

HAMPSHIRE COUNTY COUNCIL

Report

Committee:	Policy and Resources Select Committee
Date:	24 September 2019
Title:	Hampshire Superfast Broadband Programme
Report From:	Director of Culture, Communities and Business Services

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Purpose of this Report

1. This report is to provide an update on the Hampshire superfast broadband programme.

Recommendation

That the report be noted.

Background

2. The Hampshire superfast broadband programme started in 2012 when 80% of premises in the county were able to access superfast broadband services. 80% was the limit generally considered to be the point at which the commercial sector could not go beyond without subsidy.

Procurements

3. The programme was initially tasked to increase coverage from 80% to 90% by the end of 2015, which it achieved by upgrading services to more than 65,000 premises. The contract to enable these upgrades was awarded to Openreach via a tendering process which used a national framework created by Department for Digital Media, Culture and Sport (DCMS), and its sub department Building Digital UK (BDUK).
4. Funding for this project totalled £11.2m sourced as £5m from DCMS, £1.25m from districts, £3.25m from HCC and a further £1.2m from DEFRA via DCMS.

5. In 2016 Government mandated that County Councils should increase coverage to 95% by the end of 2017. DCMS allocated funding of £9.2m which HCC matched. The County Council undertook a new procurement exercise via the DCMS framework and a second contract was awarded to Openreach for £18.4m to increase coverage to 96% of premises by the end of 2018.
6. In 2017 a gainshare payment (see below) became due and HCC was able to extend coverage of the project from 96% to 97.4% following a cash injection to the project of c.£6.8m.
7. Additionally, the programme initiated a Community Match Funding Scheme (CMFS) that would part-fund communities who had received a quotation from Openreach for a Community Fibre Partnership installation. This allowed communities to bring their installation into the County Council's contract at a reduced cost to the community. This scheme is now closed on the basis that there is insufficient time left in the contract to deliver new schemes.

A summary of the various contracts is below.

- **Wave 1 - £11m**
64,500 premises upgraded 2013 - 2015
- **Wave 2 - £18m (£9.2m from HCC)**
34,500 premises 2016 - 2018
- **Wave 2 extension - £6.8m**
8,500 premises 2018 - 2020
- **Community Match Funding Scheme**
£1m match funding scheme

Contract Controls

8. The supplier is not allowed to charge more than the actual costs incurred and the contracts entered into between HCC and Openreach include a rigorous auditing process each quarter which is verified by BDUK. In addition to this 'in-flight' control there is also a contract closure auditing and review process.

Gainshare

9. The Contracts effectively underwrite the risk of capital for Openreach when installing broadband into areas thought not to be economically viable. As a result, the public sector funding requirement is calculated on the basis of an assumed take up rate of 20% in Contract 1 and 35% in Contract 2. If take-up exceeds these levels, a rebate is due to Hampshire County Council and BDUK, which is known as Gainshare. There are review points every two years to assess take up against the assumptions used in the cost model and, because the contracts are staggered, this means that HCC will receive a payment each year from now until 2023.

10. Take up at the end of August 2019 stood at:
 - Contract 1 Take Up August 2019 – 63.9%
 - Contract 2 Take Up August 2019 – 46.7%
 - Combined Take Up August 2019 – 56.7%

11. HCC and DCMS estimate that the total amount of Gainshare due from the combined contracts is c.£12m, so far £1.772m of Gainshare has been re-invested to extend network coverage. In January HCC received a gainshare payment of £282k, which will be split 51.1% to BDUK and 48.9% to HCC. Future payments will be split by the same percentage, with 51.1% being returned to BDUK.

12. Currently it is not possible to add any further funding to the existing contracts with Openreach because of State Aid and Contract Management regulations and so this money cannot be re-invested into the existing contracts.

The remaining 2.6%

13. It is national policy to reach 100% Fibre to the Premises (FTTP) broadband coverage by 2033, however there are no firm details regarding how this will be achieved and the delivery date is more than a decade away. National coverage of superfast speeds stands at 96% of the UK premises and 95.5% in Hampshire (source: ThinkBroadband).

14. HCC and Government do not have a full plan for the last 2.6% of premises that are beyond the scope of current contracts and available funding. In Hampshire this equates to almost 20,000 premises which are spread across the County and found in almost every parish.

15. The next generation of broadband services, known as Fibre to the Premises (FTTP), is also the most cost effective for most of the last 2.6%. This technology offers near limitless speeds, provides a more reliable and stable connection and is not affected by distance. Government estimate that this will cost in the region of £3-5bn.

16. Government has launched several schemes to encourage the rollout of full fibre broadband. Most of these schemes are applicable to residents and businesses in Hampshire and are being promoted, especially those that are beyond the scope of our current programme.
 - Gigabit Voucher Scheme (GBVS) offers funding of £2,500 per Small Medium Enterprises (SME) and £500 per Residential property.
 - Rural Gigabit Connectivity Grant (RGC) launched in May 2019 offers £3,500 per SME and £1,500 per residential property.

- Local Full Fibre Networks (LFFN) – this is a scheme aimed at upgrading connections to public buildings with the expectation that doing so will help reduce the cost of upgrading neighbouring premises.
 - Devon and Somerset Challenge Fund – offers 50% funding to a ceiling of £1,500 per property.
17. Although these schemes do not contain enough funding to reach all affected premises, HCC is working with partners to promote these schemes to potential beneficiaries whilst government formulates the next steps to reaching those premises that are most difficult and expensive to reach. In addition, the HCC Broadband team is exploring options for how gainshare monies can be incorporated into these government schemes for the benefit of the communities.
18. Appendix 1 shows the coverage by district, starting with the coverage before the programme commenced, coverage after each contract and the coverage when the contract completed in mid 2020. It shows the county reaching 97.4% though, at this stage, it is not possible to give exact final percentages for each district as this information is not available from Openreach.

Communication with the public

19. The Broadband programme has a dedicated website and customer support service.
20. The bespoke nature of most enquires and the fact that the programme has to consult with Openreach to get a clear answer for most questions, coupled with the fact that almost 20,000 premises are not covered and will not be receiving a 'free upgrade' means that satisfaction levels can at times be low, despite the programme bringing upgrades to more than 100,000 premises across Hampshire.
21. Communication with County Councillors, District Councillors and Parishes are considered one of the primary routes to ensuring communities are kept up to date with progress on the project and alternative routes to funding should they fall outside our programme.

Further Funding

22. HCC estimates that there are 20,000 premises beyond the scope of the current £28m broadband programme. Based on examples of costs found from the CMFS project, it appears likely that an average cost in excess of £1,000 per property for these remaining premises is very likely, with many premises being significantly more than this. The estimated gap cost for delivering the remaining premises is therefore circa £20m but could be substantially more.

23. HCC is working directly with BDUK to ensure we secure funding from central government once this becomes available, and we are also considering what will be the best mechanisms for ensuring coverage, be that procurement, vouchers, grants or a combination of these techniques.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	Yes
People in Hampshire live safe, healthy and independent lives:	Yes
People in Hampshire enjoy a rich and diverse environment:	no
People in Hampshire enjoy being part of strong, inclusive communities:	yes

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

There are no proposals in this report and therefore there will be a low or no impact on groups with protected characteristics

Impact on Crime and Disorder:

None identified.

Climate Change:

How does what is being proposed impact on our carbon footprint / energy consumption?

Positive impact.

How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

Positive impact.

Appendix 1

District	Total Number of Premises	Contract 1 Total Superfast Upgrades	Contract 2 Total Superfast Upgrades	FTTP	% Superfast Before HSFBB (2013)	% Superfast After Contract 1 (2013-2015)	% Superfast After Contract 2 (2016-2020)	% Superfast After Contract 2 Extension
Basingstoke and Deane	75,229	11,021	3,708	1,333	74.80%	90%	95%	Not yet available
East Hampshire	51,434	11,167	4,602	1,102	62.50%	86%	92%	Not yet available
Eastleigh	55,412	1,805	2,112	321	93.10%	96%	98%	Not yet available
Fareham	50,167	773	2,297	276	95.00%	96%	99%	Not yet available
Gosport	37,717	646	1,296	48	96.10%	99%	100%	Not yet available
Hart	38,529	5,266	1,950	492	78.80%	92%	96%	Not yet available
Havant	55,073	733	1,529	92	97.50%	99%	99%	Not yet available
New Forest	84,635	12,316	4,280	1,175	69.00%	90%	95%	Not yet available
Rushmoor	40,050	710	959	30	95.50%	98%	99%	Not yet available
Test Valley	52,830	7,456	7,232	1,063	65.10%	83%	93%	Not yet available
Winchester	51,306	4,097	6,367	833	71.70%	80%	92%	Not yet available
Grand Total	592,395	55,990	36,332	6,765	80.30%	91%	96%	97.40%