PROGRESS UPDATE AND NEXT STAGE OF CONNECTING CAMBRIDGESHIRE PROGRAMME

To:	**Economy and Environment Committee**
Meeting Date:	**8th March 2016**
From:	**Graham Hughes, Executive Director Economy, Transport & Environment**
Electoral division(s):	***All***
Forward Plan ref:	n/a ***Key decision:*** **No**

Purpose:	**The purpose of this report is to outline the progress of the Connecting Cambridgeshire Superfast Broadband rollout to date and seek approval for a follow on phase.**
Recommendation:	**Committee is asked to:**
	a) Note the progress of the Connecting Cambridgeshire Programme to date
	b) Endorse the ambition to enable access to Superfast broadband services to as many premises within the "final 5%" across Cambridgeshire as possible within the existing investment allocation.
	c) Support an amended deployment approach, which will prioritise the follow on roll-out in order of the number of premises impacted.
	c) Approve the commencement of a further phase of Superfast Broadband deployment for Cambridgeshire

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1. BACKGROUND

1.1 In 2011 the Council recognised the importance of having a comprehensive broadband infrastructure across Cambridgeshire which can be fully exploited by businesses, communities and public service organisations to:

- Drive forward economic growth
- Help build and sustain thriving, connected communities across the county
- Facilitate streamlined public service delivery.

1.2 Connecting Cambridgeshire was set up in 2012 as a gap funded project to deliver the rollout and exploitation of a better broadband infrastructure for Cambridgeshire and Peterborough. The Council made up to £20m capital funding available and Peterborough City Council up to £3m which was initially complemented by £6.75m Government funding via BDUK (Broadband UK – part of Department for Culture, Media & Sport).

1.3 The original targets of the programme were to:

- Ensure access to Superfast Broadband for at least 90% of Cambridgeshire premises and better broadband for all others by 2015
- Facilitate an improved GVA* across Cambridgeshire and Peterborough (*Gross Value Added – productivity metric)
- Increase business connectivity
- Increase digital inclusion

These targets support the required outcomes of the Connecting Cambridgeshire programme, which are:

- Helping to make Cambridgeshire an attractive location for new businesses by consolidating, enhancing and spreading the reputation of Cambridge and the surrounding area for technology innovation and enterprise by ensuring a "Connected Cambridgeshire" with 21st Century digital infrastructure services

- Ensuring that Cambridgeshire businesses have access to superfast broadband services to help them compete and succeed in a globally competitive economy.

- Facilitating remote and home working through improved broadband coverage across Cambridgeshire and Peterborough with consequent reduction in traffic congestion and other inhibitors to growth.

- Targeted support to businesses to help them exploit the potential of superfast broadband.

- Enabling streamlined and innovative public service delivery, including support for an ageing population, via tele-health and other initiatives.

- Helping to improve the life chances of all residents by maximising digital inclusion and ensuring that all Cambridgeshire communities, including the most deprived, have access to digital services.

- Improving access to on-line and home based training, education and life-long learning opportunities.

1.4   A competitive procurement exercise was undertaken to contract with a supplier, to co-invest to deliver Superfast Broadband infrastructure to areas that would otherwise not benefit from commercial rollout – approximately a third of the County. This was concluded and a contract signed with BT in early 2013 to deliver connectivity to 97,000 homes and businesses across the County by December 2015. This first phase was concluded on time and within budget.

1.5   Overall investment for the Connecting Cambridgeshire Programme, totalling over £60m to date has been drawn from multiple sources, including from BT, the EU and from Government. (See Appendix One for further details).

1.6   When the Superfast broadband contract was awarded it included initial target coverage of greater than 90% Superfast (combined "Intervention" and commercial coverage) to include rollout to at least 97,000 premises. This was achieved and the combined coverage is now estimated at 93%.   However this still leaves a significant percentage of harder to reach homes and in addition there are two factors which have increased the overall numbers to be covered as the programme has progressed:

- The first is that the market consultation exercise with commercial providers in early 2012 produced an overstatement of the coverage based on presence/rollout plans (ie the extent of the problem was worse than originally anticipated).

- The second issue is the high level of housing growth in Cambridgeshire over the last 2-3 years based on pre-2012 planning consents which was prior to the updated broadband planning conditions included within district council local plans. This has meant that significant areas of new housing have had to be retrospectively incorporated into the intervention scope.

1.7   A follow on £4m rollout phase (Phase Two) to a further 6,000 premises was incorporated as a change control into the contract during 2015, funded by a combination of contract contingency, additional Government and European Union (EU) funding and further investment from BT.

1.8   This second phase rollout started in January 2016 and is expected to complete by September 2017. In line with Government targets for 2017, this is anticipated to enable delivery of Superfast coverage to 95% of homes and businesses across Cambridgeshire and Peterborough.

1.9   Take-up to date has been strong across all parts of the county, and is continuing to rise. Some rural locations have seen take-up exceeding 70% and the current county average of just under 30% is amongst the highest in the country. More than half of the households in one South Cambridgeshire village upgraded within less than four weeks after the service went live.   As well as providing strong evidence of need, the high take-up figures also increase the amount of the contract "claw-back", thereby providing further investment funding (See Appendix One for further detail).

1.10   There has been strong community engagement and more than 150 broadband champions have been providing valuable support to the programme by raising awareness about the rollout and acting as a local liaison for information and queries.

2.   MAIN ISSUES – Proposal for Phase Three Superfast Broadband Rollout

2.1   Although the current Superfast coverage exceeds that in most of the surrounding counties and is amongst the highest nationally, the heavy reliance on and high take up of Superfast broadband services amongst businesses and residents in Cambridgeshire means there is significant pressure to provide service for the "final 5%", (approximately 18,000 premises) which are not covered in current rollout plans.

2.2   Whilst it is unrealistic to target 100% of premises with Superfast broadband, it is possible to significantly reduce the "final 5%" with a third rollout phase. There are two sources of funding available to support this which will give a combined total of £8.1m – a claw-back or "gain-share" condition within the contract and an anticipated underspend in the deployment of Phase One.

2.3   The rollout contract with BT includes a "claw-back" provision which requires BT to reinvest any surplus profits into further broadband rollout if take-up exceeds the original forecast. (See Appendix A for further details). Contractually the final amount is calculated in 2024, however given the high take-up in Cambridgeshire BT has made a proposal to pull forward £5.3m of the projected claw-back funding to 2016.

2.4   In addition, BT have declared an anticipated £2.8m underspend on their Phase One delivery which is available to reinvest in a third phase. As the contract payments are made in arears, the precise figure will not be finally confirmed until the last quarter milestone payment due by June 2016.

2.5   Inevitably deployment to more geographically dispersed, harder to reach premises, is more costly and all interventions are subject to a state aid threshold of £1700 per premise. However based on estimates to date, it is anticipated that a third deployment phase will deliver Superfast Broadband to at least 7,500 additional premises, with fibre based broadband (typically between 10-15mbps) available to significantly more. It is anticipated this would increase the combined Superfast coverage to around 97% of the county and significantly reduce the numbers currently unable to access fibre based services. At present these are high level estimates only because confirmed deployment is subject to detailed technology solution planning.

2.6   Although subject to final legal and state aid checks and sign off via Government state aid assurance process, it is anticipated that Phase Three will be agreed under contract change control. This will be quicker and less costly than a new procurement exercise.

2.7   The alternative option, not to support a third phase Superfast Broadband rollout, and to return funding for reallocation to the Council, would require revised contractual negotiations with both BT and with the Government funding bodies. Funding from the claw-back mechanism would not be available to the Council until June 2024.

2.8   The delivery of Phase Two extends the duration of the programme to 2017 and Phase Three is likely to push this to late 2019 or early 2020. The programme has been successful in reducing costs across several strands of the programme and in attracting additional external funding streams. As a result Phase Two and Phase Three can be delivered within the existing Peterborough City Council (£3m) and County Council capital funding of £20m.

2.9   As the programme has progressed there has been increasing pressure from residents and businesses not yet able to access Superfast Broadband services. The continuing

growth of the digital economy and rising use of the Internet to support all aspects of work, family life and leisure mean that those without it feel heavily disadvantaged.

2.10 When the contract was let in early 2013, the direction from the Council's Cabinet, was to request that BT undertake the rollout in a manner that was most efficient and economical to them. This was to ensure that the deployment reached as many homes and businesses across Cambridgeshire as quickly as possible. This has arguably been successful given the number of premises deployed to in just two years. However going forward it is recommended that BT are asked to plan future phases based on the overall number of premises to be covered in a community, rather than on their preferred deployment approach. This will target the greatest numbers first and will help ensure that there is a visibly transparent and fair prioritisation approach. As part of the approach BT will be asked to parallel track as many areas as possible, although delivery timescales will be dependent on the engineering solutions required.

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 Developing the local economy for the benefit of all

The report above sets out the implications for this priority in Section 1.3 above

3.2 Helping people live healthy and independent lives

The report above sets out the implications for this priority in Section 1.3 above

3.3 Supporting and protecting vulnerable people

The report above sets out the implications for this priority in Section 1.3 above

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

There are no changes to the Council's planned investment to the programme as a result of the proposed Phase Three rollout. Programme funding is outlined in Appendix One.

4.2 Statutory, Risk and Legal Implications

Change controls to the contract are governed by EU state aid exemption sign-off, which is administered by Government and subject to assurance sign-off.

4.3 Equality and Diversity Implications

Community Impact Assessment undertaken in 2013 is attached as Appendix Two

4.4 Engagement and Consultation Implications

A 30 public consultation regarding existing coverage will be included as part of Phase Three planning state aid exemption assurance.

5   **Localism and Local Member Involvement**

The programme covers all areas of the County and a number of members have been involved in rollout phases to date as broadband champions and in support of the programme

4.6   **Public Health Implications**

The report above sets out the implications for this priority in Section 1.3 above.

Source Documents	Location
None	n/a

Appendix One "Gain-share" Mechanism & Funding Sources to the Connecting Cambridgeshire Programme

Funding source	Amount	Programme Delivery/Funding stream Phase
Local Authority Funding		
CCC Capital Investment	£20m	All Phases
PCC	£3m	All Phases
Total	**£23m**	
Government Funding		
BDUK [1]	£6.75m	Phase One
BDUK	£3.25m	Super Connected Cities (SME Support, Connectivity vouchers & Public Wi-fi)
BDUK	£1.5m	Phase Two
GEO [2]	£125k	Phases One & Two
Total	**£11.6m**	
EU Funding		
ERDF programme	£1.4m	SME business support & technology investment
ESIF prorgramme [3]	£.6m	Phase Two
Total	**£2m**	
BT Investment		
SFBB rollout	£18m	Phases One & Two
Early Gain-share	£ 5.3m	Phase Three
Total	**£23.5m**	
Programme Investment	**£60.1m**	Direct investment – does not include "in-kind" support from programme partners

[1] – BDUK, Broadband UK, part of the Dept for Culture, Media & Sport (DCMS)
[2] - GEO – Government Equalities Office, part of Dept for Education (DfE)
[3] – Current ESIF (European Structural Investment Fund) funding bid accepted in principle, subject to final sign-off from Dept for Communities & Local Government (DCLG).

Gain-share mechanism

The rollout contract with BT incorporates a "claw-back" clause which means that if service take-up exceeds the figure that was originally modelled (20%) they are required to make further investment funds available to support additional rollout.

The contract states that the Councils (Peterborough City Council and Cambridgeshire County Council) will work together with BT to agree further investment plans, with a view to ensuring that by the end of the term the Investment Fund will be zero. If at the conclusion of the contract lifetime (30th June 2024), there are remaining funds they will be returned to the Councils.

Given the high take-up figures to date, the claw-back clause has already been activated. As a consequence BT have proposed to bring £5.3m of gain-share investment funds forward to be available in 2016/17 to support a Phase Three rollout. Based on current take-up trends it is anticipated that further gain-share funding will be available in later years, but it is not yet possible to calculate this with any accuracy.

Appendix Two – Community Impact Assessment

Directorate / Service Area	Officer undertaking the assessment
ETE	Name: Noelle Godfrey..
Service / Document / Function being assessed	Job Title: Programme Director - Connecting Cambridgeshire
5.14 Connecting Cambridgeshire 1. The Connecting Cambridgeshire Programme, comprising the Cambridgeshire and Peterborough Superfast Broadband project, which aims to make superfast broadband available to at least 90% of residential premises county-wide and, 2. The Cambridge Super Connected City project, which aims to make fixed broadband connection speeds of over 80-100Mbps available to 100% of businesses and enable high-speed wi-fi in the extended urban area of Cambridge.	Contact details: 01223 699011 ....

Aims and Objectives of Service / Document / Function
The Programme has two main aims: • Developing the local economy for the benefit of all • Helping people live healthy and independent lives in their communities.

What is changing?
The planned improvements to the digital infrastructure will greatly assist Cambridgeshire to meet strategic commitments to: • drive economic growth • facilitate the transformation of public services • support social inclusion The employment landscape of the county will be altered by this project, as businesses become better able to set up and grow in areas of Cambridgeshire and Peterborough that are currently constrained by poor broadband connectivity. This will help to reduce countywide unemployment, including in some of the most isolated areas, and will improve the development and retention of skills among residents in these areas. Access to superfast broadband will be the crucial enabler for public services going 'digital by default'. Digital by default means digital services which are so straightforward and convenient that all those who can use digital services will choose to do so, while those who can't are not excluded. Digitising transactional services will save people and businesses time and money; by making transactions faster, reducing the number of failed transactions and simplifying the end-to-end process. Over time, the success of better designed digital services will reduce the scale and profile of less convenient, less effective and less cost-efficient contact methods (telephone, face to face, post). People across Cambridgeshire and Peterborough will be better able to access essential services online and, in many cases, to be better involved in their local communities, encouraging community vitality. Social exclusion will be reduced by this project. The availability of superfast broadband will help to address issues of exclusion among elderly and disabled people, as they will be better able to access services online that they may otherwise not be able to access. The development of children and young people will also be supported, particularly helping to create a strong, ICT-literate community for the future. The targets are to: • facilitate an improved GVA • increase business connectivity • increase digital inclusion • eliminate "not spot" areas in Cambridgeshire

Access to superfast broadband at a minimum of 24Mbps will be facilitated for at least 90% of residents. This will greatly increase the ability of residents to access online services, both for leisure and more essential services, and will allow County Council services to be provided to a greater range of people in more isolated areas.
Businesses throughout the county will also have access to superfast broadband facilitated by this project. This will enable a greater number of businesses from a broader range of industries to set up and operate in areas that are not currently feasible. This will contribute to reducing unemployment and encouraging skills utilisation in more isolated areas of the county.

Who is involved in this impact assessment?

Council officers, stakeholders from the LEP, University of Cambridge, CU Health Partnership, Anglia Ruskin University and Urban &Civic (Alconbury Enterprise Zone), members & senior officers from Cambridgeshire County Council, Cambridgeshire's District Councils and Peterborough City Council.

WHAT WILL THE IMPACT BE?

Tick to indicate if the impact on each of the following protected characteristics is positive, neutral or negative.

Impact	Positive	Neutral	Negative
Age	x		
Disability	x		
Gender reassignment		x	
Marriage and civil partnership		x	
Pregnancy and maternity		x	
Race		x	
Religion or belief		x	
Sex		x	
Sexual orientation		x	
The following additional characteristics can be significant in areas of Cambridgeshire.			
Rural isolation	x		
Deprivation	x		

For each of the above characteristics where there is a positive or negative impact please provide details, including evidence for this view. Describe the actions that will be taken to mitigate any negative impacts and how the actions are to be recorded and monitored.

Positive Impact
The rollout of broadband and superfast broadband will make a significant contribution to reducing rural isolation, by making essential and other services vastly more accessible to some of the most isolated communities of Cambridgeshire and Peterborough. Superfast broadband will also help to encourage the setting up and location of businesses in areas where they may not currently set up. This will help to reduce unemployment and to encourage greater development of skills in these areas, all of which will help to reduce deprivation around the county. Age and disability are highlighted above as areas that can particularly expect to be impacted in a positive way. The greater availability of online services that will be facilitated by this project and the rollout already planned by the private sector will help to address issues of isolation experienced particularly among the elderly and disabled. Other than these groups in particular, the project will not have any impact on any specific groups more than others; rather it will bring significant benefits to all. Aspects of the demand stimulation programme will deliberately seek to work with groups that support the elderly and vulnerable so that the benefits of improved access to services are fully recognised by these groups.   The project will be rolled out in a way that benefits the whole of Cambridgeshire.