Economic Growth Overview and Scrutiny Committee

Dorset County Council

Date of Meeting	25 January 2017
Officer	Matthew Piles, Service Director, Economy
Subject of Report	**Scrutiny of Delivery of Digital Infrastructure Strategy**
Executive Summary	Universal provision of superfast broadband is critical to the future economic and social prosperity of the county of Dorset. The Superfast Dorset programme aims to deliver the most appropriate superfast broadband solution for communities, maximising benefits in a cost effective manner across the business and domestic community. The Superfast Dorset Programme includes Bournemouth and Poole, the high levels of achieved coverage across the programme risk masking the remaining problems mainly in rural areas. By the end of contracted deployment, over 12,000 premises will remain without access to superfast broadband. A Member task group on Superfast Broadband provision for hard to reach communities was set up in 2015 and reported to the Environment and Economy Overview Committee in January 2016. It is an ambition that fast and reliable broadband should be available to all. It is recognised that this is an agenda that will be with us, at least until 2020 - government aspirations for universal better broadband are within the lifetime of this parliament. In reality, there will be an on-going role for local authorities, to influence and ensure that there is a capable universal digital infrastructure. Changes in patterns of use, increased data usage, convergence of entertainment and information, and the internet of

	things will drive increasing bandwidth requirements for the foreseeable future.
Impact Assessment:	**Equalities Impact Assessment:** The Superfast Dorset Programme has been subject to an equalities impact assessment that confirmed the positive impact that improved broadband will have. Some hard to reach areas may not achieve significant speed uplifts - these will tend to be in the most rural parts of the county
	Use of Evidence: Evidence is referenced within the body text and, where relevant, includes a description of how the outcomes of public consultations have influenced the recommendations.
	Budget: None directly arising from this report, but fully closing the gap would have a cost
	Risk Assessment: Risk of not achieving programme objectives (97% coverage) - LOW Risk of not achieving 100% coverage - HIGH
Recommendation	That the Committee scrutinises the evidence and information provided in this report and by others at the meeting and proposes/recommends actions to progress any identified issues, as well as how these actions should be resourced.
Reason for Recommendation	To provide context and background to enable the Economic Growth Overview and Scrutiny Committee to carry out scrutiny
Appendices	Performance Management data - Fixed superfast broadband December 2016
Background Papers	Dorset's Digital Infrastructure Strategy, September 2015 https://ww.dorsetforyou.gov.uk/media/212221/Digital-Infrastructure-Strategy/pdf/SFD-GOV-Digital_Infrastructure_Strategy_for_Dorset_v1.pdf Dorsetforyou.gov - Superfast Broadband in Dorset https://www.dorsetforyou.gov.uk/superfast About Superfast Dorset, including link to 2015 Superfast Dorset annual report https://www.dorsetforyou.gov.uk/broadband/about

	Dorset County Council, final report of the Dorset County Council Task and Finish Group on Superfast Broadband provision for hard to reach communities, December 2015 and accompanying minute extract from Environment and the Economy Overview Committee – 19 January 2016 – available in the Members' Room and accessible, electronically, on request. Ofcom, Achieving decent broadband connectivity for everyone Technical advice to UK Government on broadband universal service, December 2016 https://www.ofcom.org.uk/consultations-and-statements/category-1/broadband-uso Dorsetforyou.gov- Better Broadband Scheme https://www.dorsetforyou.gov.uk/broadband/better-broadband-scheme Dorset County Council, Better Broadband Subsidy Scheme, Kimmeridge case Study https://www.dorsetforyou.gov.uk/broadband/better-broadband-scheme Dorsetforyou.gov – Case Studies https://www.dorsetforyou.gov.uk/broadband/case-studies Dorsetforyou.gov – Roll Out and Availability https://news.dorsetforyou.gov.uk/2016/08/30/dozens-more-communities-to-benefit-from-superfast-dorset-fibre-broadband-roll-out/ https://news.dorsetforyou.gov.uk/2015/06/15/high-speed-fibre-broadband-available-to-3000-more-dorset-homes-and-businesses/ DCMS Call for Evidence: Extending Local Full Fibre Broadband Networks https://www.gov.uk/government/consultations/call-for-evidence-extending-local-full-fibre-broadband-networks Dorset County Council - Take up press release - https://news.dorsetforyou.gov.uk/2016/12/19/demand-for-high-speed-fibre-broadband-from-dorset-households-and-businesses-doubles-in-a-year/
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1.   Purpose of Report

1.1   The Committee agreed at its meeting in October 2016 that given the importance of connectivity to future economic growth, the status of the Digital Infrastructure Strategy including Broadband should be raised as a priority to Priority 1, for consideration at the next meeting in January 2017.

1.2   Of particular importance is to know how improvements might continue to be delivered, with a specific view to identifying solutions to meet the needs of those currently having limited, little or no reception and to understand what is being done to achieve this.

1.3   This report provides context and background for members which will be supplemented by presentations to enable members of the Committee to scrutinise progress and make recommendations.

2.   The Superfast Dorset Programme - Delivery through gap funded contracts

2.1   Approximately 75% of Bournemouth, Dorset and Poole has (or in a few cases will have) superfast broadband provided by infrastructure providers upgrading their networks for a commercial return. Mainly comprising BT and Virgin Media, this is commonly referred to as the commercial roll-out.

2.2   State aid can only be provided where there is demonstrable market failure; this is defined through a pre-procurement market consultation and open market review (OMR) process to define an intervention area, where state aid funding can be used.

2.3   The Superfast Dorset programme provides capital gap-funding to support the further rollout into those areas deemed not commercially viable by the infrastructure providers. The principle applied in the procurement of a deployed superfast network is to reach the greatest number of premises for the available funding.

2.4   In July 2013, Dorset County Council, on behalf of all local authorities in Dorset, entered into a partnership contract with BT for the delivery of superfast broadband services across the County. The contracted outcomes are delivering a step-change in the capability of individuals and businesses to access fast and reliable broadband. It was made clear that, with the current level of funding, it would not be possible to reach all premises and a minority of premises will remain unable to access superfast broadband.

2.5   At the point of entering contract, the expected superfast coverage figure across the whole of Dorset, Bournemouth and Poole was estimated to achieve:
   • 95.6% of premises with access to superfast broadband (at least 24Mbps)
   • 97% of premises with access to the fibre network (this will offer a range of speeds above 2Mbps)
   • 100% of premises with access to at least 2Mbps.

2.6   Deployment of network services through this contract is nearing completion and will deliver Superfast Broadband to 72,500 premises.

2.7   A second contract, also with BT, was let in May 2015. Deployment of network services through this contract has only begun, with delivery to continue throughout 2017.

2.8   A third procurement, with a focus on business connectivity and faster 'ultrafast' speeds is underway. This is an Open (OJEU) procurement funded by BDUK and the Dorset Local Enterprise Partnership. Contract award is anticipated for February 2017. It is expected that this will: bring ultrafast connectivity to business premises within business parks identified as

growth areas, including Dorset Green Enterprise Zone and the Bournemouth International Airport Growth Programme; bring fibre optic links into business parks currently without fast and reliable broadband, and: connect a significant number of residential premises, solving a portion of our 'final 3-5%' without fast and reliable broadband connectivity.

2.9   The growth in superfast broadband across the Dorset County Council area is shown in Appendix 1.

3.   Closing the Gap

3.1   The reasons why gaps or not spots exist and / or remain was explained in some detail in the January 2016 Task Group report, so it will not be repeated here. Since January 2016 a major piece of work has been completed with all broadband suppliers to provide at a premise level an analysis of broadband provision; this means that the remaining problem is now known at a much more detailed and accurate level than previously. This confirms that the overall remaining number of premises to be addressed is **12,065**, after all known commercial and current County Council contracted activity is complete.

3.2   More information on this will form part of the presentation to the Committee.

3.3   Actions and interventions to close this gap are outlined in the table below, with a brief commentary.

3.4   Each of the actions below are likely to nibble away at the remaining twelve thousand problem premises, rather than solve the problem in its totality. Further information on the outline commercials and likely levels of available capital will form part of the presentation to Committee.

a)	**Work with commercial infrastructure providers (large & small)**	From the perspective of the public purse, it is clearly preferable for fast and reliable broadband to be provided commercially rather than with gap-funding. In reality, most additional commercially-funded provision from Openreach or Virgin Media will be in areas where there is a high density of premises (ie potential customers). Niche rural providers (eg Wessex Internet) can have, and are having an impact on the remaining problem. Working with commercial providers is most important to ensure new build properties have connectivity delivered as properties are built. Openreach has made a series of commitments regarding new build properties, but local authorities need to work with developers and infrastructure providers to ensure this happens.
b)	**Ultrafast procurement**	Contract award likely February / March 2017 - public contribution £3.9m (BDUK and Dorset LEP capital) This will address a proportion of the remaining problem in priority business parks areas and across some rural communities.
c)	**Expand existing contracts (gainshare - unallocated funds)**	There is some opportunity in the short term to expand existing contracts with additional funding arising from greater than expected levels of take up. Over the next 5-7 years further opportunities will arise, which will enable the problem to be addressed in part, albeit only bit by bit.

d)	**Expand ultrafast contract (unallocated funds, additional capital)**	As above, but more scope as the ultrafast contract will contain a provision for significant growth (up to £5m) in additional public investment
e)	**Further procurements**	This would require an injection of significant additional capital - but this is likely to be required if 100% superfast access is to be achieved over the medium term.
f)	**Community-led schemes**	There are a small number of cases of community-led schemes being promoted in Dorset, requiring some level of community self-funding. If members are so minded, a grant scheme could be developed using County Council capital as a source for pump-priming or match-funding. Infrastructure suppliers run their own community schemes and the Better Broadband Subsidy Scheme can also be used as a source for funding.

Table: interventions to deliver more fibre connectivity

3.5   Achieving value for money from additional investment in fibre solutions in remaining rural areas is a real concern.

4.   Better Broadband Subsidy Scheme

4.1   A solution available now to premises with poor broadband speeds is the Better Broadband Subsidy scheme which provides a subsidy for householders and businesses to take an alternative solutions (most commonly fixed wireless or satellite). This scheme enables the programme to fulfil its commitment of 100% of premises with access to at least 2Mbps.

4.2   The Better Broadband Subsidy Scheme provides access to a subsidised broadband installation to homes and businesses that are unable to access a broadband service with a download speed of at least 2 Mb per second and who will not benefit from the superfast broadband roll out.

4.3   The scheme ensures that no household or business will need to pay more than £400 to access a basic broadband service over a 12 month period. Households and businesses taking advantage of the scheme will still be eligible for a superfast broadband service in the future. The code does not have a specific fixed value, but when used to obtain a basic broadband service from a registered supplier it will reduce the total cost by up to £350.

4.4   Applications to the Better Broadband Subsidy Scheme can be made until the end of 2017. Since the scheme opened in December 2015, over 500 codes have been issued and over 200 premises have been connected.

5.   Universal Service Obligation

5.1   The government intends to create a new "universal service obligation" (USO) to ensure that people living in remote areas can get access to a fast broadband service. The internet providers will be expected to meet the cost, and the government is considering how to share the burden across the industry so that broadband providers serving rural areas do not face a disproportionate penalty. The USO would put broadband on a par with other essential services like post, telephony, water and electricity which providers are under a legal duty to supply to all households that need them. Under the plan people would not be entitled to superfast broadband (defined as speeds of 24Mbits/s or higher), but they would be guaranteed fast broadband of at least 10Mbits/s.

5.2   The USO will be introduced through the Digital Economy Bill, with implementation not likely to start until 2018. There is still considerable government, regulatory and industry debate on the form this

6.   A Full Fibre Future

6.1   Government is also looking towards the longer term future and has recently announced a call for evidence on how a full fibre future can be achieved. The Director General for Digital and Media Department for Culture, Media and Sport has written to local authorities as follows:

Recent years have seen substantial investment by industry, working closely with local areas right across the UK. In order to ensure widespread availability of fast broadband, the Government and local authorities have also played a significant role through the BDUK Superfast programme, which is on track to achieve 95 per cent coverage by the end of 2017. In addition, we have used innovative approaches such as the connection voucher scheme, helping more than 40,000 small businesses across the country get access to better broadband, and piloting new approaches to delivery of broadband in hard-to-reach areas. The recent Ofcom Connected Nations report shows the impacts of public and private sector efforts: 14 per cent more rural homes with access to superfast, as well as 12 per cent more SMEs; and average data speeds over a quarter faster than in 2015.
We are looking to build on this success, and in particular encourage deployment of full fibre and - when the time comes - 5G. That is why we announced over £1billion of investment in the Autumn Statement 2016, prioritising funding for new full fibre 1 business connections and a co-ordinated programme of integrated fibre and 5G trials. We now want to determine exactly how this investment can best be used, in conjunction with local authorities.

7.   Realising the Strategic Benefits

Complementary programmes
7.1   Superfast Dorset has also been engaged in other programmes to ensure that the investment on infrastructure translates into strategic benefits for businesses and communities across Dorset.

7.2   **Superfast Business -** Delivered between Summer 2013 and Spring 2015 superfast business was designed to help businesses understand and exploit the opportunities offered by new superfast broadband connections. Evaluation of the programme showed a boost to the Dorset economy of £10M and provision of 228 extra jobs. Over 200 Dorset SMEs benefitted from a complete digital diagnostic and action plan.

7.3   **Increasing connections for businesses -** Between April and October 2015, Broadband Connection grants of up to £3,000 were available for small or medium sized businesses to upgrade to a faster, more reliable internet connection. Over £1M worth of Connection Vouchers were issued by Superfast Dorset to connect local businesses. Every £1 investment is already adding £5 of growth to the local economy, so the Connection Voucher scheme administered by Superfast Dorset has already produced £5M growth in the local area.

7.4   **Increasing digital engagement for women entrepreneurs -** Dorset Business Women go Digital programme supported over 100 female-led businesses.

7.5   **Business research -** Dorset County Council commissioned research to provide a better understanding of the impact of superfast broadband on our businesses. Findings showed that Superfast broadband is helping Dorset businesses that have taken up a service to grow, contributing an estimated £104 million to the local economy. But while superfast broadband is available to around 95% of premises across Dorset, only 28% of businesses contacted

had taken up a superfast service and over half the businesses who had not taken up a service believed it was not available to them. A fifth of Dorset's connected businesses indicated a need for digital skills training.

7.6   **Support for residents** Better connectivity helps Dorset residents be more healthy, safe and independent by connecting communities and individuals, reducing isolation and loneliness, increasing smarter and more flexible working and enhancing lifestyle and health opportunities. 32% of people able to take up a service thanks to Superfast Dorset have done so - this is up from 19% a year ago. This is ahead of assumptions and expectations set out in the contract, providing nearly £2M back into the project through the gain-share mechanism. Take-up is highest in rural areas where starting speeds were lowest and in areas where the team has done the most hyper-local communications.

7.7   **Digital Inclusion** - Attempts to address the 23% of adults in Dorset without the basic digital skills to benefit from broadband access or contribute to economic benefits of the superfast network have to date been under-resourced and thus fragmented. An opportunity exists now for the county council to develop a holistic, ambitious approach to address the significant skills gap that currently prevents full realisation of the benefits of the infrastructure. A partnership of key players including the CCG, districts and boroughs and the LEP will work together to fulfil the skills requirements to meet the vision of a 100% digitally-enabled Dorset. The benefits of investing in this to the public purse have been estimated nationally by CEBR as £10 return for every £1 invested. Upskilling the population should be viewed by policymakers as an investment in the UK's future economic prosperity, CEBR says: "The Government, businesses and individuals are at risk of losing out substantially if we miss this opportunity to invest in digital inclusion". (CEBR, 2015)

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