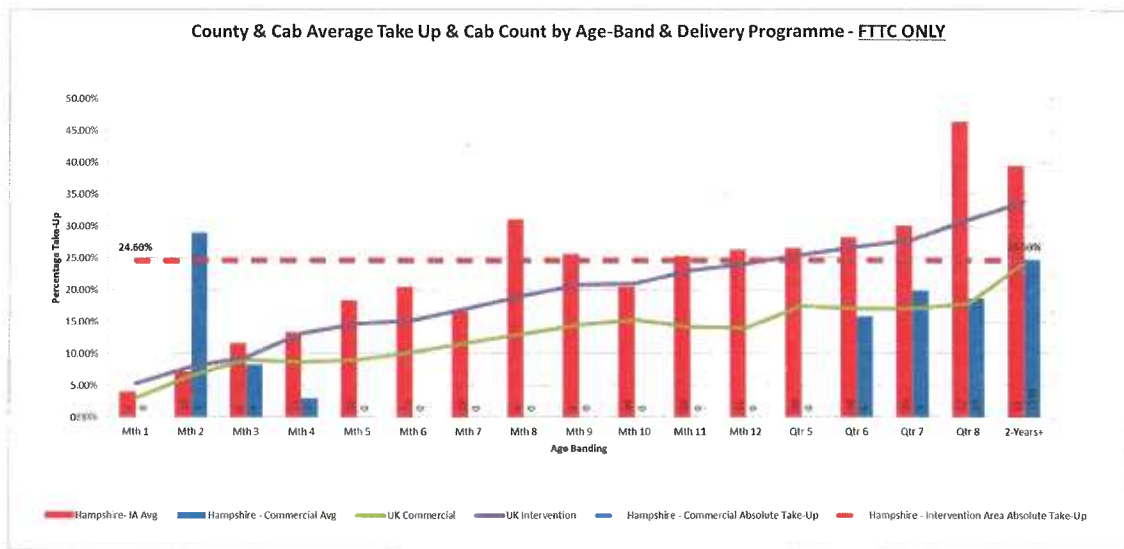
- 3.6. The County Council has held a number of informal discussions with alternative providers to see what options may exist beyond the coverage provided by the contract with BT. These will be subject to state aid approvals if public funding is used but could present options for some residents not in current programmes.
- 3.7. The County Council is alert to the challenges faced by communities and residents not in the current plans and is trying to help these residents where possible. This has included providing comprehensive information on the website and social media, face to face meetings and briefings with Parishes and communities, bespoke responses for premises-specific queries, and facilitating discussions with providers for self-funding routes.
- 3.8. There are clearly significant implications for addressing the remaining premises beyond Hampshire’s programme. We await details from the Government on how this is going to be tackled nationally.

4. Gainshare and Marketing

- 4.1. The Superfast Broadband Programme includes a marketing campaign to alert residents when services become available in their area. The alerts are provided by email to those residents who have registered via the

programme website. County Councillors are also provided with summaries for their Wards as cabinets are enabled.

- 4.2. To date more than 26,000 registrations have been placed via the website. This proactive marketing activity has resulted in take-up of superfast broadband services in the intervention area being higher than in the areas enabled under BT's commercially funded rollout, and this is illustrated in the graph below.



- 4.3. To put this in context, the UK has some of the best take-up in Europe and Hampshire's programme has some of the best take-up in the UK.
- 4.4. As previously described in paragraph 1.4, take-up over and above the originally expected level will generate gainshare funding that can be used to extend superfast coverage further. To ensure this is the case, it is imperative that marketing activities to promote the benefits of taking up superfast broadband are continued throughout the life of the programme.
- 4.5. To date, BT has offered early gainshare on their contracts of £129M nationally. Hampshire's share of this is £1.77M. By 'early', this is BT's prediction that the take-up will hit at least 30% on average, for which Hampshire is already at 27%. If the programme can reach take up of 50% from year three of the contract then gainshare would equate to £5.4m at contract end. It is therefore vital to continue with take up marketing activity. BDUK's recommendation is that gainshare is recycled back through the contract, which can happen on receipt as this has state aid approval. There is a contractual process in the event that gainshare is to be taken out of the contract and, worst case, this money could be available 10 years after contract signature in 2013.
- 4.6. Below are two tables which show the disparity in take-up between the highest and lowest take up areas. Further work is being conducted to understand why these disparities exist and how to address them, although

current broadband speeds available in each area do seem to be a key factor.

Table 1 - 10 Wards with highest take up

Ten wards with Highest take-up	Number of days since service available	Average speed increase (x times faster)	Take-Up %
Rooksdown	707	Unknown	73.26%
Wonston and Micheldever	486	45.30	60.98%
Lee West	674	7.20	59.38%
Eastleigh South	333	9.45	53.66%
Bramley and Sherfield	674	22.40	52.30%
Hatch Warren and Beggarwood	716	16.30	51.53%
Lee East	674	15.00	48.93%
Crookham West and Ewshot	218	12.80	47.90%
Upton Grey and The Candovers	482	7.05	45.91%
Cheriton and Bishops Sutton	413	8.80	45.86%

Table 2 - 10 Wards with lowest take up

Ten wards with Lowest take-up	Number of days since service available	Average speed increase (x times faster)	Take-Up %
Winton	130	5.20	4.50%
Petersfield St. Peters	80	5.50	5.56%
Hayling West	263	5.60	5.68%
Tadburn	205	6.50	6.35%
Manor Park	346	6.40	6.96%
Wellington	317	5.45	8.01%
Ringwood South	227	5.30	8.15%
St. Mary's	251	8.90	9.39%
Droxford, Soberton and Hambleton	60	5.20	9.40%
Netley Abbey	302	5.30	11.43%

- 4.7. The programme has built and maintains a strong communication and marketing presence using a wide array of channels. Given the increase in media interest, particularly over the last six months, a comprehensive communications plan is being developed to bolster this further. This includes more information for members, Districts, Parishes and Communities, briefings for MPs, bespoke input into local publications (e.g. Parish magazines), engagement with stakeholders (e.g. Verderers) in areas where installations are problematic, and an increase in proactive press releases.

5. Community Self-Funding – Proposed Scheme of Assistance

- 5.1. In the July update to the Executive Member, a proposed scheme was set out that would allow communities not included in the current plans to seek a solution through a self-funded route from BT with assistance from the County Council. The scheme would allow communities to 'join' Hampshire's contract, with the County Council setting aside £400k of funding from the contract to assist these communities with a contribution of the lower of £500 per premise or a maximum of 50% of the total cost of the premise.
- 5.2. The scheme was due to go live at the end of last year but legal advice from DCMS was that the financial headroom in the contract, from which the £400k funding was allocated, did not have state aid approval as the source and intent of the funding had not been fully defined at the time of procurement. Furthermore, BT had raised concerns over their risk on state aid given the communities' private funding would be mixed with public funding in the contract.
- 5.3. The programme (and indeed communities) are still keen to develop a workable scheme and recent discussions centre on using unallocated funding in the contract for Wave 2, which has state aid approval and an agreement with BT on how community funds can be used. Details of the scheme are being developed and the intention is to select two communities as pilot areas to test the process. If successful, communities will be invited to participate in the scheme on a first-come, first-served basis.
- 5.4. These hybrid projects will be integrated with the main delivery programme for Wave 2 (2016-2018) and implemented by BT following a formal change request being submitted by the County Council. Provisions will be built into the change request with BT that will allow the council to give some assurance to the communities who are part-funding the scheme.
- 5.5. Depending on the outcome of the pilots, it may be possible to use more monies from the unallocated funds that have state aid approval and invest these in the assistance scheme. The gearing of public/private money makes this route attractive to maximise coverage but will depend on communities being organised to gather their funding and draw up schemes with BT.
- 5.6. Experience gained from operating this scheme will be used to inform the design of any further schemes of assistance that may be run. This could involve alternative delivery technologies and/or alternative suppliers.

6. 'Getting Connected' in Hampshire - Key Issues/Challenges

- 6.1. With 25,000 new dwellings planned across Hampshire in the next five years, it is important to maximise the delivery of high speed broadband to the residential, business and community facilities which will be provided in the new areas of development.
- 6.2. The 'Getting Connected' programme seeks to:
 - i) maximise superfast coverage to all new developments; and
 - ii) facilitate solutions to the provision of Superfast Broadband to housing schemes which are currently underway and which have local networks of copper cabling.

New Developments

- 6.3. Development companies operating in Hampshire have indicated that the majority of new sites will have fibre connections to the individual premises (FTTP). The County Council has been encouraging all sectors of the industry to commit to fibre connections to all new premises in the belief that such a market-led approach is the only viable long-term solution.
- 6.4. The approach has been to provide information to prospective purchasers, internet providers, developers, local planning authorities and related professions. The County Council's LAMS (Land Availability Monitoring System) data provides the most detailed analysis of development sites available to any local authorities in the UK and this information has been shared with the development industry and prospective purchasers.
- 6.5. The 'Getting Connected' programme has also focused on improving information to prospective purchasers on the commitment for, or potential availability of, high speed broadband connections; encouraging local planning authorities to incorporate provisions for superfast connections to all new developments in their local plans; sharing information on all new developments with broadband providers to encourage early negotiations for the provision of the required infrastructure within realistic delivery timescales.
- 6.6. Additionally, the County Council has been in contact with Government Ministers and the Law Society to express concern that the provision of superfast broadband is not a requirement of legal searches during the house purchase process.
- 6.7. Enterprise zones - with the announcement of two additional enterprise zones in Hampshire to commence in April 2017, negotiations have commenced with the internet providers to ensure that sufficient capacity is made available within the required timescales.

Retro fitting

- 6.8. Where housing development has commenced, the opportunity for retro fitting of superfast solutions still exists. These connections may be secured by the housing developer and/or collective action by residents working with

the broadband suppliers, and we are encouraging both developers and communities

- 6.9. BT announced on 5 February 2016 that improved arrangements have been agreed with the Housebuilders Federation for connections to new developments which are intended to remove uncertainty over the cost and timing of connections.

7. Government Innovation Fund

- 7.1. Hampshire is hosting one of eight government Innovation Fund trials into business models and technologies for the last 5% of premises nationally. The Hampshire project covers the exchange areas of Ropley and Bramdean and deployment is progressing according to schedule. Take up is above expectations. The County Council continues to promote the scheme to residents and parish groups and also to work with CallFlow (the provider), District Councils and the National Park to ensure planning and highway issues are resolved quickly.
- 7.2. DCMS is expected to publish a report describing findings for all of the pilots in Spring 2016.

8. Acceleration Protocol – Contract for Wave 2

- 8.1. The County Council is working with BT to identify opportunities and mechanisms to accelerate delivery of contract for Wave 2. The original project plan has already been brought forward by nine months and further gains are being achieved in life. This includes accelerating roll-out by more than 2000 premises in quarter 1 of financial year 2016/17 and it is hoped that this continued work will allow Hampshire to reach the government target for 95% coverage by December 2017.

9. Conclusions

- 9.1. Hampshire's Superfast Broadband Programme continues to be a success. It has already taken coverage across the county from 80% to 90% with 65,000 additional premises connected, and plans are in place to take coverage to 96% in 2018 with nearly 100,000 premises connected in total, with the prospect of more coverage as gainshare is recycled. By the end of the programme it will have invested nearly £30M of public money, £13M of which has come from the County Council. It is the most successful pilot for the Government's Universal Service Commitment and the programme has received praise from Broadband Delivery UK.
- 9.2. Superfast broadband continues to be a topical issue that concerns many thousands of residents across Hampshire. The Superfast Broadband Programme is on target and will upgrade connections to over 100,000 premises, however it will continue to attract criticism from those residents and businesses in the remaining few premises that are beyond its current plans.

- 9.3. Take-up of superfast broadband continues to gather pace indicating that demand for these services in rural communities is considerable. Existing contracts with BT share the risk such that if take-up is higher than expected the public sector receives a refund, whilst if take-up is below expectations then the public sector is not liable for any further financial commitment. It drives the model of recycling gainshare and underspend to drive more financial return.
- 9.4. The County Council has achieved a nine month acceleration to contract for Wave 2 and continues to work with suppliers to improve delivery timeframes.
- 9.5. Given limited public funds, the absence of a statutory duty on the county council to deliver this service, and continuing downward pressure on budgets, mechanisms to help communities help themselves are being considered, particularly as they allow public sector funding to go further by increasing gearing ratios, e.g. £1 public sector funding could attract between £1 and £4 of match funding from private sources, including local residents and businesses. Hampshire is already developing a scheme to trial this.
- 9.6. There are clearly significant implications for addressing the remaining premises beyond Hampshire's programme. We await details from the Government on how this is going to be tackled nationally.

10. Recommendations

It is recommended that Cabinet:

- 10.1. Notes the good progress on the delivery of the Hampshire Superfast Broadband programme and the improvement in the position reported on new housing developments, recognising that the County Council is alert to the challenges faced by the last 4% not in current plans and that the programme team is helping these residents as far as possible.
- 10.2. Notes the on-going actions to improve the 'futureproofing' of new housing developments, which include encouraging the sector to commit to new fibre connections to all new premises; providing information to prospective purchasers, internet providers, developers, local planning authorities and related professions; and encouraging local planning authorities to incorporate provisions for superfast connections to all new developments in their local plans.
- 10.3. Approves the proposals contained in the report for a Community Self-Funding Assistance scheme and in particular:
 - (i) The principle of 50:50 match-funding up to a maximum contribution from the County Council of £500 per premise served (para 5.1)
 - (ii) The integration of the delivery of the proposed scheme with the contract for Wave 2 (2016-2018) (para 5.4)

- (iii) That the £0.4m comes from the unallocated funding in the contract for Wave 2, which has State Aid approval (para 5.2)
 - (iv) The Director of the Culture, Communities and Business Services be granted delegated authority to administer the scheme on behalf of the County Council.
- 10.4 Approves that we continue to extend and maximise our coverage under the existing contracts by seeking to re-invest gainshare and contract delivery underspend with the existing supplier and continue to apply pressure to the supplier to accelerate delivery of existing contract.
- 10.5 Approves that we continue to work with Government as they consider how to address the remaining 4-5% nationally.

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

Hampshire safer and more secure for all:	No
Maximising well-being:	Yes
Enhancing our quality of place:	Yes

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>
Hampshire Superfast Broadband – Getting Connected	EMPR 22/01/2015 Ref: 6456

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

- (a) The County Council is not entering into the provision of Superfast Broadband services to any individual or business. Residents in areas where these services are available will purchase services relevant to their requirements from private sector providers operating in the retail market. As the responsible 'local body', the County Council will seek to implement Government policy to make it possible for all residents and business premises to access a service capable of operating at a download speed of at least 2 Mbps.

1. Impact on Crime and Disorder:

1.1. None identified.

2. Climate Change:

- 2.1. How does what is being proposed impact on our carbon footprint / energy consumption? Positive impact.
- 2.2. How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts? Positive impact.