

SOUTH HOLLAND DISTRICT COUNCIL

Report of: Julie Kennealy - Executive Director Commercialisation

To: Joint meeting of the Policy Development Panel and Performance Monitoring Panel – 26 April 2016

(Author: Tim Mills Executive Manager Growth)

Subject: Superfast Broadband contribution by SHDC

Purpose: To consider South Holland District Council's contribution to the roll out of Superfast Broadband across South Holland

Recommendations:

The Policy Development Panel's and Performance Monitoring Panel's views are sought on the following proposed recommendations to Cabinet:-

- 1) To agree, subject to target performance being met, and satisfactory contract conditions being negotiated that a contribution of £606,910 will be made to Lincolnshire County Council in respect of the roll out of Superfast Broadband in the District.
- 2) To agree in principle to a payment of £546,219 (90% of the contribution of the Council) to Lincolnshire County Council.
- 3) To delegate authority to the Chief Executive in consultation with the Portfolio Holder for Commercialisation to negotiate contractual terms with Lincolnshire County Council and other authorities in Greater Lincolnshire and release the 90% payment when negotiations have been satisfactorily concluded.
- 4) To delegate authority to the Chief Executive in consultation with the Portfolio Holder for Commercialisation to agree a final payment, up to a maximum contribution of £606,910, subject to contractual performance targets being met.

1. BACKGROUND

- 1.1 On 6 October 2011, a letter was received by the Chief Executive from Tony McArdle, Chief Executive at Lincolnshire County Council, asking that South Holland District Council contribute between £409,670 and £606,910, to help the County Council to match fund the £14.3m allocated to Lincolnshire by the Government in August 2011 in order to bring superfast broadband to 90% of the County by 2015.
- 1.2 As part of the comprehensive spending review, the Government announced its vision for the UK to have the best superfast broadband network in Europe by 2015. The first part of this vision is that at least 90% of UK premises would have a minimum of 2Mbps, and to that end, committed £530m to support the rollout of superfast broadband by Broadband Delivery UK (BDUK). The Lincolnshire vision has been to try and achieve as near universal access to superfast broadband as possible.
- 1.3 On 8 July 2011, Lincolnshire County Council agreed in principle to provide £10m match funding for the Lincolnshire Broadband Delivery Plan to BDUK. In August 2011 the Government announced their national funding allocations which included £14.3m for

Lincolnshire. The District Councils were asked for a contribution to make up the shortfall of £4.3m (the difference between the £10m committed by LCC and the £14.3m from BDUK). The potential for a lower contribution set out in paragraph 1.1 was based on other sources of funding became available but these did not materialise.

- 1.4 District Councils were asked to sign a memorandum of understanding, a copy of which was sent to the Economic Development Officer by David O'Connor. The MOU set out an aim to achieve Superfast Broadband (at least 24mbps) to at least 90% of premises in the County by the end of 2015, and coverage of the remaining 10% of premises at 2mbps by the end of 2015. It also included the aim of providing 90% mobile telephony coverage by the end of 2015. These aims were all county wide, not specific or exclusive to any one area or district.
- 1.5 Information supplied by David O'Conner on 25 January 2012 in response to additional questions asked showed that SHDC had 30,124 premises in the "White Areas" which are those eligible for state aid (15.2% of the whole county's "white area" premises). SHDC was also shown to have 12.3% of the county's "white area" premises under 2mbps. The programme (and National) target is to get 90% of premises to Superfast Broadband by 2015 and the rest to 2mbps by then with Superfast across the whole County by 2017. Some of those parts will be covered by satellite etc. rather than fixed connections. The roll out was pretty aggressive. So, taking it very simply, over 30,000 premises in South Holland will benefit from this programme by 2017 with most benefiting by 2015.
- 1.6 At the Cabinet meeting held on 3 April 2012, approval was sought from members to recommend to Council that the Memorandum of Understanding be signed in principle subject to consideration of points raised by the joint PMP/PDP. These were:
 - That value for money must be achieved, and a paper on the funding of the project considered – This paper was not produced. However, funding details are set out in this report.
 - That the funding for the project should be found by the district in the most efficient way possible. – Funding from the capital reserve was subsequently approved in the 2015/16 Capital Budget
 - That when entering into any agreement, members should be clear that although the target was for 90% of premises to have access to Superfast Broadband, it should be established that this service must be available to the actual premises rather than just to the street. This requirement was not in the original tender put out to contract, as it was not considered to be achievable. However, as the project has progressed, limited fibre to the premises is being rolled out. Lincolnshire County Council/BT will not release locations due to commercial confidentiality.
 - That a map of the district showing the 'white areas' be made available to members – the map is available as part of the appendix to this report titled 'Lincolnshire's campaign for faster broadband'
- 1.7 Following the Stakeholder meeting on 20 January 2016, the following information has been supplied as the latest update for South Holland:

The element of the Lincolnshire Broadband Programme specific to South Holland remains on course to deliver a substantial improvement in broadband coverage across the District by 31 March 2016. The full extent of Superfast coverage will be finalised shortly after the programme finishes, but all indications are that we will exceed the original expectations. At the time of writing, we have completed 104 cabinets in South Holland which represents 16.27% of the completed cabinets across the county to date. This equates to 25,612 additional premises in South Holland that are now able to benefit from fibre optic broadband. This figure represents 17.34% of the overall project total to date. We still have 19 cabinets to complete before 31 March and there are no reasons to believe we will not

achieve this. Please note these figures are relevant to this programme only and do not include any commercial coverage from BT or any other provider.

In addition, we have asked BT to survey a number of cabinet areas in South Holland that didn't benefit from the original deployment. When the surveys are returned and costs put together, we will hopefully see that this additional work proves to be cost effective in terms of delivering additional coverage. It is worth noting that the same scenario is ongoing in the other Districts and that this is only a start in terms of utilising underspend.

Phase 2:

An additional £4.6M has now been added to the original Phase 2 funds of £4.2M. In addition any underspend from Phase 1 will be added to Phase 2 and on that basis, BT are currently re-modelling their Phase 2 deployment plan. We hope to see this shortly and subject to final agreement, we will then publish details in line with the contractual agreement. In the event of underspend at the end of Phase 2 this will be held as an investment fund and has to be used for the further extension of Broadband. In the event of any shortfall of funding against the agreed programme there would be a requirement to repay BDUK their match funding.

BT has assured us that Phase 2 will start early and finish well before the 31/12/2017 deadline. Consideration of the implications of this are detailed at 3.4.

- 1.8 The maps as requested are appended to this report. The reference to 90% mobile coverage was an early aspiration. However when the programme evolved with BDUK, there was no funding for mobile coverage and it never formed a part of the Framework agreement with BT. BDUK did subsequently allocate £150M UK wide to try to make some improvements, but sadly that project has delivered virtually nothing to Lincolnshire and has been effectively shelved by BDUK. Reference to minimum speeds has now been removed but replaced by reference to 'next generation' broadband. This is logical as minimum speed is dependent on many factors including distance of the cabinet from the exchange, distance of the premises from the cabinet, quality of the copper wire from the cabinet to the premises, and a number of other factors, all of which can affect the speed obtained at the recipients computer. The 25612 premises that are now able to connect to superfast broadband equates to 85% of the total 30124 premises that are eligible in South Holland, and it should be noted that the target was to reach 90% by the end of 2015. This target has not been reached but the rollout was always considered ambitious – though our recommendation is to withhold some of the allocated funding until this target is fully met.

2. OPTIONS

- 2.1 Release the sum of £606,910 as requested for the South Holland contribution to the Superfast Broadband rollout.
- 2.2 Release a reduced amount if it is considered that not all the promised outputs have been met with potentially a further release if the full outputs are subsequently met.
- 2.3 Decline to contribute. (Do nothing)

3. REASONS FOR RECOMMENDATIONS

- 3.1 The programme has substantially completed as originally envisaged with 85% of the total premises completed by the end of 2015 compared to a target of 90%. It is probable that given the intentions to complete a further 19 Cabinets prior to 31 March 2016 that the target will be met albeit 3 months late and maybe exceeded. Delivery in South Holland has as far as can be ascertained equalled or exceeded that in other Districts.

- 3.2 Given the far higher cost of providing Superfast Broadband to the premises and the organisation of the Broadband market it was never likely to be possible for this programme to primarily provide Broadband to the premises. However it is positive that some element of Broadband to the premises has been provided. The extent has not been disclosed. It is understandable that the location and customers are commercially confidential. We have received assurance that the numbers can be made available after the end of Phase 1 of the programme.
- 3.3 Detailed data on speed to premises would be affected by the wide range of variables that effect speed from Cabinet to premises, but superfast fibre broadband has been installed as detailed elsewhere in this report.
- 3.4 There is significant underspend on the current programme which will allow additional investment in Phase 2. This has resulted in a very substantial 2nd Phase of the programme which will significantly exceed £9m designed to deliver before 31/12/2017. This second phase will include the programme currently being developed by BT. However the options of including Fibre to the remote node and Superfast Broadband using wireless are under active consideration. The former involves using a node that serves a much smaller number of premises (16) than is usual for Cabinets and is therefore appropriate for much smaller clusters of dwellings. The Government has recently approved two wireless systems for provision of next generation access. This approval process has taken far longer than anticipated and has prevented deployment of this solution previously. Given these developments Phase 2 offers particular opportunities for improving South Holland's broadband infrastructure given the rural and isolated nature of many dwellings. It is considered important that the Council is seen to support the programme overall and not to potentially prejudice deployment in our area nor to create a risk of repayment to BDUK of the match funding already provided against the promised contributions.
- 3.5 As the programme has substantially delivered its primary target and there is potentially substantial further investment into the broadband infrastructure for South Holland it is proposed that release of 90% of the contribution from South Holland and that the remaining 10% be released once confirmation of whether 90% coverage is achieved by 31/3/16 and the relevant numbers for provision to cabinet and direct to premises are provided.

4. EXPECTED BENEFITS

- 4.1 The availability of Superfast Broadband is vital to the wellbeing of both the economy and the residents of South Holland. Businesses need to be able to access the internet at high speed for a number of reasons. Amongst those reasons is the fact that many companies now trade online so access to and from their website, including the e-commerce side, is vital. Many websites change content on a regular basis, even in real time, and this needs to be a seamless operation.
- 4.2 Many businesses now use cloud services to store and back up information, as well as increasingly turning to online software applications such as Microsoft Office 365.
- 4.3 Superfast Broadband is also vital for residents, increasingly services, including those involving the District Council, will be provided online. In fact there is now a school of thought that says that the provision of Superfast Broadband should be considered a basic human right along with basic utilities like water and electricity. It is a fact that when advertising houses and commercial premises for sale, the availability and speed of broadband is an important factor for consideration.
- 4.4 A substantial area of the District will not receive coverage through commercial means. This

programme will therefore provide advantage to the district as a whole by enabling the availability of Superfast Broadband more consistently particularly in the rural areas.

5. IMPLICATIONS

5.1 Carbon Footprint / Environmental Issues

5.1.1 Provision of Superfast Broadband has the potential to reduce travel through the use of video-conferencing and similar applications.

5.2 Constitution & Legal

5.2.1 This is an executive function and the decision therefore rests with the Cabinet. The Council has statutory power to contribute to this project, including its general powers of competence under s1 Localism Act 2011. At present no formal agreement has been entered into which sets the terms of the £606,910 contribution. Suitable contractual arrangements will be possible once the decision has been made.

5.3 Contracts

5.3.1 There is currently a memorandum of understanding between the parties, but no formal contract setting out the terms of the Council's contribution. If the recommendations in this report are approved, the Chief Executive will agree the terms of the contract (taking advice as necessary) and issue a purchase order before any contribution is actioned.

5.4 Corporate Priorities

5.4.1 A contribution to the rollout of Superfast Broadband in South Holland would align with the Corporate priorities of:

- To develop safer, stronger, healthier and more independent communities, whilst protecting the most vulnerable.
- To provide the right services, at the right time, and in the right way.
- To encourage the local economy to be vibrant with continued growth

5.5 Financial

5.5.1 On 25 February 2015 council approved a capital project for Broadband Lincolnshire at a cost of £607,000

5.5.2 Financing for this project was approved at £607,000 of Direct Revenue Contributions to be transferred from the Capital Reserve.

5.5.3 The 2015/16 estimate for the capital programme as reported to cabinet on 16 February 2016 includes £607,000 for this project and funding from the capital reserve has been earmarked accordingly. Progress on installations will be measured at the end of March 2016 and the negotiated contractual contribution will reported as part of the 2015/16 out turn on this basis

5.5.4 Current progress includes 25,612 (94% of target) premises in the district that are likely to benefit from a connection to fibre optic broadband. The revised target figure for March 2016 was 90% of 30,124 premises (27,112)

5.5.5 Phase 2 of the project will increase the number of premises in the district benefitting from fibre optic broadband to 28,618 (95% of 30,124 premises).

5.5.6 Phase 2 funding of £8.8m+ will be managed by Lincolnshire County Council and no further contributions are required from the Council. Any underspend in Phase 1 of the project will be carried forward as additional funding for phase 2 which is planned to be completed by the end of 2017.

5.5.7 Project finances and performance targets will be examined at the end of Phase 2 by all partners to the original Memorandum of Understanding.

5.6 Stakeholders / Consultation / Timescales

5.6.1 Lincolnshire County Council is a key stakeholder and failure to pay the sum agreed in principle would impact on the relationship. There is also the potential impact on relationships with the other districts in Lincolnshire who have signed up and are contributing the figures as agreed in the MOU.

6. WARDS/COMMUNITIES AFFECTED

6.1 All Wards in the district

7. ACRONYMS

FTTP – Fibre to the Premises
FTTC – Fibre to the Cabinet
FTTRN – Fibre to the remote node
ISP – Internet Service Provider
BDUK – Broadband UK
BT – British Telecom
SHDC – South Holland District Council
PMP- Performance Monitoring Panel
PDP – Policy Development Panel

Background papers:-

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Key Decision: Yes

Exempt Decision: No

This report refers to a Discretionary Service

Appendices attached to this report:

Appendix A - SFB Lincolnshire June 2013

Appendix B - Lincolnshire's campaign for faster broadband (maps showing areas eligible for faster broadband)

Appendix C - 21 March 2012, Joint Performance Monitoring Panel and Policy Development Panel

Appendix D - Broadband FAQ's