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Leicestershire County Council

CABINET – 17th JANUARY 2012

REPORT OF THE CHIEF EXECUTIVE

BROADBAND LEICESTERSHIRE PROGRAMME

PART A

Purpose of Report

1. To seek Cabinet approval for a number of measures to help deploy super-fast broadband across Leicestershire as part of the Broadband Leicestershire programme.

Recommendations

2. It is recommended:

    a. That up to £4m be allocated within the County Council's Medium Term Financial Strategy to deploy super-fast broadband;

    b. That £300,000 be allocated to develop a community broadband fund to help deploy super-fast broadband in remote rural areas as part of an existing allocation already approved by the Cabinet;

    c. That a submission be made to the Department of Culture, Media and Sport to seek an increase in the £3.14m allocation from the Government to deploy super-fast broadband in Leicestershire;

    d. That procurement of super-fast broadband in Leicestershire be progressed through the Government's national procurement Framework, currently in development;

    e. That the Chief Executive, in consultation with the Leader of the County Council, be given authority to submit Leicestershire's Local Broadband Plan, on behalf of the County Council.

Reasons for Recommendations

3.   The County Council is responsible for supporting the deployment of super-fast broadband within Leicestershire. A number of decisions are now required to enable the Council to meet this responsibility. Improved broadband connectivity will help improve access to services, unlock the potential of Leicestershire's economy, support home-working, help transform the delivery of public services and improve the efficiency of service delivery.

Timetable for Decisions (including Scrutiny)

4.   The Government's deadline for submission of all Local Broadband Plans is the end of February 2012. The Broadband Leicestershire programme is to be considered by the Scrutiny Commission at its meeting on the 1st February 2012.

Policy Framework and Previous Decisions

5.   The deployment of super-fast broadband across Leicestershire is a key strategic priority within the draft Leicestershire Sustainable Community Strategy. It is also a high priority for the Leicester and Leicestershire Enterprise Partnership and one of the 'Big 7' priorities within the adopted Leicestershire Rural Framework, 2011-14.

6.   On 13th September 2011 the Cabinet approved the allocation of £600,000 from the former LAA fund to support the deployment of super-fast broadband. This report proposes that £300,000 of this is allocated to help deliver specific community-led projects in remote rural areas. The remaining £300,000 will be required for a range of programme costs to 2015 including demand stimulation, promotion and training, and external procurement, legal and technical support.

7.   On 15th November 2011 the Cabinet agreed that the development of the East Midlands Public Service Network (emPSN) be supported and that it be noted that emPSN services will be made available to schools within the County. The procurement of emPSN included opportunity to deliver community broadband through the network where it offered a sustainable and cost effective solution.

Legal Implications

8.   The County Solicitor has provided legal advice, particularly regarding procurement issues which are outlined in Part B of this report.

Resources Implications

9.   The Government has allocated £3.14m to improve broadband connectivity in Leicestershire. Local public authorities are required to at least match fund this allocation. It is proposed that this funding is shared between the County Council

and District Councils. Some District Councils have already indicated they would in principle be prepared to contribute their share of the match funding required.

10. This report describes a position where there is great uncertainty over the funding available for the programme given some District Councils have yet to agree to contribute, the planned request to Government for additional funding and the ambition to supply superfast broadband to the whole of the County rather than the 90% supported by the Government. If further funding is provided by Government it is likely this will come with an additional match funding requirement. The actual scope and cost of the programme is also uncertain given the early stage in the procurement cycle.

11. The £4m that is recommended to be allocated to the Leicestershire Broadband Programme will be funded from the 2012/13 Council Tax freeze grant. All of this allocation may not be required. This is included in the Medium Term Financial Strategy report elsewhere on the agenda. The £300,000 for community broadband has already been approved by the Cabinet.

12. It is proposed that the "gap-funding" commercial model be adopted to deploy super-fast broadband in Leicestershire. Public funding will be used to encourage existing suppliers to deploy within Leicestershire. It is not proposed that Leicestershire County Council own any telecommunication assets or act as a telecommunications company. There will, therefore, be no on-going commitment to maintain a telecommunications network.

13. The Director of Corporate Resources has been consulted on the resources implications of this report.

Circulation under the Local Issues Alert Procedure

14. A copy of this report has been sent to all Members of the Council under the Members' Information service.

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Background

15. The deployment of super-fast broadband across Leicestershire is a key priority and the responsibility of the County Council. Broadband is increasingly essential - it enables access to services, encourages business growth, supports innovation and opens up a world of learning and discovery. Connectivity, however, varies greatly across Leicestershire. Some communities already have access to super-fast broadband whilst others struggle with even with the most basic internet functions such as e-mail.

16. BT is investing £2.5bn to roll-out super-fast broadband to two thirds of the UK population. This includes 18 telephone exchanges in Leicestershire. Virgin is the other main supplier. The 'Final Third' consists of those areas where suppliers consider it is commercially unviable to deploy without public subsidy. The Department of Culture, Media and Sport (DCMS) is working through Broadband Delivery UK (BDUK) to deliver the Government's commitment that the UK has the best broadband network in Europe by 2015. To deliver this £0.5bn of capital funding has been allocated to help deploy super-fast broadband within the Final Third. No revenue funding has been allocated by Government.

17. The Government's strategy is to deploy super-fast broadband (c.30Mbit/s) to 90% of the UK. The remaining 10%, primarily within the most remote rural areas where it remains prohibitively expensive to deploy, will receive a basic broadband service of 2Mbit/s. The Department for the Environment, Food and Rural Affairs (Defra) has launched a £20m Rural Community Broadband Fund to help support super-fast broadband community-led schemes within the Final 10%. BDUK is establishing a national procurement Framework of suppliers (e.g. BT, Virgin Media) for local authorities to 'call-off' to identify a local deployment partner. The Framework will be ready in May 2012.

18. Leicestershire's strategy to deploy super-fast broadband has to be set out within a Local Broadband Plan. Government has requested that all plans are submitted by the end of February 2012 and has committed to agree all plans by the end of April 2012.

19. Leicestershire's Local Broadband Plan is currently in preparation and overseen by Mr. J.B. Rhodes CC, Cabinet Lead Member for Broadband, and the Broadband Leicestershire Steering Group. Atkins Limited has provided technical support.

20. Subject to the approval of Leicestershire's Local Broadband Plan, it is anticipated that procurement will begin in April 2012 and deployment of super-fast broadband will commence in 2013. Community-led deployment within the Final 10% most remote rural areas may commence before then.

21. In total c.190,000 Leicestershire residents are within the Final Third and are at risk of not receiving super-fast broadband without public investment. In addition between 23,000 and 70,000 premises in Leicestershire receive broadband speeds of less than 2Mbit/s – known as "Slow-Spots". Atkins has provided further analysis which has considered areas eligible for public sector funding and deployment costs.

Funding to deploy super-fast broadband

22. Leicestershire has been allocated £3.14m by Government to help improve broadband connectivity. Local public sector organisations are required to match this as a minimum, thereby raising £6.28m in total public sector investment. BDUK's model anticipates that during procurement suppliers will provide equivalent match funding. About £12m, is therefore available to deliver the Government's deployment strategy of 90% super-fast broadband and 10% basic broadband. It is estimated that it would cost c.£20m to deliver super-fast broadband to 100% of Leicestershire premises. The total cost will not be firmed up until detailed negotiations are held with individual suppliers.

23. The Leader has invited all Leicestershire District Councils to contribute 50% of the local match funding. It is proposed that the deployment of superfast broadband will be phased on a District by District basis once District Council contributions have been committed.

24. Together with other East Midlands authorities, officers are supporting efforts to amend the criteria for the European Regional Development Programme (ERDF) within the East Midlands from 2013 to provide greater opportunity to support broadband deployment. ERDF may therefore be an option if additional funding is required.

25. Leicestershire's allocation to improve broadband connectivity is less than other East Midlands' counties. Leicestershire has been awarded £39 per eligible premise compared to £55 for Northamptonshire which is believed to have similar connectivity issues.

26. Atkins Limited have provided technical advice and have undertaken a detailed assessment of confidential modelled deployment cost data provided to the Authority. Atkins has concluded that there are grounds to challenge the allocation. The allocation, for example, does not include premises that are;

a.   Served direct from the telephone exchange. [The allocation is based on the upgrade of individual telephone cabinets (green street boxes) and does not include the cost to upgrade Exchange Only lines which connect direct into telephone exchanges].

b.   Not in a Virgin Media catchment area (even though their serving cabinet may have >70% coverage) and not in an exchange area announced by BT for upgrade;

c.   Located too far away from their serving cabinet in an exchange area announced by BT for upgrade to receive super-fast broadband effectively.

d.   Located in an exchange area announced by BT for upgrade but not served by a cabinet that is included in the rollout plan within that exchange area, and not in a Virgin Media catchment area.

e.   Furthermore, officers have access to data which identifies the number of premises with less than 2Mbit/s as c70,000 premises rather than 23,000.

27.   It is recommended that a case is made to DCMS and BDUK for an increased allocation and that the support of Leicestershire MPs is sought. It is likely that an increase in the BDUK allocation for Leicestershire will necessitate further local match funding.

Procurement options

28.   BDUK is establishing a procurement Framework which will include a number of telecommunication suppliers. This will manage the procurement process, help to reduce local costs and ensure that suppliers are best able to respond to local connectivity needs. Local authorities are strongly encouraged to 'call-off' the Framework to identify a preferred supplier. The Framework will be ready in May 2012 and it will initially be used by those authorities who have an approved Local Broadband Plan in place. The process to call-off the Framework, including preparation, negotiation and contracting, will take up to 12 months following sign-off of the Local Broadband Plan. BDUK will allocate local authorities a "slot" to call-off the Framework once the County plan has been approved.

29.   Alternative procurement options have been considered. Leicestershire could seek to procure a supplier outside of the national Framework using the competitive dialogue process. It is estimated that the costs of running an independent procurement process will be between £100,000-£200,000 and it could take 18 months to complete. Costs to call-off the Framework are

anticipated to be less than half of this. Most local authorities are proposing to use the Framework to identify their preferred supplier.

Community-led Broadband

30. Under the Government's strategy there is significant risk that residents and businesses within the Final 10% most remote rural areas will receive a basic broadband service of 2Mbit/s. Defra and BDUK have established a Rural Community Broadband Fund to help communities deliver super-fast broadband in these areas. The fund will support a number of deployment options. This ranges from activity to encourage an established suppler (e.g. BT, Virgin) to deliver into an area to a stand-alone 'DIY' solution with a community acting as a telecommunications provider. Initial expressions of interest are to be submitted by the end of January 2012 with deployment to be complete by 2015. A second invite for expressions of interest is expected in the Spring 2012.

31. It is proposed that £300,000 of £600,000 funding already allocated to the Broadband Leicestershire programme be made available to help develop community-led broadband schemes to deliver connectivity in excess of 2Mbit/s. The 'Connecting Leicestershire's Communities Fund' will support capital deployment costs (e.g. fibre, masts, civil engineering etc.) It is anticipated that it will support about 5 schemes. The County Council's Big Society Grant fund is also available to communities to support the costs of technical consultancy and community engagement.

32. The full funding criteria are currently being developed based on those established for the Defra fund and other similar programmes run by other local authorities (e.g. Kent, North Yorkshire, Hampshire). The award of small grants to individual communities will need to comply with EU state aid requirements. BDUK will offer state aid protection if certain qualifying conditions for community schemes are met under an EU umbrella notification which is expected to be awarded in April 2012.

33. Within Leicestershire it is considered that parts of Melton, Harborough and Hinckley and Bosworth fall within the Final 10% with additional small areas elsewhere. Two communities are at an advanced stage of developing local solutions.

    a. Belvoir Networking Community Interest Company is working with LN Communications to establish a wireless solution to initially cover Long Clawson and Stathern. This could be extended within the Vale of Belvoir. The scheme will require support to increase the number of subscribers but does not have significant capital costs. They are not expected to apply to the Defra fund.

b. Disewired are partnering with Virgin Media to deliver an ultra-fast broadband service within Diseworth. The County Council is working with Disewired to develop an application to Defra's Rural Community Broadband Fund.

34. The County Council's Community Engagement Team with support from the Rural Community Council (Leicestershire and Rutland) is working directly with c.20 communities to help improve broadband connectivity. Some of these may develop community-led solutions. Of these, 4 communities are exploring the use of the public sector internet infrastructure which serves all school sites to deliver community broadband.

Other activity

35. A critical element of the Broadband Leicestershire programme is to stimulate demand from residents and businesses and encourage them to subscribe to an improved broadband service. This will include local activity aligned to the national Race Online 2012 and Go ON campaigns which promote the benefits of digital services and encourage support to help people get online. Leicestershire County Council's Library Service has already committed to support the Race Online campaign.

36. Initially a residential and business broadband survey will be undertake across Leicestershire to identify connectivity issues, raise the profile of the Broadband Leicestershire programme, and identify potential priority areas. To be launched in February, it will be promoted through existing communication channels and all Members will be invited to promote it within their respective Divisions. The survey will also support the request of a number of Leicestershire District Councils for further evidence of need.

Background Papers

Joint Report of the Chief Executive and the Director of Corporate Resources – Funding for Families with Complex Needs and Other Programmes – Cabinet, 13th September 2011

Joint Report of the Chief Executive, Director of Corporate Resources and the Director of the Children and Young People's Service – Participation in the East Midlands public service network and provision of broadband services for schools – Cabinet, 15th November 2011

Impact Assessments

Equal Opportunities

37.   The deployment of improved broadband connectivity will help ensure all Leicestershire residents and businesses have access to a range of online digital services. A full equality impact assessment will be undertaken as part of the Broadband Leicestershire programme to ensure all Leicestershire residents are best able to benefit from improved broadband connectivity.

Risk Assessment

38.   There is a risk that if Leicestershire successfully challenges the Government funding allocation then the local match required will increase. Further advice is being requested from BDUK. Procurement through BDUK's national procurement Framework is designed to offer the greatest protection ensuring that super-fast broadband is deployed in Leicestershire with the minimum risk to the authority.