

INVESTMENT IN SUPERFAST BROADBAND

To: Cabinet

Date: 15 August 2011

From: Local Government Shared Services Director of Finance

Electoral division(s): Countywide

Forward Plan ref: 2011/060 **Key decision:** Yes

Purpose: To consider the benefits of investing in superfast broadband as a further stimulus to economic growth across the whole County.

Recommendation: Cabinet is recommended to

- a) Make an investment in superfast broadband across the County, potentially in collaboration with District authorities and private businesses, with the total local investment not exceeding £12 million
- b) To delegate to the LGSS Director of Finance and the Executive Director: Environment Services to agree the detailed terms for this investment, in consultation with the Cabinet Member for Resources and Performance and the Cabinet Member for Growth and Planning
- c) To agree to fund the investment from prudential borrowing and for the cost of this borrowing to be initially met by the deployment of reserves, with the long-term funding of the project being set out in the 2012/13 Integrated Plan.

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1. BACKGROUND

“Within this Parliament, we want Britain to have the best superfast broadband network in Europe.” *Jeremy Hunt, Secretary of State for Culture, Media and Sport*

- 1.1 According to the Department for Culture, Media and Sport (DCMS) website, this statement means that “all homes and businesses in the UK should have access to at least 2Mbps and superfast broadband should be available to 90 per cent of people in each local authority area”. Superfast broadband has been identified as having a minimum download speed of 25Mbps.
- 1.2 To assist in the delivery of this pledge, the Government published a superfast broadband strategy document in December 2010. Following this report a £530 million fund was identified for the Spending Review Period (to 2015), which will be used to incentivise the roll out of superfast broadband into areas that the private sector would not reach under standard market conditions. This fund is being managed by a team within DCMS known as Broadband Delivery UK (BDUK) and can be accessed by Local Enterprise Partnerships (LEPs) and Tier 1 local authorities, following the successful submission of a Local Broadband Plan. This is one-off funding and thus any solution supported through this programme needs to be self-sufficient following implementation.
- 1.3 Since this announcement, Communications Providers (CPs) have continued to roll out broadband coverage where it is economically viable to do so, generally in largely urban areas. At present the CPs are primarily deploying “Next Generation Access” (NGA) broadband technologies, often referred to as fttx, an abbreviation of fibre to the home/cabinet, and synonymous with superfast broadband.
- 1.4 A DCLG report on NGA risk in the UK (Analysys Mason, March 2010) considered where NGA is most likely to be deployed over the period to 2017 and where the impact of not receiving NGA will be the greatest. Against the ‘Base Case’ scenario within the report, it is forecast for 2017 that the County of Cambridgeshire will be in line with a national average of 8.8% of Lower Super Output Areas (LSOAs) requiring high priority mitigating action to deliver NGA. However, within the County there are exceptional areas such as Fenland, with a need for high priority intervention in 22.2% of LSOAs, and East Cambridgeshire, with a similar need in 19.1% of LSOAs.
- 1.5 Broadband provision is gradually emerging to be perceived as the fourth utility, to the extent that houses are on occasions marketed with the broadband speed available at that location. The roll out of superfast broadband is seen as central to economic growth at national and local levels and to the delivery of future public services, dependent on quick, reliable access to the internet.

2. ACCESSING BDUK FUNDING

- 2.1 BDUK have used competitive bids amongst LEPs and Tier 1 local authorities to release two rounds of funding to date. The first round amounted to £20 million and supported four pilot projects announced within the Comprehensive

Spending Review. The four pilots announced are in Cumbria, Herefordshire, North Yorkshire and the Highland and Islands.

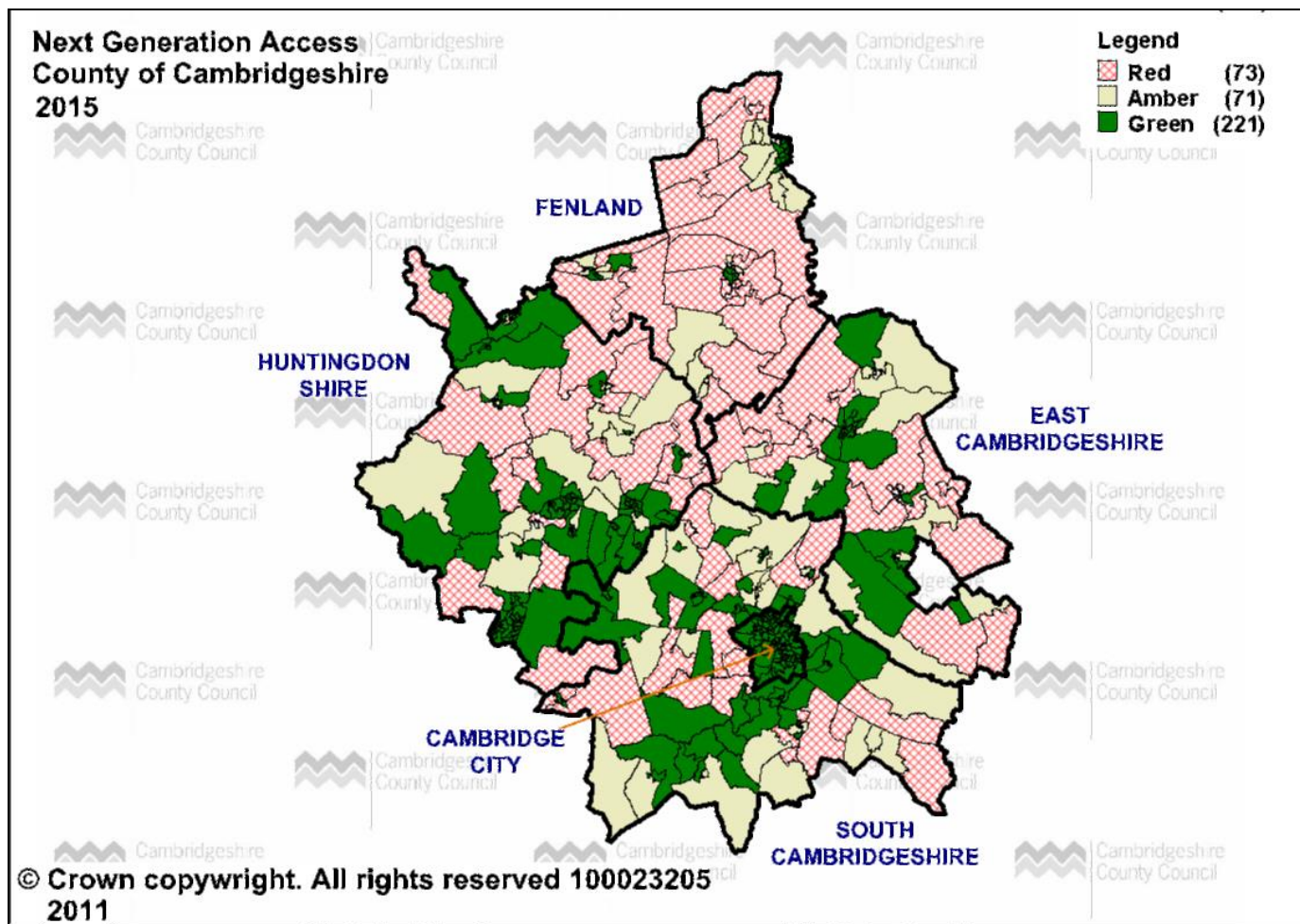
- 2.2 Wave 2 of the funding, announced in May 2011, followed a more comprehensive application process and required applicants to produce a Local Broadband Plan. This round resulted in the following allocations:

Region	LA Funding Input	BDUK Funding Awarded
Devon and Somerset	£20m	£30m
Norfolk	£15m	£15m
Wiltshire	£16m	£4m

- 2.3 A process of continuous assessment is now in place to secure BDUK funding, contingent upon the production of a comprehensive Local Broadband Plan. It is expected that Jeremy Hunt will be making an announcement mid-July about future allocations of monies.
- 2.4 Cambridgeshire County Council has submitted an Expression of Interest to notify BDUK that its Local Broadband Plan will be submitted in September 2011. To this extent a working group consisting of Economic Development Officers from all Districts, minus the City, has been working with officers in the County to develop a Local Broadband Plan, for which the Executive Director: Environment Services is sponsor.
- 2.5 At this stage it is understood that an allowance of £60 per premise will be made for all those within “White” areas. White areas are those identified under EU state aid regulations where there are no plans by CPs to deploy NGA or Virgin Media to deploy network. It is within these White areas where we would influence the deployment of NGA.
- 2.6 From analysis completed to date this will result in an estimated allocation of approximately £8 million for Cambridgeshire.

3. CURRENT BROADBAND DEPLOYMENT IN CAMBRIDGESHIRE

- 3.1 The map overleaf shows by LSOA, the likelihood of NGA deployment by the Communications Provider market, and thus the resultant likelihood of a need for intervention:
- A **red** NGA risk classification indicates a LSOA is considered high priority for mitigating action.
 - An **amber** NGA risk classification indicates a LSOA has been identified for probable action.
 - A **green** NGA risk classification indicates a LSOA requires a watching brief.



4. RATIONALE FOR LOCAL INVESTMENT

- 4.1 There is a clear target from central Government that 100% of the population will receive 2Mbps broadband and that 90% should have access to superfast broadband, generally accepted as over 25Mbps, by 2015.
- 4.2 Previously accepted Local Broadband Plans, e.g. Devon and Somerset, have a target below 90%. It is expected that our 2015 superfast broadband percentage target will be limited by the availability of funding such that our vision will be stated as follows.
- 4.3 Our plan will deliver at least 2Mbps broadband coverage across Cambridgeshire with 90% receiving superfast broadband by 2015. We will continue to find ways to encourage deployment of superfast broadband beyond 2015 to the remaining population. Furthermore all new developments over 50 dwellings will be challenged to include superfast broadband as part of the development pre-requisites.

5. LEVEL OF INVESTMENT REQUIRED

- 5.1 In lieu of a formal procurement, it is difficult to confirm the exact budget required to deliver the targets set out in our Broadband Plan. However, funding may come from three main sources.

5.1.1 BDUK – it is expected that the allocation for Cambridgeshire will amount to £8 million, based on a published allocation of £60 per premise where intervention is required.

5.1.2 Public Sector – in order to release the BDUK funding a comparable investment from the applicant must be made. Research indicates that this should be set at a level of £12 million.

5.1.3 Private Sector – it is expected that the private sector body will also make an investment in the region. This has been established as a precedent in other regions and has also been publicly stated by both BT and Virgin Media.

5.2 It is proposed that the £12 million be funded from prudential borrowing.

6. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING

The following points should be noted.

6.1 Supporting and protecting vulnerable people when they need it most

There are no significant implications for this priority.

6.2 Helping people live healthy and independent lives in their communities

The proposed investment will help address issues of “digital exclusion”.

6.3 Developing the local economy for the benefit of all

The proposed investment will have significant benefits for business growth and development, particularly in the market towns and the rural areas of the County.

6.4 Ways of working

The project will have significant benefits in relation to:

- Localism, facilitating a wider range of services and business to be delivered locally.
- Partnership working, the project requires a high degree of partnership working with businesses, districts and other public bodies.
- Transformational working, the investment will enhance the ability of the Authority to serve the population through on-line service and assistance

6.5 Resource and performance implications

The proposal gives rise to two costs:

- The cost of servicing the prudential borrowing to support the co-investment of £12m
- Project procurement and legal costs associated with the County's role in delivering the project.

In terms of prudential borrowing, the debt serving costs for a £12m investment will be in the order of £960,000 a year for twenty years. However, it would be possible to deploy reserve balances of £4m to reduce the prudential borrowing to £8m and the debt servicing costs to £640,000 a year for twenty years. Other public and private contributions may reduce the Authority's contribution further. The proposed investment is well within the prudential borrowing headroom available to the Authority and the debt servicing charge (in either scenario) can be accommodated in the Integrated Plan for future years.

An initial assessment of the project and procurement costs is that an investment of some £150,000 a year for two years is likely to be required. This investment can be met from existing reserve balances.

6.6 Statutory, Risk and Legal Implications

The investment represents a 'state intervention' for which European Commission approval is required. The Government's BDUK Team are preparing a single application to the EU seeking approval. This approval will be available to those authorities that make use of a Framework Contract that is currently being developed by the BDUK Team. Cambridgeshire will support the development of the Framework Contract, and at this stage it is the preferred procurement method. The Council will need to formally register our programme in order to secure coverage under the wider EU approval.

6.7 Equality and Diversity Implications

As shown in 6.2, this investment will help address issues around "digital exclusion".

6.8 Engagement and Consultation

This will form a key part of drawing up a proposal to submit to BDUK, undertaking the necessary procurement and planning the delivery of the new broadband infrastructure.

Source Documents	Location
NA	NA