

From: Mark Dance, Cabinet Member for Economic Development
Barbara Cooper, Corporate Director, Growth, Environment & Transport

To: Growth, Economic Development and Communities Cabinet Committee -
9 May 2018

Subject: Extending the reach of superfast broadband

Classification: Unrestricted

Electoral divisions: All

Summary:

The purpose of this paper is to engage the Committee in the development of plans to extend superfast broadband coverage across Kent by:

1. Extending the current Broadband Delivery UK Phase 2 contract by reinvesting the additional £4.545 million of gainshare funding available to Kent to increase the coverage of superfast broadband in Kent.
2. Delivering a 'Kent Voucher Scheme' to pilot approaches for connecting properties those areas that will still fall outside the scope of the extended BDUK Phase 2 project (i.e. properties in hard-to-reach, final 5% locations).

The paper also updates the Committee on three complementary Government schemes intended to help further improve broadband connectivity.

Recommendation

The Cabinet Committee is asked to consider and endorse, or make recommendations to the Cabinet Member for Economic Development, on the proposed decisions as shown at Appendix A to:

1. Invest the additional £4.545 million of available additional gainshare funding to increase superfast broadband coverage in Kent by extending the Broadband Delivery UK Phase 2 contract, subject to value for money and state aid requirements being met.
2. Launch a Kent Voucher scheme to support properties in final 5% locations with poor connectivity to get access to a superfast broadband service.

1.0 Introduction

- 1.1 Kent County Council has been working with the Government's broadband agency, Broadband Delivery UK (BDUK), to improve access to superfast broadband services. Phase 1 & 2 projects have brought superfast broadband to over 135,000 homes and businesses which would otherwise have been left with no, or slow broadband. 95% of properties in Kent now have access to a superfast broadband service of at least 24mbps.
- 1.2 Despite this progress, completion of the existing Phase 2 deployment plan will leave an estimated 31,800 properties without access to superfast broadband. Of these an estimated 1,550 have broadband speeds which are below 2mbps.

1.3 This paper sets out proposals for connecting properties in these hard-to-reach locations, which are described nationally as the 'final 5%'.

2.0 Extending the BDUK Phase 2 project with BT

2.1 The **Kent BDUK Phase 2 project** started in March 2015 with the objective of increasing the level of superfast coverage beyond the 91% of homes and businesses achieved through the delivery of BDUK Phase 1 project to 95% by December 2017. This target was achieved according to plan and we are aiming to reach 95.7% superfast coverage by end of 2018.

2.2 Phase 1 and Phase 2 were co-funded by the Government's broadband delivery agency, Broadband Delivery UK (BDUK) and BT was procured under the Government's broadband procurement framework. Under this framework, all contracts contain a clause preventing the supplier (BT) being over-subsidised. This meant that if take-up exceeded 20% after seven years following the completion of the infrastructure build, money (referred to as gainshare) will be returned to an investment fund held by BT. The intention was that this funding should be recycled into additional coverage by extending current contracts, subject to value for money and state-aid requirements being met.

2.3 The BDUK Phase 1 infrastructure build was completed in March 2016 and take-up is currently at 51%. This means that KCC has the opportunity to reinvest £4.545 million of gainshare funding and extend the current Phase 2 contract to deliver more superfast coverage. BT is in the process of modelling the potential additional superfast coverage that this funding could deliver.

2.4 It is not possible to confirm the additional uplift that will be achieved by the reinvestment of the gainshare funding until BT has completed its modelling and signed off its proposal. However, given the costs of working in the final 5%, we are estimating that the average subsidy per property will be in the region of £1,300. (compared to £146 for Phase 1 and £608 (to date) for Phase 2. BT's gainshare proposal will be subject to stringent value for money checks by both KCC and BDUK and will also need to comply with BDUK's state aid requirements.

3.0 Delivering a Kent Voucher Scheme for 'final 5%' locations

3.1 Our proposal is to launch a **Kent Voucher Scheme**, which will offer homes and businesses in final 5% areas that remain outside the scope of the extended BDUK Phase 2 programme, a voucher worth up to £1,700 per property towards the costs of installing a superfast broadband connection.

3.2 Eligible homes and businesses will need to apply for the voucher which can be redeemed against a list of registered suppliers. There will also be an opportunity for applicants to aggregate their vouchers into group schemes.

3.3 The value of the maximum voucher award (£1,700) has been based upon the maximum subsidy per property that is allowed under the current BDUK Phase 2 contract. We have been contacted by a number of residents and businesses who are outside the scope of current BDUK contract and who are trying to develop and fund-raise for their own community solutions. It is anticipated that the Kent Voucher Scheme will be able to make a substantial contribution towards the costs of these solutions and encourage similar initiatives to come forward.

3.4 The design of the scheme has been modelled upon the frameworks utilised by BDUK voucher schemes that the Council has administered in Kent. These frameworks have been assured by both KCC and BDUK's audit teams and have been judged as state-aid compliant.

3.5 Our intention is to launch the pilot phase of the voucher programme in summer 2018 with a funding allocation of £1 million. Depending on scheme take-up, we plan to extend the Kent voucher scheme by allocating an additional £1.8 million to the project.

4.0 National schemes applicable to properties in Kent

4.1 The Government has announced that it will be introducing a **Universal Service Obligation (USO)** for broadband. The scheme will be industry funded through the establishment of a cost sharing fund and will give homes and businesses the right to request a connection of at least 10mbps, up to a "reasonable cost threshold" of £3,400. Subject to secondary legislation being passed, this scheme is not due to launch until March 2020. Eligible properties will have to wait for their applications to be processed and the required infrastructure to be built, which may take up to another 18 months. Only properties receiving less than 10mbps will be eligible and the scheme only guarantees download speeds of 10mbps. In contrast, the proposed Kent Voucher Scheme will offer superfast connections and be open to properties currently receiving less than 24mbps.

4.2 The Government's **Better Broadband Scheme**: this scheme was designed to provide a subsidy of up to £350 towards the costs of installing a satellite or fixed wireless broadband service for properties in final 5% areas that cannot currently get a broadband service of at least 2mbps. Kent County Council administers the scheme in Kent on behalf of Broadband Delivery UK and has issued 534 'connections codes' since the scheme was launched in November 2015, of which 198 have been redeemed. The scheme is due to close in December 2018. We have received ongoing complaints from applicants about the costs of satellite-based broadband services and from residents whose properties have speeds just above the 2mbps eligibility criteria. The Kent Voucher scheme will offer a greater range of technical solutions and would be open to properties that would either not qualify or find that the above national schemes do not meet their needs.

4.3 **Gigabit Broadband Voucher Scheme**: this was launched by the Government on the 27th March 2018 to expand the reach of full-fibre networks and stimulate commercial investment in priority business zones. The scheme offers small and medium-size businesses vouchers of up to £3000 to obtain an ultrafast broadband connection. Residents can also access vouchers of up to £500 if they are part of group scheme where at least half of the funding is awarded to businesses. Whilst the design of the scheme favours the more densely populated urban and city regions, we believe that there are opportunities to combine this scheme with the Kent Voucher Scheme to improve its accessibility to Kent businesses in final 5% locations.

5.0 Financial implications

5.1 The value of the County Council's current contract with BT is £11.8 million. This comprises £5.9 million of KCC funding and £5.9 million of Government (BDUK) funding. The £4.545 million available gainshare funding would be reinvested by extending the contract.

5.2 The Kent Voucher Scheme will be funded from existing budget allocations for the KCC Broadband Programme. £1 million has been allocated to pilot the scheme and £1.8 million for a potential second funding round.

5.3 Given the levels of funding proposed, both of these projects will require a key decision.

6.0 Legal Implications

6.1 There is provision within the terms of the BDUK Phase 2 contract for gainshare funding to be reinvested. All contract extensions are subject to BDUK state aid approval. BDUK have advised KCC that the £4.545 million of gainshare funding can be reinvested through the UK's Government current state aid agreements, subject to state aid assurance of BT's final proposal.

6.2 The launch of the Kent Voucher Scheme is dependent on securing state aid approval from BDUK. Given that the scheme's design has been based on previously BDUK run voucher schemes, this is not anticipated to be an issue.

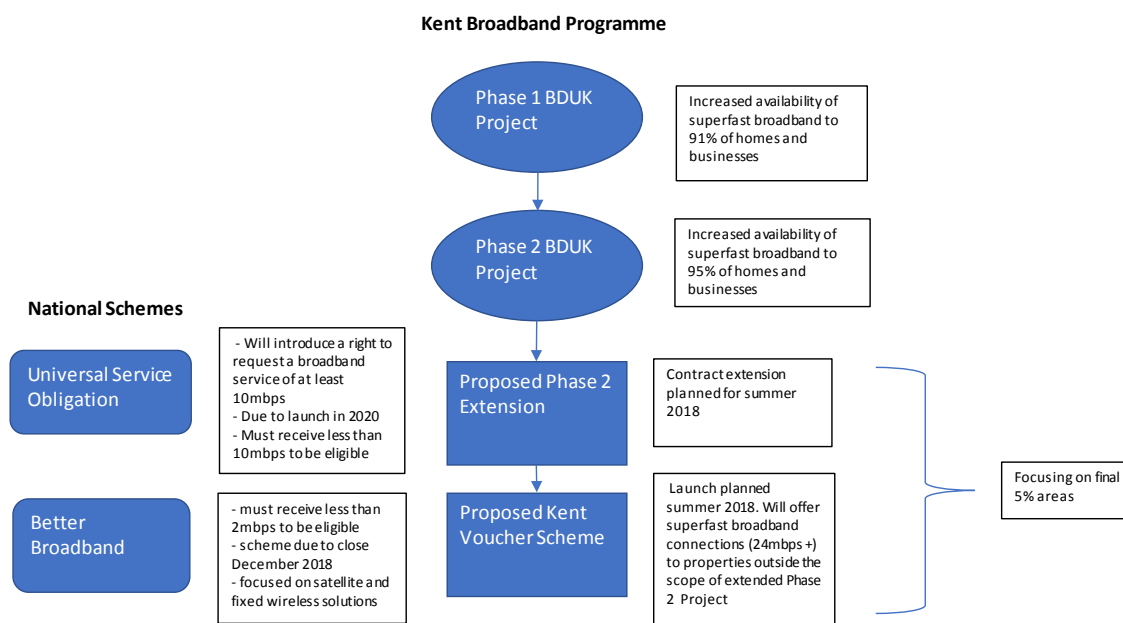
7.0 Equalities Implications

7.1 The By improving broadband access, the Kent Voucher Scheme will have a positive impact for all communities including those with protected characteristics. An Equality Impact Assessment is being undertaken for the project but no high or medium non-favourable impacts for protected groups has been identified.

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8.0 Conclusion

8.1 The diagram below shows the relationship between schemes that we have been delivering in partnership with Broadband Delivery UK and what we are proposing to launch in summer 2018.



8.2 The Kent Voucher Scheme and extending the BDUK Phase 2 project will help further improve broadband connectivity in hard-to-reach locations and further increase the range of options available to homes and businesses. This will further build on the work

undertaken by the Council which has already delivered superfast broadband to over 135,000 homes and businesses.

9. Recommendation

The Cabinet Committee is asked to consider and endorse, or make recommendations to the Cabinet Member for Economic Development, on the proposed decisions to as shown at Appendix A to:

1. Invest the available additional £4.545 million of additional gainshare funding to increase superfast broadband coverage in Kent by extending the BDUK Phase 2 contract, subject to value for money and state aid requirements being met.
2. Launch a Kent Voucher scheme to support properties in final 5% locations with poor connectivity to get access to a superfast broadband service.

10. Appendices:

Appendix A (i): 18/00024(b) Proposed Record of Decision for BDUK Phase 2 Contract Extension

Appendix A (ii): 18/00024(a) Proposed Record of Decision for Kent Voucher Scheme

11. Contact details

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