



Economic Prosperity, Environment and Highways Board
8 December 2016

Update on the Superfast Surrey Programme

Purpose of the report: To provide an update to the Board on the status of the Superfast Surrey Programme.

Introduction:

1. In 2012 Surrey County Council (SCC) signed a contract with BT to deliver fibre broadband infrastructure to premises in Surrey that were determined not to be benefitting from commercial rollouts. The programme is subject to State Aid regulations which prevent intervention into areas that are designated as being in a commercial footprint.
2. As a result of the Superfast Surrey programme, more than 86,000 premises in the Intervention Area have been covered by the fibre network. Due to the County's very successful demand stimulation campaigns, take-up of fibre broadband services by residents and businesses in the 2012 Intervention Area is significantly higher than projected in the contract finance model. This is triggering clawback funding as part of the contract and Surrey County Council has been advised by BT that it will receive an initial allocation of £3.8m as part of a national commitment by BT to return £129m of this clawback funding to Local Authorities ahead of schedule.
3. Whilst more than 96% of Surrey premises can now access Next Generation Access (NGA) fibre broadband download speeds of 15mbps or more, there are still premises in Surrey that are unable to do so. This is as a consequence of premises that are connected to cabinets or structures that have not yet been upgraded to the fibre network or have been upgraded but are too far from homes and businesses to be able to offer a fast broadband service.

Open Market Review and Public Consultation

4. To understand broadband coverage in Surrey, Surrey County Council has undertaken an Open Market Review (OMR) and State aid Public Consultation. The consultation ran for one month between 25 April and 24 May 2016. As well as responses from infrastructure providers, SCC

received 369 (245 unique) e-mails from Surrey residents and businesses.

5. The information received from Network Providers and Interested Stakeholders who responded to the review and public consultation has indicated that there are still approximately 4% (20,000) of premises scattered throughout Surrey that are unable to access download fibre broadband speeds of 15mbps or more.
6. Whilst some of these premises are still included in current or future commercial fibre rollout plans, there are more than 15,300 premises that are not.
7. Surrey County Council has fully complied with Broadband Delivery UK (BDUK) advice and guidance in relation to State aid regulations and in July 2016 BDUK assured Surrey County Council's proposal for utilising the additional funding through the existing contract with BT in areas that included those previously identified in 2012 as part of commercial plans. BDUK's approval was without condition.

Current Options for residents and businesses

8. There are various options for obtaining improved broadband speeds for these premises. They can investigate satellite, wireless or mobile services which may provide improved speeds; self-fund a private leased line; register interest in a fibre connection with Virgin Media's 'cable-my-street', a mechanism for assessing where there is sufficient demand to justify private investment; or coordinate and help self-fund a community initiative.
9. In the past four years, the Government has also intervened to try and improve broadband provision:
 - 9.1 The Universal Service Commitment (USC) is being delivered by BDUK's Better Broadband Scheme which will finish at the end of 2017. Residents and businesses in Surrey that are currently unable to access download speeds of 2mbps or above can apply for a voucher from BDUK which can be used towards the cost of satellite infrastructure or used as part payment in a BT Community Fibre Partnership.
 - 9.2 Beyond that a broadband Universal Service Obligation (USO) is being developed that will give people the legal right to request a connection to broadband with a minimum download speeds of 10 Mbps by 2020. The Department for Culture, Media and Sport (DCMS) has commissioned Ofcom to provide technical analysis and recommendations to support the design of the broadband USO by the end of 2016.

Opportunities for Additional State Aid Deployment

10. The programme's contract with BT includes a clawback mechanism which generates additional funding that flows into a joint investment fund

when take-up of fibre broadband services in the Intervention Area is higher than originally modelled. Due to Superfast Surrey's very successful demand stimulation campaigns, take-up of fibre broadband services by residents in the 2012 Intervention Area is significantly higher than projected in the contract finance model. Take-up is currently 43%.

11. As part of a national commitment by BT to return £129M of this clawback funding to Local Authorities ahead of schedule, BT have effectively offered Surrey County Council an 'advance' of £3.8m of this clawback, known as '**Gainshare**'.
12. SCC requested BT to model solutions to maximise the number of premises that might benefit from further county council investment. These premises will be connected to the fibre network using a combination of different technologies; Fibre to the Cabinet (FTTC), either new cabinets or by connecting to an existing nearby fibre enabled cabinet (CuRE); Fibre to the Premise (FTTP) or Fibre to the Remote Node (FTTRn).
13. Surrey County Council will seek to maximise the impact of the investment by connecting the greatest number of premises to Superfast Broadband within the funding envelope as modelled by BT up to the point where all of the funding is utilised or until the cost of connection to premises no longer represents VFM.

Conclusions:

14. A paper will be presented to the Surrey County Council Cabinet meeting on 13 December 2016. The report is seeking approval for the investment of State Aid approved funds that have been generated by the contract with BT to further deployment of NGA broadband infrastructure within a revised Intervention Area.

Recommendations:

The Board is asked to note this update on the Superfast Surrey Programme

Next steps:

Submission and presentation of the Superfast Surrey report to Cabinet on 13 December 2016.

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