

HAMPSHIRE COUNTY COUNCIL**Decision Report**

Decision Maker:	Executive Member for Policy and Resources
Date:	14 December 2016
Title:	Hampshire Superfast Broadband – Beyond 96%
Reference:	7926
Report From:	Director 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 the current programme and seek support from the Executive Member for Policy and Resources for plans to extend superfast broadband (speed >24Mbps) coverage to 97.4% of premises in Hampshire by 2019. Three mechanisms are proposed:
 - a. Extend coverage through existing contracts with BT Group.
 - b. Match funding scheme to help communities outside the current programme.
 - c. Better Basic Broadband Scheme to help residents in premises with speeds below 2Mbps.
- 1.2. Hampshire County Council (HCC) identified superfast broadband as a key infrastructure for businesses and residents across Hampshire. To reflect this, HCC has invested £12.95m to extend superfast broadband coverage in areas where market failure occurred. This investment attracted a combined public sector funding contribution of £30.6m and will secure superfast connectivity (>24Mbps) for 99,200 premises that would otherwise not have been covered.
- 1.3. It is important to note that population and household density affects the cost of delivering superfast broadband, higher density areas are cheaper to serve and typically have higher levels of superfast coverage.
- 1.4. As an example Gosport, which has the highest population density in Hampshire (3,387 people per kilometre), has 98.9% superfast coverage (>24Mbps), of which 89% is at ultrafast speeds above 100Mbps. This compares to Waverley in Surrey which has a population density of 357

people per kilometre and 91% superfast coverage (>24Mbps), of which 12% is at ultrafast speeds (>100Mbps).

- 1.5. Market forces delivered superfast broadband to 80% of premises in Hampshire, leaving 20% of premises without access to superfast services. A subset of this group (c.2,000 premises) is unable to access Basic Broadband at a speed of 2Mbps and a separate scheme operates to support residents living in premises in this situation. The combined group of premises is referred to in this report as the Intervention Area.
- 1.6. The table below provides a summary of the coverage for each stage of the programme and the public sector funding:

Table 1 - Programme Delivery Stages

Programme Stage	Date	Coverage	Amount
Wave 1	2013 – 2016	80% – 90%	£11m
DCMS Innovation Fund Trial Area	2014 – 2015	1750 premises	£1.2m
Wave 2	2016 – 2017	90% – 95%	£16.45m
	2017 – 2018	95% – 96%	
Proposed Wave 2 extension (*1)	2018 – 2019	96% – 97.4%	£6.83m
Community Match Funding Scheme (CMFS) (*1)	2016 – 2019	c.2,000 premises	£1m
*1 The overall funding envelope will remain the same but it might be necessary to reappportion the allocation between CMFS and Wave 2 extension to achieve best value for money.			

- 1.7. Wave 1 of the Hampshire Superfast Broadband programme has extended superfast (>24Mbps) coverage from 80% to 90% of premises. The 90% target was achieved in March 2016, ahead of the government target date of December 2016.
- 1.8. Wave 2 of the programme will ensure 95% coverage is achieved by December 2017 (in line with government targets) and 96% coverage by September 2018. The remaining 4% represents 23,000 premises which are spread across the County.
- 1.9. Demand from businesses and residents for superfast broadband in areas not served (known as the last 4%) continues to grow.
- 1.10. As the cost for upgrading the last few percent exceeds £1,000 per premise, setting aside £1m from existing budgets to support the Community Match

Funding Scheme (CMFS) could double the number of premises served when compared to investing the same amount directly into existing contracts.

- 1.11. As a result of continued proactive marketing activity by the programme take-up of superfast broadband in the intervention area is higher than BT expected. The gainshare mechanism within the contract, which allows higher than expected revenue to be reinvested, raises the opportunity to extend coverage to more premises within the existing approved capital allocation.
- 1.12. Due to efficient project and contract management during the deployment of Wave 1, significant savings have been identified which can also be reinvested to extend coverage within existing approved capital budgets.
- 1.13. The cost to deliver superfast broadband increases as household density decreases.
- 1.14. The projected average cost per premise for Wave 1 of the programme was £168.
- 1.15. The projected average cost per premise for Wave 2 of the programme is £477.
- 1.16. The projected average cost per premise for the proposed Wave 2 extension is £804. The near doubling of the cost per premise when compared to the rest of Wave 2 illustrates that the programme now would be reaching the most expensive premises.
- 1.17. The average cost per premise across Wave 1 and 2 combined is £329 and whilst the increasing costs per premise must be considered as we go beyond 96% it is useful to maintain an overview of average costs per premise for the entire programme.
- 1.18. The table below provides a summary of the contracts and the number of premises they have either enabled or are due to enable.

Table 2 - Broadband Programme Average Cost Per Premise

Hampshire Superfast Broadband Programme	Premises	Contract value	Cost per premise
Wave 1	59,500	£ 10,000,000	£ 168
DCMS Additional Funding	3,500	£ 1,020,000	£ 291
Innovation Fund Trial - funded directly by DCMS	1,750	£ 1,200,000	£ 686
Wave 2	34,500	£ 16,450,000	£ 477
Wave 2 extension - reinvested funding from savings and gainshare	8,500	£ 6,830,000	£ 804
Wave 2 combined figures	43,000	£ 23,280,000	£ 541
Total ALL Hampshire Programmes	107,750	£ 35,500,000	£ 329

- 1.19. Investment in Superfast Broadband provision is subject to State Aid regulations and public sector procurement processes. To extend coverage with a supplier other than BT would require further state aid approval. The County Council would also have to undertake an additional procurement exercise which would incur additional costs.

2. Contextual information

- 2.1. The demand for broadband connectivity continues to increase. The UK has the largest digital economy in the G7 after the USA and reliable high speed broadband is important to citizens and businesses as they seek to take advantage of the opportunities that the digital economy offers. High speed connectivity is becoming increasingly important in the delivery and efficient operation of public services including education and care for the elderly.
- 2.2. In common with almost all UK local authorities, delivery of Hampshire's superfast broadband programme rests with BT Group and their subsidiary BT Openreach.
- 2.3. BT Openreach installs and operates open access infrastructure which offers consumers access to a wide range of competing service providers including Sky, BT Retail, Plusnet, and TalkTalk. Access to this network also ensures that residents have access to pricing equivalence across the UK.
- 2.4. HCC currently holds two contracts with BT to deliver superfast broadband infrastructure to areas where market failure has occurred. In this paper the two contracts are referred to as Waves 1 and 2.
- 2.5. Wave 1 - 2013 to 2016
Wave 1 has increased coverage of superfast broadband (>24Mbps) from 80 to 90% by upgrading connections to c.64,000 premises. Contract 1 closed in March 2016. Following careful contract management during deployment, HCC and BT have achieved a significant cost saving for this contract. Approval is sought to re-invest up to £3.1m to extend coverage further as outlined in the table in paragraph 3.7 below.
- 2.6. Wave 2 - 2016 to 2018
Wave 2 will increase superfast (>24Mbps) coverage from 90-96% of premises by September 2018. Delivery of this contract started in April 2016 and at the time of writing (2 November 2016) 6,000 premises have been connected. Following negotiation of an acceleration programme to bring forward delivery by nine months, this contract will ensure 95% coverage is achieved by the government deadline of December 2017, and continue after this date to reach 96% coverage by September 2018.

3. Finance

- 3.1. HCC is investing £12.95m to extend superfast broadband coverage. District and Borough councils have contributed a further £1.25m and DCMS an additional £16.4m, creating a public sector contribution of £30.6m.
- 3.2. Financial control mechanisms within the contract will make a further £7.83m available from gainshare and savings made during delivery.
- 3.3. Table 3 shows the allocation of this funding to the various contract stages.

Table 3 - Broadband Programme Funding Sources

	HCC	District Partners	DCMS	Total	Superfast premises
Wave 1	£3.75m	£1.25m	£5m	£10m	59,500
DCMS additional funding	-	-	£1m	£1m	3,500
Innovation Fund Trial (DCMS direct funding)	-	-	£1.2m	£1.2m	1,750
Wave 2	£8.225m	-	£8.225m	£16.45m	34,500
Wave 2 extension	£0.975m	-	£0.975	£6.83m *1	8,500
Community Match Funding Scheme	From gainshare and underspend			£1m *1	2,000
Grand Total (*2)	£12.95m	£1.25m	£16.4m	£36.48m	109,750

*2 – Note that these totals include gainshare and underspend from the Wave 1 contract.

- 3.4. The contract with BT contains safeguards and controls which ensure BT can only recoup costs incurred directly as a result of the delivery process. As a result of careful contract management HCC and DCMS have identified a significant underspend figure. Contract terms allow this underspend to be re-invested to extend superfast broadband coverage to more premises without the need for additional procurement or state aid processes.
- 3.5. The contract also has a stabiliser which ensures that if take-up is higher than expected the additional revenue can be re-invested to extend network coverage further. The revenue cannot be extracted for other purposes at this point. BT has identified £1.77m of gainshare funding which can be re-invested to extend coverage further.
- 3.6. HCC has asked BT to model the coverage that they could achieve with the available combined funding described above. BT has undertaken the modelling exercise and changed the assumption used to underpin the model to take into account higher than expected take up across the programme.
- 3.7. Combining the funding outlined above will allow the County Council to extend coverage to an additional 8,500 premises by December 2019 without the need for additional funding or an additional procurement.
- 3.8. If this option is pursued it would ensure 97.4% superfast coverage and reduce the number of premises without superfast broadband from c.23,000 to c.14,500
- 3.9. In addition to this, the programme proposes the option to increase funding for the Community Match Funding Scheme (CMFS) by £0.6m to £1m, subject to satisfactory timeframes for delivery for the additional schemes.

3.10. The match funding scheme offers communities 50/50 financial support to a ceiling of £1700 per premise. It is difficult to estimate how many additional premises this will bring forward but it could support as many as 2,000 premises which would otherwise be without coverage.

4. Take up

- 4.1. The County Council's proactive marketing campaign, which raises awareness of the programme across the county and provides specific updates to residents when upgrades occur in their area, is paying dividends.
- 4.2. Higher than expected take up has provided £1.77m of re-investment so far and continued increases in take up will ensure additional funding is returned to the programme in later years.
- 4.3. At the time of writing more than 30,000 residents have taken advantage of superfast broadband speeds across the Intervention Area.
- 4.4. BT provides monthly reports regarding broadband takeup with three classifications:
 - Average take up in areas upgraded under BTs Commercial Investment
 - Average take up in areas upgraded by DCMS and local authorities
 - Take up figures for the Hampshire intervention area
- 4.5. The exact figures are commercially confidential, but they reveal that take-up in the Hampshire Intervention Area is higher than both the BT Commercial investment area and the national average for local authority broadband projects.
- 4.6. As referenced in the Finance section of this report, higher than expected take-up creates additional funding which can be re-invested to extend coverage further.
- 4.7. Community engagement in the superfast broadband programme is critical to ensuring that residents take up the improved services that the programme is making available.
- 4.8. The programme continually reviews mechanisms to encourage take up across Hampshire, the tables below show the electoral wards in Hampshire with the highest and lowest take-up figures. There are a range of factors affecting areas with low take-up and the programme continues to look into ways to increase awareness in these electoral wards.

Table 4 - Broadband Programme - Take Up by Electoral Ward

Current highest take-up Wards	Take Up	Current lowest take-up wards	Take Up
Marchwood	76%	Netley Abbey	20%
Crookham West and Ewshot	72%	Manor Park	19%
Lee West	70%	Petersfield St Peters	19%
Rooksdown	65%	Fordingbridge	18%
Hayling East	60%	Bishops Waltham	17%
Sherborne St John	56%	Wellington	17%
Lee East	56%	Hayling West	16%
Upton Grey and The Candovers	55%	Botley	15%
Cheriton and Bishops Sutton	54%	Tadburn	13%
East Meon	54%	Ringwood South	13%
		Winton	12%
		St Mark's	8%

5. Community Assistance Schemes

- 5.1. The two contracts with BT have proven to be an effective mechanism for extending coverage as quickly, and cost effectively, as possible. However, HCC has identified that even with the proposed extension scheme up to 14,500 premises lie beyond the scope of the current programme and there is an increasing demand from residents and businesses within this group for help to find a solution.
- 5.2. Communities can contract directly with BT and other suppliers to have superfast broadband installed but State Aid rules preclude HCC from contributing funding in this scenario. HCC has developed a scheme with DCMS and BT that can facilitate combining local community funding and public sector contributions – the Community Match Funding Scheme (CMFS)
- 5.3. The Broadband programme proposes that the County Council considers the option to increase funding for the CMFS from £400,000 to £1,000,000 subject to BT offering satisfactory timeframes for delivery. The increase in funding can be achieved by re-allocating existing resources within the project as a result of savings made elsewhere.
- 5.4. Details of the CMFS scheme can be found in Appendix 2 of the [July 2015 report Reference 6664](#).
- 5.5. Communities will be required to raise their funding contribution locally and 'buy in' to HCC's contract with BT. If a community contracts with HCC then delivery will be integrated with the existing deployment plan and this may mean a delay when compared to the date offered if a community raises all the funding and contracts directly with BT.
- 5.6. In addition to the Match Funding scheme above, help is also available to those who live in premises that have access to speeds below 2Mbps through the Better Basic Broadband Scheme..

- 5.7. HCC and DCMS operate a grant scheme that contributes towards the costs of installing additional equipment, typically satellite but also wireless broadband solutions. It is estimated that up to 2,000 premises across Hampshire are eligible for this scheme. The scheme allows communities to aggregate funding for use as a contribution towards a wider superfast broadband solution if that is appropriate. So far two new wireless broadband operators in Hampshire have registered as approved suppliers and at least one community is pursuing the aggregated funding approach.
- 5.8. Test Valley Virtual Town:
A group of residents in Test Valley has created a scheme in conjunction with Virgin Media which could provide fibre broadband services to 4,000 premises across the borough. The scheme requires 1,200 residents to have registered an interest in buying into the programme by the end of 2016. State Aid regulations prevent the council from contributing financially towards this scheme but, the council can use its marketing programme to help the community promote the scheme to potential users. Further details about the scheme can be found on the broadband programme website: <http://www.hampshiresuperfastbroadband.com/alternative-solutions/test-valley-virtual-town-virgin-media-fibre-broadband-project/>

6. New Build Sites

- 6.1. The County Council is not a planning authority but continues to work with developers and local planning authorities to ensure that superfast broadband is available to residents that move in to new housing developments from day one.
- 6.2. The Broadband Programme is also working with colleagues in Economic Development to co-ensure that superfast broadband coverage is available in areas of future economic growth. However, all parties have noted that widespread availability in residential areas is also a key enabler of economic growth which also reduces the environmental impact of peak hours commuting patterns.

7. Conclusion

- 7.1. The availability of Superfast broadband remains of critical importance to residents and businesses across Hampshire.
- 7.2. Proactive marketing by the programme has ensured higher than expected take up which has provided additional funding that can be used to extend coverage.
- 7.3. 90% superfast (>24Mbps) coverage has been achieved before the government deadline.
- 7.4. 95% superfast (>24Mbps) coverage will be achieved by 2017, in line with government targets.

- 7.5. HCC will exceed government targets by reaching 96% superfast (>24Mbps) coverage by September 2018
- 7.6. As a result of the savings achieved by working in partnership with BT, HCC can reach at least 97.4% coverage by 2019 within existing funding arrangements.
- 7.7. BT and HCC partnership is working well to deliver government targets, but the Council must maintain pressure on BT via all appropriate channels to speed up delivery and increase coverage where possible.

8. Recommendations

It is recommended that the Executive Member for Policy and Resources:

- 8.1. Notes higher than expected take-up and the significant underspend achieved during delivery of Wave 1.
- 8.2. Notes continued progress with delivery of Wave 2 and the nine month acceleration of the deployment timeline achieved thus far.
- 8.3. Agrees that the County Council continues to work with BT and other suppliers to accelerate deployment and extend coverage wherever possible.
- 8.4. Approves the continued partnership with BT and reinvestment of underspend and gain share totalling £6.83m to extend coverage to a further 8,500 premises by 2019 – subject to confirmation from DCMS that this offers value for money to the taxpayer.
- 8.5. Approves the release of up to £1m (from existing funding) to support community initiatives and notes that this may encourage competition from alternative suppliers.
- 8.6. Writes to District and Borough Councils to seek additional funding contributions towards the programme.
- 8.7. Writes to the M3 Local Enterprise Partnership and Solent Local Enterprise Partnership to seek financial contributions towards the programme.

CORPORATE OR LEGAL INFORMATION:

Links to the Corporate Strategy

Hampshire safer and more secure for all:	Yes
Maximising well-being:	Yes
Enhancing our quality of place:	Yes

Other Significant Links

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Hampshire Superfast Broadband – Getting Connected	6456	22/01/2015
Superfast Broadband in Hampshire	7363	21/03/2016
Hampshire Superfast Broadband Programme Resourcing Requirements	7596	20/07/2016
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. 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:

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 body, the County Council will seek to implement Government policy to make it possible for all residential and business premises to access a service capable of operating at a download speed of at least 2Mbps.

2. Impact on Crime and Disorder:

2.1. None identified

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption? Positive impact. It encourages working from home and reduces the need to travel at peak times.
- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts? Positive impact.