

## **BRECKLAND COUNCIL**

**Report of:** Leader, Michael Wassell, Cllr. Ellen Jolly, Portfolio Holder for Finance & Democratic Services and Cllr Mark Kiddle-Morris, Portfolio Holder for Assets & Strategic Development

**To:** Cabinet – 1 July 2014  
Council – 17 July 2014

**(Author:** Anna Graves, Chief Executive)

**Subject:** Broadband Breckland Investment

**Purpose:** The purpose of this report is to seek an in principle agreement to contribute up to £950,000 as a contribution from Breckland Council to a partnership project, being led by Norfolk County Council, to improve broadband connectivity across the Breckland Council area.

### **Recommendation(s):**

- 1) That this Council supports the Norfolk County Council Superfast Broadband (SFBB) project and agrees in principle to provide funding of up to £950,000 and not exceeding to deliver the project across the District of Breckland**
- 2) That, £950k is transferred from the Organisational Developments reserve to the Community Projects Reserve and earmarked for Broadband Partnership Funding, for call down in 2016/2017.**

## **1.0 BACKGROUND**

1.1 Super-fast broadband is emerging as a priority infrastructure within Norfolk. The deployment of super-fast broadband (SFBB) across the UK will:

- Provide the foundations from which the UK economy will grow and recover from the recession – to improve prosperity in the wider economy
- Ensure the UK is competitive in global markets
- Improve consumer power and choice, overcoming rural isolation
- Help transform the way public services are delivered
- Increase access to services
- Reduce the need to travel and tackle climate change

### 1.2 National and Local Funding

1.3 BT is investing £2.5bn to roll out SFBB across the UK. It is anticipated that through this investment two thirds of the UK population will have access to SFBB by the end of 2015, however that figure in Norfolk is lower at approximately 43%. A map showing the location of all commercial broadband investment in Norfolk is included at **Appendix A**. BT and other fibre based providers consider that all other areas, referred to as the “Final Third” which in

Norfolk is 57%, are not commercially viable and will require public sector funding.

- 1.4 The Government aims to ensure that all of the UK has access to the best broadband connectivity in Europe by 2017. Norfolk County Council has a vision to deliver SFBB (24Mbps+) to 95% of premises in Norfolk by the end of 2017 with at 83% being delivered by the end of 2015.
- 1.5 The current Better Broadband for Norfolk contract includes £15 million investment from Norfolk County Council, £15.44 million from Government and over £11 million from BT. BT will also meet all operating costs.
- 1.6 The Government has recognised that further investment is required if UK broadband coverage is to reach an average of 95% of properties. A new fund of £250 million has been established and Norfolk was offered £5.59 million, the LEP is seeking the funding required to match this. However, it is estimated that this investment will not achieve 95% coverage in Norfolk, so the Government was asked for, and has agreed to provide up to a further £4 million subject to local match funding being available.
- 1.7 The County Council has committed a further £1million to match fund against the £4 million additional from Government and all Norfolk District Councils are being invited to also match fund, thereby securing a share of the Government additional funding to ensure that the deployment can extend to as many businesses and residential premises as possible within each District.

## 2.0 **OPTIONS**

- 2.1 Take no action – Not considered appropriate given the levels of none and poor availability across the District, even after the first round of Better Broadband for Norfolk deployment

## 3.0 **REASONS FOR RECOMMENDATION(S)**

- 3.1 To support the delivery of SFBB across as much of the District as possible and provide benefits to both the residential and business community.
- 3.2 An in principle agreement to match fund is required to secure the additional £4 million offered by government to be included as part of second phase procurement over Summer 2014.

## 4.0 **EXPECTED BENEFITS**

### 4.1 Impact on Communities

- 4.1.2 This investment will have a significant impact on the ability of households and businesses in rural areas to take advantage of the opportunities offered by SFBB

## 5.0 **IMPLICATIONS**

### **Policy and Corporate Implications**

## 5.1 Carbon Footprint / Environmental Issues

There are no climate change issues arising from this report. The deployment of SFBB across the District could help reduce the need for residents to travel to access services and allow businesses to be conveniently located nearer to employees' residences.

## 5.2 Constitution and Legal Issues

5.2.1 It is expected that the current UK State Aid Umbrella Agreement with the European Union will apply.

## 5.3 Contracts

5.3.1 The first Better Broadband for Norfolk contract was procured using the national Broadband Delivery UK Framework.

5.3.2 The procurement for the second phase of Better Broadband for Norfolk is expected to commence in late summer 2014 and complete by the end of 2014. Deployment will be integrated with the existing rollout and will be complete by the end of 2017.

5.3.3 At this stage it is not possible to determine the specific technology which the contracted supplier will use to improve broadband connectivity. It is, however, expected that the majority of improvements will be through fixed-line connections rather than other Next Generation Access technologies.

5.3.4 Recent Government commissioned research has stated that the current national Rural Broadband Programme will deliver returns of £20 for every £1 invested. As well as the improvements in the productivity of broadband enabled companies, high speed broadband will create an additional 56,000 jobs in the UK by 2024, and the work involved in the current rollout is expected to provide a £1.5 billion boost to local economies.

5.3.5 This Government research corroborates independent economic research commissioned by the County Council which identified the following economic benefits as achievable from Better Broadband for Norfolk (BBfN):

- **1,337 additional jobs** over 10 years (equivalent to 0.61% of Norfolk's current private sector employment)
- **£88 million** in additional annual GVA (Gross Value added) by 2021/22, equivalent to 0.64% of Norfolk's current total GVA
- Discounting at 3.5%, as per HM Treasury guidance, the present value of the net GVA impact is **£401 million over a ten year appraisal period**

5.3.6 In total 57% of all Norfolk premises are estimated to be not commercially viable. This equates to at least 31,000 premises in Breckland.

## 5.4 Corporate Priorities

5.4.1 SFBB deployment across the District has links into the Council's four key corporate priorities which are:-

- 1) Working with communities to develop places in which to live and be happy
- 2) Provide the right public services to the right standard and at the right price
- 3) Encourage a vibrant and sustainable business community intent on wealth creation
- 4) Support the vulnerable in our society at the heart of the communities where they live

5.4.2 In particular the third priority includes the following critical activities.

"Work with our partners to ensure that high-speed broadband is available to all our communities" and

"Developing strong working relationships with our top businesses to ensure that their business needs are met and their investment sustained"

The deployment of SFBB will also support the transformational move towards on-line resolutions to delivering public sector services.

5.4.3 The deployment of SFBB will support the Council's service transformation programme

## 5.5 **Crime and Disorder**

5.5.1 None in the context of this report

## 5.6 **Equality and Diversity / Human Rights**

5.6.1 There are no direct equality issues arising from this report. Public sector investment will help reduce the Digital Divide and ensure that all residents and businesses within the District of Breckland can experience the benefits of SFBB.

## 5.7 **Financial**

5.7.1 The attached proforma B illustrates the financial effects of the funding recommendation.

5.7.2 The in principle agreement to fund is conditional on the following:

1. Brecklands' contribution is used as match funding
2. The spend allocation on roll out is agreed ahead with Breckland Council and is solely for spend within the District boundaries.

5.7.3 It is not possible to identify the full costs of deploying SFBB to the remaining in Norfolk until later in the procurement process. Indicative research has estimated this at £2 million for every 1% of Norfolk premises, in these hardest to reach areas and correspondingly for Breckland assumptions have been made that 8% of the district will not be covered and estimates to uplift an additional 3% of premises to 92% - 95% is between 750 – 950k.

## 5.8 Risk Management

5.8.1 No direct risks have been identified. The project is supported by Norfolk County Council, who is the major financial contributor. The County Council is planning to use the Government's national procurement Framework which mitigates a number of potential key risks.

## 5.9 Staffing

The Council's Chief Executive will work with the Better Broadband for Norfolk Programme Director to ensure delivery within Breckland. Apart from this there are no other staffing implications for Breckland District other than some assistance with communications. The Norfolk County Council is providing the majority of the staffing resources to facilitate delivery of the project.

## 5.10 Stakeholders / Consultation / Timescales

5.10.1 During 2012 Norfolk County Council undertook a broadband survey consultation. Over 4,600 responses were received, including 650 from businesses. The results of the survey are being used to build an up to date picture of areas of poor connectivity, and where sufficient demand exists for super-fast broadband services. The full report is available at <http://www.betterbroadbandnorfolk.co.uk/further-info.aspx>

5.10.2 To maximise awareness, levels of demand and ultimately take up of superfast broadband across Breckland, a co-ordinated publicity and promotion campaign will be implemented in partnership with the county council from July 2014 through to the end of 2015.

5.10.3 The campaign will:

1. Maximise awareness amongst Breckland residents and businesses of the social and commercial benefits offered by superfast broadband services
2. stimulate levels of measurable community and commercial demand for superfast broadband in Breckland sufficient to ensure the service is made available to the maximum number of communities and businesses
3. disseminate campaign messages using digital and traditional channels
4. stage superfast broadband promotions and ensure maximum message reach into all communities and business networks, and at all major events & public venues across Breckland

5. Brief and involve news and community media organisations in the campaign

5.10.4 The stakeholders and target audiences for the campaign will be:

- Members
- Staff
- Town and parish councils
- Residents
- Businesses
- Visitors
- Council partner organisations

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Background papers:- None

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**Lead Contact Officer**

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**Director / Officer who will be attending the Meeting** Name and Post: Anna Graves

**Key Decision:** Yes

**Exempt Decision:**

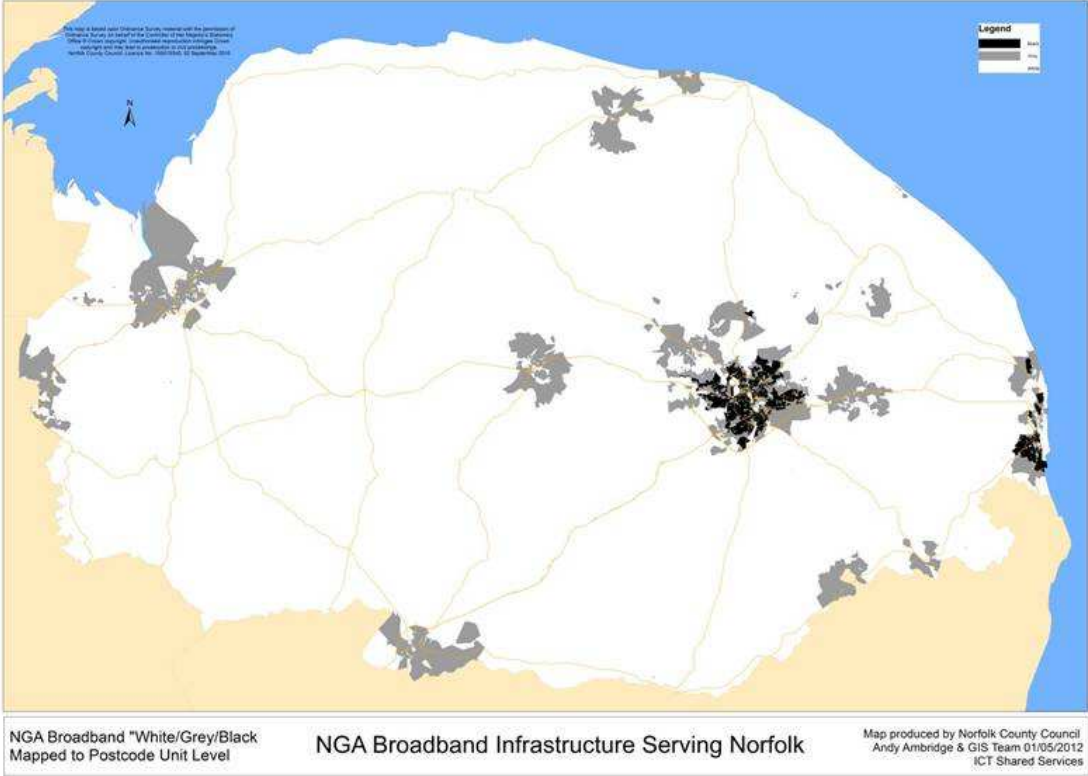
**Appendices attached to this report:**

Appendix A - Commercial deployment of superfast broadband in Norfolk

Appendix B – Better Broadband Report from Norfolk Leaders Meeting (10 June '14)

Proforma B

**Commercial deployment of superfast broadband in Norfolk**



White areas indicate the absence of commercial coverage.

Better Broadband for Norfolk

Briefing Note for Norfolk Leaders and Chief Executives

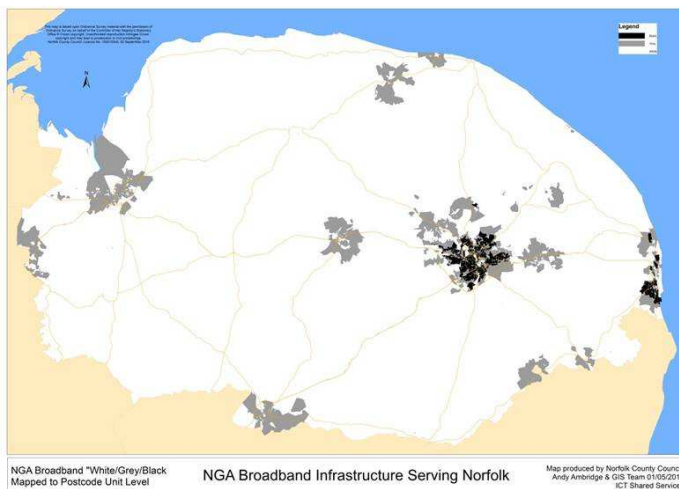
**Background**

The impact of poor broadband infrastructure has been increasingly felt by both Norfolk businesses and residents.

Recent Government commissioned research has stated that the current national Rural Broadband Programme will deliver returns of £20 for every £1 invested. As well as the improvements in the productivity of broadband enabled companies, high speed broadband will create an additional 56,000 jobs in the UK by 2024, and the work involved in the current rollout is expected to provide a £1.5 billion boost to local economies.

This Government research corroborates independent economic research commissioned by the County Council which identified the following economic benefits as achievable from Better Broadband for Norfolk (BBfN):

- **1,337 additional jobs** over 10 years (equivalent to 0.61% of Norfolk's current private sector employment)
- **£88 million** in additional annual GVA (Gross Value added) by 2021/22, equivalent to 0.64% of Norfolk's current total GVA
- Discounting at 3.5%, as per HM Treasury guidance, the present value of the net GVA impact is **£401 million over a ten year appraisal period**



This map highlights the scale of the challenge, with White areas will not benefit from either BT or Virgin Media commercial deployment of fibre based broadband infrastructure.

The grey areas have either BT or Virgin commercially provided infrastructure and the black areas have infrastructure from both.

Norfolk's commercial coverage in the black and grey areas represents 43% of Norfolk properties.



Better Broadband for Norfolk will invest over £40 million to provide access to Superfast (24Mbps+) broadband, by the end of 2015, for 83% of Norfolk properties. This will achieve reasonably even coverage across rural Norfolk, but still leave significant numbers of properties without the benefit of fibre based broadband infrastructure.

The programme will also ensure that every property has access to at least a Basic broadband infrastructure capable of providing access to at least 2 Mbps.

Achieving 40% additional coverage will cost on average £1 million for every 4,000 or 1% of additional Norfolk properties served.

## **Public Subsidy**

European Union State Aid legislation prescribes the types of broadband infrastructure public subsidy can be used to provide. Infrastructure has to be 'Next Generation Access', in other words, fibre based. The only exception is where a property has access to less than a Basic broadband speed of 2 Mbps. In these cases alternative technologies such as wireless or satellite can be deployed.

A gap funding model has been used, which means public subsidy is only used to bridge the gap between the implementation costs and the likely revenue that will be generated by the asset. The gap increases either because the implementation is more complex and therefore costs more, or the specific piece of infrastructure (cabinet) only serves a small number of properties and therefore the revenue that the asset will generate is limited. The costs to implement Superfast broadband for the remaining 17% of Norfolk properties will be more expensive.

To achieve the maximum coverage possible for the available investment, the County Council did not set priorities (with the exception of the Enterprise Zone) instead seeking as much coverage as possible across Norfolk.

## **New Opportunity**

The Government initially offered Norfolk a further £5.59 million and the Local Enterprise Partnership is seeking match funding from the Department for Transport Growth Fund. If this funding is secured we estimate a further 7% of Norfolk properties will have access to Superfast broadband, reaching 90%. This is based on expected costs of £1.5 million per 1% of properties. Again this will be based on achieving the maximum coverage possible for the available investment.

The County Council asked BDUK whether, up to another £4 million of further funding could be made available to Norfolk. BDUK have confirmed Ministerial approval for this addition sum, subject to local match funding.

The County Council has allocated a further £1 million and we estimate this will achieve a further 1% coverage. This is based on expected costs of £2 million per 1% of properties, as we will be tackling the most expensive solutions with the lowest level of potential revenue, therefore the biggest gap.

We expect the remaining 9% of premises to be spread across rural Norfolk, although until the necessary procurement is complete we cannot identify where these properties will be.

The remaining £3 million of available funding from DCMS could be exploited by District Councils, based on the following principles:

- Any District that wishes to, confirms an in principle 'up to' allocation by mid-July 2014
- BDUK match is secured
- District funding can be expected to be used during 2016/17 and 2017/18
- Costs are estimated at £2 million per 4,000 properties served
- Early in 2015, the unserved properties in the District are identified and shared with that District under a Non-Disclosure Agreement
- The District takes a decision about priorities for investment in its patch
- If at that point the investment did not represent good value for money it need not proceed
- If it did proceed it can be completed via a Change Control under the second BBfN contract and the work scheduled within the wider rollout which is expected to be completed by the end of 2017

Note: Two District Councils have already taken advantage of this offer, reducing the available DCMS funding.

### **Driving the value and Demand Stimulation**

European Union State Aid legislation provides protection against over subsidy. It does this by requiring the supplier (BT) to identify the expected level of 'Take-up' of broadband services that will use the new asset and the associated revenue stream. If this revenue is exceeded, a pre-defined 'Unit Margin' is paid back to the public sector. This protection lasts for seven years following the completion of the implementation. This 'clawed back' excess profit can then be re-invested in further fibre infrastructure or retained by the public sector.

Once new fibre infrastructure is implemented, businesses and residents need to contact their Internet Service Provider (ISPs) to buy a new faster broadband service package. ISPs do not necessarily contact customer automatically.

It is clearly in our interest to drive Take-up, both because of Claw-back, but more importantly to ensure that Norfolk businesses and residents benefit in both income and broader quality of life terms.

BBfN has developed a Communications and Demand Stimulation Strategy, to ensure:

- Effective communication and media engagement, including coverage for local and county wide events
- Promote Take-up, which in turn will support the achievement of economic and wider social benefits. This includes directing marketing
- Website development and management
- Support for stakeholders, particularly elected members and Parish Councils.

Any District which chooses to invest will be supported via this work.



**BRECKLAND COUNCIL PROFORMA B**  
(CAPITAL AND REVENUE BUDGETS)

**FROM: Alison Chubbock (Accountancy Manager)**

**THIS PROFORMA PROVIDES THE FINANCIAL IMPLICATIONS  
IN RESPECT OF THE ATTACHED REPORT**

**REPORT: Broadband Norfolk Investment**  
**REPORT DATE: 12 June 2014**

	£ Year 1 2014-15	£ Year 2 2015-16	£ Year 3 2016-17	£ Year 4 2017-18	£ Year 5 2018-19
<b>Revenue</b>					
<b>Contribution to Norfolk County Council SFBB project</b>	-	-	950,000	-	-
<b>Total</b>	-	-	950,000	-	-

<b>Funding required:</b>		<b>Considered by:</b>	<b>Date:</b>
<b>Total capital cost</b>	<b>Nil</b>	<b>Executive Board</b>	<b>16-06-14</b>
<b>Revenue cost</b>	<b>£950,000</b>		

**Financial Services Comments**

This report requests funding of £950,000 to be contributed to the Norfolk County Council led Super Fast Broadband (SFBB) project.

If approved, it is recommended that the £950,000 is transferred from the Organisational Development reserve into the Communities reserve and earmarked for the SFBB project contribution in 2016-17.

This contribution of £950,000 would leave an un-allocated balance in the Organisational Development reserve of £797,740 available for future projects.

The allocation of this £950,000 from reserve requires Full Council approval.

**Financial Risk**

Risks are detailed within the report.