

Report to: Cabinet
Date of meeting: 15 November 2016
By: Director of Communities, Economy and Transport
Title: East Sussex Superfast Broadband – Next Steps
Purpose: To report coverage levels of Superfast Broadband in East Sussex on completion of phase 1 through the e-Sussex project and to inform of plans to increase coverage even higher

RECOMMENDATIONS: Cabinet is recommended to:

- (1) **note progress to date on the rollout of superfast broadband in East Sussex;**
 - (2) **approve the proposals for a third phase of procurement for broadband infrastructure and related services; and**
 - (3) **agree to delegate to the Director of Communities, Economy and Transport authority to continue with necessary action to give effect to this**
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1 Background Information

1.1 In 2011 the Government made £530m available to support the rollout of Next Generation Access (NGA / fibre) infrastructure across the United Kingdom. East Sussex (including Brighton and Hove) received an allocation of £10.64m, which was amongst the top ten allocations in the country, indicating the severity of market failure (lack of private sector investment) which existed in the county at that time. Funding was allocated to provide superfast broadband to 90% of premises in the UK by early 2016, and access to basic broadband of at least 2mbps for all by end 2015. This funding was required to be matched locally.

1.2 Further funding was made available by Government to extend superfast coverage to 95% of the UK by December 2017. Please note that these targets are for UK-wide coverage and do not indicate coverage targets at county, or sub-county, level.

1.3 In December 2012 Cabinet approved procurement of necessary broadband infrastructure access and related services through the Broadband Delivery UK (BDUK) framework agreement. Use of the BDUK framework agreement ensured state aid compliancy, cost effective procurement and a quick route to market. Two procurements took place under the framework (Phase 1 in 2013 and Phase 2 in 2015). Two separate contracts were awarded to BT (in May 2013 and in June 2015), the other supplier on the framework (Fujitsu) having declined to bid in the first instance and then being removed from the framework in 2015.

1.4 In 2012, only around 3% of the county had access to superfast broadband through investment by the private sector (known as the commercial rollout). Forecasts were that the commercial rollout would increase coverage to around 50%. BT's commercial activity has now largely completed and Virgin Media is just beginning a programme of investment in East Sussex. Whilst ESCC has no direct influence over the commercial investment decisions of either, we work with both to unblock potential barriers to rollout and also continue to lobby for improvements in privately funded areas where the project is not allowed to work.

2 Supporting Information

2.1 East Sussex has been very successful in terms of Broadband intervention under the e-Sussex programme, with Phase 1 complete and Phase 2 now underway.

2.2 As at September 2016, 70,433 additional premises across e-Sussex are now connected to fibre infrastructure and of these 82% (57,755) can get superfast speeds (24mbps and above). These are premises that would otherwise not have access to Superfast Broadband and are on top of the 270,000 premises in the county that already have access to Superfast Broadband. This outcome has exceeded the original contracted projections.

2.3 Delivery of phase 2 has now commenced with planning and initial delivery. It is anticipated that a further 5,000 premises will have access to superfast speeds of 24mbps and above by the end of the phase in December 2017.

2.4 It is forecast that this will leave some 20,000 premises with access speeds below 24mbps. This has an impact on the ability of businesses to run successfully, particularly home-based businesses, and for the wider community in accessing online services.

2.5 Both contracts include a Gainshare mechanism whereby if the supplier makes additional income above expected levels, funding is returned by the supplier and retained in the contract for further investment. This has already happened in East Sussex, where current take up is running at 32% against a national forecast of 20%. The programme is therefore in a very strong position to extend the coverage of superfast broadband still further and potentially reuse an estimated £3m of Gainshare funding. If this funding is not recommitted it remains in the contract until the end of the seven year state aid period.

2.6 BDUK have confirmed with the European Commission that BT as supplier does not have automatic right to this funding and that it should be further tested within the market prior to commitment, ie by running an open procurement under the Public Sector Procurement Regulations (2006)

2.7 The UK government, through BDUK, is asking Local Authorities now to undertake a third round of procurement activity using this Gainshare and other funding to continue to push superfast coverage as far and as quickly as possible. The Broadband Framework used previously is no longer in place and so a replacement approach has been developed

2.8 BDUK have provided template documentation which ensures state aid compliancy, cost effective procurement and reduced legal costs but which also, importantly, enables the opportunity to locally tailor documents to suit local need. Smaller, local suppliers are actively encouraged to engage with this process.

2.9 No further funding is being sought from East Sussex County Council sources.

2.10 The current plan is to continue to follow the UK Government approach and pursue additional superfast coverage using the template documentation. It is also proposed that this documentation includes the following additional objectives:

- Aim for as close to 100% superfast coverage as possible
- Prioritise those on the lowest speeds. Specifically, prioritise those on speeds of less than 15Mbps over those on speeds of 15-30Mbps. We will wish to prioritise any remaining rural trading estates that may not yet have benefitted from the project in order to reflect the Council's priority of driving economic growth
- Clear visibility of which premises will be connected and when, along with clarity of those not being connected *with* estimated cost to connect these hardest to reach premises.
- Create an environment where smaller, local suppliers can help deliver further coverage.

3 Conclusion and Recommendations

3.1 East Sussex is now in a position where 95-96% superfast coverage is predicted by the end of 2017 (from a baseline in 2012 where only 3% of premises had superfast coverage). The e-Sussex project has been very successful and there is now an opportunity to pursue as close to 100% coverage as possible, with no further capital funding being required from the Authority

3.2 Cabinet is therefore recommended to: note progress to date; approve proposals for a third phase of procurement activity for broadband infrastructure and related services, as described at 2.6, 2.8 and 2.10 above; and delegate to the Director of Communities, Economy and Transport authority to continue to take necessary action to give effect to this.

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LOCAL MEMBERS

All.

BACKGROUND DOCUMENTS

www.esussex.org