



OFFICER REPORT TO CABINET MEMBER
10 March 2010

**A Surrey County Council response to the Government
consultation on proposals for a Next Generation Fund**

KEY ISSUE/DECISION:

To endorse the draft Surrey County Council response to the Department for Business, Innovation and Skills consultation on proposals for a Next Generation Fund.

BUSINESS CASE:

- 1 The Department for Business, Innovation and Skills (BIS) recently published its consultation, *Proposals for a Next Generation Fund*, which is aimed at identifying all the issues and evidence required to inform the delivery of the Fund to help roll out next generation access (NGA - super fast broadband). Many factors are still uncertain, such as how far and to where the market will deliver and therefore where deployment of the Fund would have best effect.

The objectives of the Next Generation Fund are to:

- support the roll out of NGA beyond commercially attractive areas to at least 90% of households in the UK by 2017
 - promote the roll out of infrastructure that meets the needs of businesses and households in the UK and supports economic growth
 - maximise links with the Government's Universal Service Commitment – a parallel broadband investment programme to ensure every community has access to 2Mbps broadband connection by 2012.
- 2 The issue is of importance to Surrey, as super fast broadband will help maintain economic competitiveness, particularly for knowledge based businesses and creative industries, deliver sustainable growth, increase access to new markets, raise productivity and promote both greater social inclusion and a low carbon economy.
 - 3 The Next Generation Fund will support the roll out of NGA to areas in the UK where the market is unlikely to deliver, and could help reduce the possibility of a digital divide emerging between rural and urban areas in Surrey. The Fund has the potential to bring investment in NGA infrastructure to those areas in Surrey that currently have either no or poor broadband service.

- 4 Connectivity is one of the Surrey Strategic Partnership's five key challenges, necessary to ensure that the county remains an attractive place to live and work. Indeed, the Partnership is committed to the county having the fastest broadband speeds in Europe. The faster speeds and greater reliability, which NGA offers, would enable more innovative, efficient and effective delivery of local authority services, including tele-health and tele-medicine services, such as real-time online doctor/ patient interactions and real-time monitoring of long term health conditions, and virtual classrooms. The Surrey Strategic Partnership has also pledged to be at the forefront of Web 2.0 applications (technology allowing '2-way' communication) and to develop a single customer account for Surrey residents.

Next Generation Access/ Fund

- 5 NGA is defined as the infrastructure and set of technologies that provide super-fast broadband. Primarily, it uses fibre optic cable to deliver higher and more reliable download speeds than current generation broadband (typically up to 8 Mbps), which uses copper wiring. A critical factor in download speeds is the distance between the exchange and the user (business, household). Shorter distances equal stronger signal strength and faster transfer of data.
- 6 NGA technologies include Fibre to the Cabinet (FTTC - fibre optic cables from points of connection, such as telephone exchanges, to the street cabinet), Fibre to the Home (FTTH - offering fibre optic cables from points of connection directly into the end users' premises), satellite and mobile wireless technologies. FTTH/ FTTC principles are about reducing distances between the exchange and the user. FTTH is the most effective but most costly option, especially in rural areas, given the distance to exchanges.
- 7 Current assessments show that the UK requires an investment of £25-30 billion to deliver NGA to homes across the country. There are two main NGA infrastructure providers, BT Openreach and Virgin Media. Virgin Media has completed the roll out of its super fast broadband service (with speeds of up to 50 Mbps), with their entire network covering nearly 50% of homes in the UK. BT has stepped up its efforts to deliver NGA (with speeds of up to 40 Mbps) and aims to connect 1.5 million homes to NGA in 2010, and aim to have NGA in 40% of all homes by 2012. Post 2012, roll out by BT will be demand led. As the fixed costs for NGA (FTTC/FTTH) are so high, customer take up is critical. It is estimated that the cost of providing access to NGA is around £400 per household.
- 8 While the market is currently delivering high-speed broadband services, projections suggest that, due to the high cost of this infrastructure, the market alone will only deliver services to 60-70% of the country. It is only in these areas (typically urban centres) that high demand will negate prohibitive infrastructure costs. Thus government intervention is required, because without it many communities, particularly in rural and some suburban areas, will not be able to benefit from the advantages NGA can offer.

- 9 The Next Generation Fund will be financed by a 50p per month duty on all fixed lines (there are 33 million in the UK, 70% of which are residential lines, the rest business). This will be implemented as part of the Finance Bill, likely to become law before the forthcoming General Election. The Fund, expected to be worth approximately £175 million per annum, will help the market deliver to those areas that are not commercially attractive, principally rural areas.
- 10 Options for intervention and delivery are being considered, including:
 - which areas should benefit from the Fund first
 - whether monies should be distributed on a national or regional basis
 - whether government intervention should start on the fringes of market deployment and work out towards the areas that are virtually certain not to be served by the market (the 'outside in' approach), or whether deployment should work inwards from such areas (the 'inside out' approach).

Surrey Context

- 11 The South East currently enjoys better connectivity than most UK regions (66% residential and 40% business take up of broadband in the South East according to a SEEDA survey in 2008) although it fares less well when compared internationally. The Regional Economic Strategy has a transformational action on achieving 100% next generation broadband coverage by 2016.
- 12 Given the increasingly knowledge-based economy of Surrey (30% of businesses are knowledge based), it is important to have the right ICT infrastructure to drive growth and innovation. NGA would help maintain the competitiveness of Surrey's businesses as it provides opportunities to exploit emerging markets, develop new business ideas and take advantage of cost savings such as cloud computing (this enables businesses to use the internet to store and access software and data and share resources, resulting in a lower carbon footprint). Those businesses that have adopted flexible working policies, which encourage staff to 'work from home', would also benefit.
- 13 The Fund has the potential to benefit Surrey rural 'not spots' and other areas where existing infrastructure offers slower speeds and poorer reliability of service than that experienced in urban areas. Many of these communities suffer pockets of relative deprivation, which investment in broadband might help to address.
- 14 NGA will facilitate the delivery of key strategic themes in the Council's IMT Strategy. The Strategy's Vision for 2013 envisages different models of working, such as video conferencing, virtual teams and remote communication. It also looks beyond 2013, noting how more transactions and more information will be placed online, reducing service costs and improving customer service; these developments will be supported by NGA. 'Citizen experience', including innovative approaches to encourage engagement, will also be helped by NGA. A 'world class authority' should be one where such opportunities are exploited.

15 Response Summary

- Super fast broadband will help maintain Surrey's contribution to the UK economy - £5 billion net per annum (pre recession).
- Connectivity is one of the Surrey Strategic Partnership's five key challenges, necessary to ensure that the county remains an attractive place to live and work. The Partnership aims to have the fastest broadband speeds in Europe.
- Super fast broadband will help maintain Surrey's economic competitiveness, particularly for knowledge based businesses and creative industries, help achieve sustainable economic growth and promote greater social inclusion and a low carbon economy/ lifestyle.
- Several areas in Surrey have limited or no connectivity ('not spots') and are unable to benefit from the significant economic and social benefits of NGA. This needs to be addressed through deployment of the Next Generation Fund.
- NGA will facilitate the delivery of key strategic themes in the Council's Information Management and Technology (IMT) Strategy. It supports county council initiatives to place more information online, reduce service costs and improve customer service by exploiting emerging technologies.
- While we would prefer regional over national deployment of the Fund, our strong support is for an approach which ensures that dynamic sub regional economies such as Surrey's - offering a greater marginal return on investment – are a focus for early deployment, and within these sub regions, those areas with either no or poor quality access benefit from the roll out of NGA.
- While fixed line solutions might be preferable in the short term, other forms of provision, such as satellite or wireless, should not be ignored. These might serve certain communities, in particular more isolated rural communities, better than fixed line solutions. What will be important is the minimum service standard and the consistency and reliability of the service provided

16 Financial and value for money implications

The county council would incur the 50p per month duty on all its fixed lines once this duty becomes law. If we are assuming the tax is £6 per annum and applies to copper business and residential lines on a per line (not on a per address or entity basis), IMT estimates it has about 1250 - 1500 such lines (inside and outside of SWAN) and the cost would be approximately £7,500 - £9,000 per annum.

This figure does not include, schools, traffic management, member services home lines or any other separately managed group which could have a much higher number. The whole cost to Surrey County Council could well be higher, somewhere in the order of £35k - £45k per annum.

17 Equalities implications

The Next Generation Fund is likely to be of most value to rural 'not spots' and other areas where existing infrastructure offers slower speeds and less reliability of service than that experienced in urban areas. Thus the Fund has the potential to reduce the risk of a 'digital divide' emerging between rural and urban areas in Surrey. Further, lack of access to ICT/ broadband is common in communities that suffer relative deprivation and investment in NGA may help address this issue in Surrey.

18 Risk management implications

No risk management implications have been identified at this stage.

19 Community Strategy/ Local Area Agreement implications

Implementation of the Fund in Surrey's interests could aid the delivery of the following county council priorities:

- SSP Key Challenges: Climate change, connectivity and the constraints on public services
- SPP Priority A: Improve learning, health and employment outcomes for children and young people, particularly the vulnerable and disadvantaged
- SPP Priority D: Support more vulnerable people to live independently and have greater choice and control over their health and support arrangements
- SPP Priority E: Improve the global competitiveness of Surrey's economy through sustainable growth, underpinned by appropriate infrastructure
- SPP Priority F: Make Surrey's economy more inclusive
- SPP Priority G: Help people achieve more sustainable lifestyles
- SPP Priority J: Encourage and facilitate active citizenship to strengthen communities.

20 Section 151 Officer commentary

The S151 officer confirms that all material, financial and business issues have been taken into account in this report.

RECOMMENDATIONS:

- (i) That the Leader endorses the draft Surrey County Council response to the BIS consultation on proposals for a Next Generation Fund, attached as Annex 1.
- (ii) That the Leader gives delegated authority to the Lead Manager for Environment and Economy to make any further changes to the Surrey County Council response in consultation with the Leader, ahead of the consultation deadline, in particular to reflect the views of the Surrey Strategic Partnership Leadership Group which will be discussing broadband at its meeting on 10 March 2010.

REASONS FOR RECOMMENDATIONS:

To ensure that Surrey County Council's views are made known to Government and to increase the chances of the Next Generation Funds being deployed in Surrey.

WHAT HAPPENS NEXT:

The Surrey County Council response will be submitted ahead of the 1 April consultation deadline.

The Government will publish a response to the consultation within 12 weeks of the closing date for submissions.

Lead/Contact Officer: Lee McQuade, Environment and Economy Policy Officer, Environment and Economy, PPPU Environment & Infrastructure (020 8541 7604 / lee.mcquade@surreycc.gov.uk)

Damian Testa, Lead Manager Environment and Economy, Policy, Partnership and Performance Unit, Environment & Infrastructure Directorate, 020 8541 7068 / damian.testa@surreycc.gov.uk

Consulted:

The Leader of the Council
The Cabinet Member for Environment
Environment and Economy Select Committee

Surrey County Council Officers consulted:
Trevor Pugh, Strategic Director for Environment and Infrastructure
Paul Brocklehurst, Head of IMT

Partners consulted:
Surrey Rural Partnership
Surrey Economic Partnership
Surrey Chambers of Commerce
South East England Development Agency

Sources/background papers:

Digital Britain: *Consultation on Proposals for a Next Generation Fund*, January 2010

Prime Minister's paper on *Building Britain's Future*, June 2009

Digital Britain: Final Report, June 2009

Surrey County Council Information Technology Strategy (Draft) 2009-2013

SEEDA, *Optical Fibre Infrastructure Survey and ADSL Broadband Speeds in South East England*, Final Report, December 2008.