

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker	Cabinet
Date:	13 July 2021
Title:	Hampshire Broadband Programme – Update and Top Up Voucher Proposal
Report From:	Director of Culture, Communities and Business Services

Contact name: Patrick Blogg

Tel: 03707 796865 **Email** Patrick.Blogg@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to provide Cabinet with an update on progress with the Superfast Broadband Programme and highlight developments in government's new Project Gigabit. It sets out the current UK Gigabit Voucher Scheme administered by government and explains the rationale and details of a Hampshire top up which would benefit rural Hampshire communities with poor broadband speeds.

Recommendations

Cabinet is asked to:

2. Note and endorse the success of the current Superfast Broadband Programme to date.
3. Note the government's new Gigabit Programme which is starting to gain momentum and that the opportunities this provides for Hampshire will become clearer over the coming months.
4. Note the success of the 2020/21 Gigabit Voucher Scheme Top Up fund and approve the implementation of a limited £1m Hampshire top up to government's current UK Gigabit Voucher Scheme, to be funded through future programme gainshare and for communities on a first come first served basis until the fund is exhausted.
5. Note that broadband infrastructure will play a critical role in supporting policies to mitigate and tackle climate change.

Executive Summary

6. Since the inception of the Superfast Broadband Programme, the importance of broadband infrastructure in Hampshire has continued to grow. The

Coronavirus pandemic has only served to highlight just how important digital connectivity is for economic and community wellbeing, and has shone a spotlight on the necessity of broadband as an enabler.

7. The Superfast Broadband Programme started in 2013 and through close working with our delivery partner, Openreach, and the central government team at the Department for Digital, Culture, Media, and Sport (DCMS), the programme has delivered approximately 115,000 superfast connections to date, nearly 12,000 of which are full fibre. The programme delivery is expected to conclude in summer 2022 delivering coverage of superfast broadband to around 97% of premises in the County.
8. In addition to the core programme, voucher schemes developed and administered by government have proved a successful route to extending gigabit-capable speeds to more communities. The County Council provided a top up to extend the value of the previous gigabit voucher scheme, and this has helped bring gigabit-capable broadband to over 2,000 premises across 23 different community projects.
9. The programme is now seeking to implement further funding of £1m from the limited gainshare rebate to provide a top up to government's current UK Gigabit Voucher Scheme, helping to bring faster broadband to communities more quickly than the future larger-scale procurements.
10. The report also outlines the developing national programme managed by government. DCMS has an ambition to deliver gigabit-capable broadband to everyone within the UK, with support from Local Authorities, through an entity they have set up within the department called Building Digital UK (BDUK).

Hampshire Superfast Broadband Programme

11. The Superfast Broadband Programme started in 2013 when it was predicted that the private sector would only deliver superfast broadband services to 80% of premises across the county.
12. Through the nationally negotiated contract, Openreach upgraded more than 64,000 premises to superfast speeds between 2013 and 2015. A second contract was awarded to Openreach following a tendering exercise. Initially the contract was funded to increase coverage to 95% with a contract value of £16.4m, but in 2016, funding from Contract 1 underspend and advance payments of gainshare increased the contract value to £23m with coverage for 97% of premises across Hampshire.
13. The programme is expected to complete delivery in Summer 2022, with the outstanding in-scope structures in the New Forest, where specific conditions have led to extended timeframes.
14. Across these contracts, Openreach has delivered approximately 115,000 superfast connections to date, nearly 12,000 of which are full fibre. In total, to deliver the Superfast Broadband Programme, the County Council has

provided £12.95m of funding and attracted a total funding allocation of £29.6m.

15. A clause in the contracts ensures that the County Council receives a rebate, referred to as gainshare, if uptake of the infrastructure is higher than originally predicted. The rebates are shared with BDUK based on the ratio of capital investment into the contract.
16. According to an Ofcom¹ report published in December 2020, 95.5% of Hampshire premises can access superfast speeds (now defined as >30Mbps). Those without superfast access represents over 27,000 premises within Hampshire. Approximately 7,000 of these premises have speeds below 10Mbps. The distribution of those without superfast access is uneven across the county.

Voucher Schemes

17. During 2019/20 government launched the Gigabit Voucher Scheme (GBVS) which offered funding of £3,500 per Small Medium Enterprise businesses (SME) and £1,500 per residential property towards the cost of installing gigabit-capable broadband, for community-led schemes.
18. Following a decision by the Executive Member for Commercial Strategy, Human Resources and Performance in July 2020, the County Council implemented £1m additional funding from the superfast Contract 1 gainshare to provide a top up for these schemes, increasing the value of individual vouchers from £1,500 per residential property to £3,000.
19. The voucher scheme is administered by BDUK including the allocation of County Council top up funding. Applications for vouchers are made by groups of residents via their chosen supplier and funding is allocated on a first come first served basis.
20. The voucher scheme was scheduled to close on 31 March 2021, but demand was so high that it closed to new applications on 19 February 2021. BDUK saw a ten-fold increase in applications per month from December 2020 as communities tried to get their schemes in before the deadline. Suppliers struggled to keep up with the volume of requests and many communities did not hear from their chosen supplier for several months causing them to miss the deadline for submissions.
21. A report supplied by BDUK on 1 April 2021 showed 23 projects had been approved within Hampshire, with 905 vouchers issued totalling £906,896 of top up funding, drawing down a further £1,357,500 from BDUK. The 23 projects supported will bring gigabit broadband to a total of 2,141 premises. We expect this figure to increase when a final balance is presented by DCMS later in the year.

¹ Ofcom Connected Nations report, published December 2020:
https://www.ofcom.org.uk/__data/assets/pdf_file/0024/209373/connected-nations-2020.pdf

22. On 8 April 2021 government launched a new UK Gigabit Voucher Scheme (UKVS). Eligibility criteria are broadly the same as the previous scheme (premises must have speeds below 100Mbps) with the addition that they must be in postcodes defined by Ofcom as area 3 for telecoms competition. This scheme is supported with £210m of funding from DCMS. The scheme is due to run until funds are exhausted or until 31 March 2024, whichever happens sooner.
23. Projects which started under the old scheme but have not reached the contracting stage will be automatically moved over to the new UKVS. A significant number of projects in the pipeline require more funding than the DCMS voucher can provide.

Proposal for a Hampshire Top Up to the UK Gigabit Voucher Scheme

24. The voucher schemes have proved popular and there are many more communities in the pipeline that will now be moved to the new scheme. Evidence from working with local communities and suppliers suggests that the cost to provide broadband speeds in rural areas can often exceed £1,500 per property, and therefore communities may need to raise additional funding to gain access to improved speeds.
25. Though not a statutory requirement, the broadband programme recommends allocating an additional £1m of programme gainshare to provide a top up fund towards the UK Gigabit Voucher scheme. It is proposed that this top up funding would increase the potential voucher value from £1,500 to a maximum of £3,000 per residential property. The top up would not be extended to SMEs as it is believed the current £3,500 cap does not need to be increased.
26. This limited funding would be provided to the scheme administered by BDUK and allocated on a first come first served basis until the funding is exhausted, which could happen sooner than the previous scheme drawdown given the increasing cost per premises for the last few percent. BDUK will continue to manage the relationship with the communities and the suppliers to deliver the schemes.
27. Evidence from the top up provided in 2020/21 indicates that this would be popular with communities in difficult to reach areas that are likely to be towards the end of a supply side deployment. The vouchers may bring gigabit connectivity to these areas sooner than the national Project Gigabit programme. To maximise the number of premises supported by the scheme, it is important for communities to maximise uptake of vouchers.
28. We will again need to make it clear with communities that the administration of the scheme and issuing of vouchers is with BDUK, and the accountability for delivery is between the communities and suppliers, with the limited top up funding allowing more infrastructure to be delivered and therefore more residents to benefit. That said, as has been the case throughout, the programme team will continue to support communities to navigate the scheme and apply.

Project Gigabit

29. In March 2021, government launched the £5bn 'Project Gigabit' which has been developed to bring fast, reliable broadband to all premises across the UK. Government modelling suggests that 80% of premises in the UK will be provided with gigabit-capable connections through market forces by 2025. Project Gigabit will build on this by awarding contracts to suppliers to deliver gigabit capable connections in parallel with the commercial rollout to achieve 85% coverage by the end of 2025 and 100% coverage by 2032 or sooner if possible.
30. The project will concentrate on two main approaches; supply side delivery via competitive tendering contracts in tandem with demand side support such as the UK Gigabit Voucher Scheme.
31. The Project Gigabit Phase One Delivery Plan² was published by government on 21 April 2021 and recognised Hampshire as being part of the scope for early delivery in Phase 1b of the supply side procurement process. The programme will aim to maximise delivery to hard to reach premises. These are areas where the market has expressed interest in early intervention, where there is a high percentage of premises in the "Final 20%" and a relatively high proportion of premises unable to access superfast (>30Mbps) broadband.
32. An Open Market Review to determine where commercial suppliers will deliver is underway and it is hoped that procurements will start later this year. It is not clear how many premises will be included in this first procurement phase and the programme team continue to work with BDUK to help support development of the plans. It is expected that Local Authorities will continue to play a role in supporting the programme roll-out, working closely with BDUK, suppliers and communities, and the details of this are still being formed.

Finance

33. The Superfast Broadband Programme contract was designed to underwrite the risk for the supplier of building a capital-intensive network in advance of future demand. As a result, there is a clawback or 'gainshare' mechanism which provides the taxpayer with a rebate if uptake of services is higher than originally projected.
34. The gainshare payments are made at two yearly intervals once the project is completed and split between DCMS and HCC proportionate to the capital contribution each party made to the contract. In July 2022 HCC can expect to see a gainshare payment of £1.07m.
35. Although the next gainshare payment is not due until July 2022, projects do not draw down vouchers until the new network has been built, typically 12 months after the project is first approved.

² Project Gigabit: Phase One Delivery Plan – www.gov.uk/government/publications/project-gigabit-phase-one-delivery-plan/project-gigabit-phase-one-delivery-plan

36. To date, HCC has received £1.9m gainshare, which has been re-invested in Contract 2 and the 2020/21 voucher scheme. The next gainshare payment will be received in July 2022 and HCC's share is forecast to be £1.1m. It is proposed to use this funding for the latest voucher scheme top up. The final gainshare from Contract 1 is expected in 2024.

Consultation and Equalities

37. Access to broadband infrastructure and the internet reduces barriers and increases equality regardless of age, gender, race, religion or sexuality. The internet allows disparate groups and individuals to connect, reducing isolation, and to share experiences highlighting inequality such as the recent George Floyd video footage. Access to broadband provides access to education, employment, leisure and social activities without hindrance.

Conclusions

38. Access to reliable and fast broadband services remains a key focus of government's Covid 19 recovery strategy, enabling social cohesion, access to employment, creation of new jobs, education and leisure opportunities.
39. The government has pledged £5bn of funding to support delivery of 100% gigabit broadband coverage by 2032.
40. The County Council should continue to both lobby and work with DCMS to ensure that residents and businesses across Hampshire benefit from these funds wherever possible. In addition, the County Council should promote relevant schemes such as the UK Gigabit Voucher and support communities through this process where possible.
41. The Broadband Programme should provide marketing material and other supporting collateral to communities to help increase take up of vouchers from both residential homes and SMEs. Doing so will increase the proportion of funding drawn down from DCMS and help more communities with the funding available.

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
OR	
<p>This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because:</p> <p><i>NB: Only complete this section if you have not completed any of the Strategic Plan tick boxes above. Whichever section is not applicable, please delete.</i></p>	

NB: If the 'Other significant links' section below is not applicable, please delete it.

Other Significant Links

Links to previous Member decisions:		
<u>Title</u> Rural Gigabit Connectivity Top-up Scheme	<u>Date</u> 20 July 2020	
Direct links to specific legislation or Government Directives		
<u>Title</u> Government launches Project Gigabit	<u>Date</u> 19 March 2021	

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.)

<u>Document</u>	<u>Location</u>
None	

EQUALITIES IMPACT ASSESSMENT:

0. 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.

1. Equalities Impact Assessment:

See guidance at <https://hants.sharepoint.com/sites/ID/SitePages/Equality-Impact-Assessments.aspx?web=1>

Insert in full your **Equality Statement** which will either state:

- why you consider that the project/proposal will have a low or no impact on groups with protected characteristics or*
- will give details of the identified impacts and potential mitigating actions*