Cabinet	01 November 2016
Council	06 December 2016

Name of Cabinet Members:
Cabinet Member for Strategic Finance and Resources – Councillor J Mutton
Cabinet Member for Jobs and Regeneration – Councillor J O'Boyle

Director Approving Submission of the report:
Executive Director, Place

Ward(s) affected:
All

Title:
Increasing Coventry's Superfast Broadband Coverage

Is this a key decision?
Yes, as it has the potential to affect all wards within the City and expenditure is in excess of £1m

Executive Summary:

The Government expects that 20,000 new jobs and £6.4 billion in Gross Value Added (GVA) will be created in the UK by 2024 as a result of investment in broadband infrastructure.

Coventry's broadband coverage currently lags behind that of similar areas. Superfast broadband – connections over 20Mpbs – are available in just 91.7% of properties in Coventry which compares poorly to areas and is a long way from the Government target for 95% of properties to have superfast broadband by 2017. Birmingham, Derby and Leicester are in the top 40 for Broadband speeds, while Coventry is 74th out of 185.

European funding is being made available to improve Superfast broadband infrastructure that serves small and medium enterprises (SMEs). This funding will target areas containing concentrations of SMEs, but will not serve them exclusively; residents and larger businesses will also benefit as the infrastructure in the target areas improves as a result of the project. Ultimately the project will help the city improve its Superfast broadband coverage considerably as part of its Digital Strategy which is under development will be formally adopted by the end of 2016.

In order to access this funding, the Council must provide match funding. Coventry's contribution to an overall £15m package of improvements across Coventry and Warwickshire would be £2.55m. As well as a European grant of £4.86m, Growth Deal funding of £4.3m has been requested from Government. The project will be completed by the established Coventry, Solihull, Warwickshire Broadband Project (CSW Broadband).

Recommendations:

Cabinet is asked to:

1. Recommend that Council agree to capital investment of up to £2.55m for Superfast Broadband infrastructure to lever in both European Regional Development funding and Growth Deal funding for investment into Coventry's broadband infrastructure.

2. Agree one-off corporate funding for up to £150,000 to project manage the Council's investment and work as part of the Coventry, Solihull and Warwickshire Broadband (CSW) team to secure ongoing funding into Coventry's Broadband infrastructure.

Council is asked to:

1. Agree to capital investment of up to £2.55m for Superfast Broadband infrastructure to lever in £2.55m European Regional Development funding, £4.3m Growth Deal funding and £1.1m private sector funds for investment into Coventry's broadband infrastructure.

2. Approve the addition of £2.55m to the corporate capital programme, profiled as appropriate in terms of financial year.

List of Appendices included:

None

Background papers:

None

Other Useful Documents:
CSW: Broadband Delivery UK Local Broadband Plan – February 2012
Coventry's Super Connected City Plan – Urban Broadband Fund (Round 2) – Nov 2012
Super Connected Coventry – Project Revision – March 2014

Has it been or will it be considered by Scrutiny?
No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?
No

Will this report go to Council?
Yes, 01 December 2016

Report title: Increasing Coventry's Superfast Broadband Coverage

1 Context (or background)

1.1 The digital economy is fundamentally important to the economic future of the UK and to economic development in every part of the country1. It is essential that Coventry is able to overcome the barriers to success in the digital economy including access to Broadband infrastructure for businesses and residents. All sectors and businesses, particularly Small Medium Enterprises (SMEs) must be given every encouragement and assistance to embrace technology. Coventry is currently preparing a Digital Strategy which will be considered by Council before the end of the year. Scrutiny Boards 1 and 3 have established a Digital Task and Finish Group to consider how to ensure that Coventry benefits from these opportunities.

1.2 Broadband is fast becoming the recognised 'fourth utility' and has moved from being a luxury commodity to being a necessity for both residents and businesses in the same way that gas, electricity and water are. Coventry has recently updated its planning guidance to recognise the importance of broadband as a utility in new developments. There is considerable demand from both residents and business for access to good quality Broadband.

1.3 As well as being an essential service, investment in broadband is proven to generate jobs and bring wealth to an area. In 2013, consultants SQW completed at UK Broadband Impact Study which concluded that for every £1 of public investment in broadband infrastructure £20 in net economic benefits were accrued[2]. The UK Government anticipates that across the country, investment in superfast broadband infrastructure will generate an increase of £6.3 billion in Gross Value Added (GVA), and a net increase of 20,000 jobs by 2024. If Coventry is to feel the benefits of these increases, investment in broadband infrastructure will be necessary.

1.4 Government aims to improve access to broadband by driving up the number of properties where the local network has been upgraded to these standards:

- Superfast Broadband with connections speeds of 24Mbs or greater, usually achieved by running optical fibre to cabinets serving an area before copper cables connect to individual premises

- Ultrafast Broadband which achieves connection speeds of 300Mbs or greater by providing optical fibre connections directly to individual premises.

1.5 The long term strategy is to implement Ultrafast Broadband to cover as much of Coventry as possible. However, Ultrafast is a great deal more expensive to achieve than Superfast as it involves laying new cable and significant civil works, and a result many commercial such as BT and Virgin Media are cautious about committing to this.

1.6 A blended approach will work best in the current commercial context: enable Ultrafast for areas where fast-growing, innovative businesses are located, and implementing Superfast in mixed areas which will include more residential properties. The market will naturally drive some deployments independent of additional financial support but history has shown that without market intervention overall coverage targets will not be met.

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[1] Business Innovation & Skills Committee: Inquiry into the Digital Economy
[2] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/257006/uk_broadband_impact_study_-_impact_report_-_nov_2013_-_final.pdf

1.7   This project presents an opportunity for Coventry to increase its Superfast Broadband coverage by targeting areas where large numbers of SMEs are based and upgrading the broadband infrastructure there. The European funding currently available requires SMEs to be principle beneficiaries, but there will be considerable benefits for residents as well. Infrastructure will be installed to serve areas with concentrations of SMEs, but residents in these areas will also be able to access better connections, and there will be an overall improvement in Coventry's broadband infrastructure which will benefit the city as a whole. Part of the project management role will be to ensure that improvements to the network are felt as widely as possible.

1.8   Coventry has already completed a number of successful projects to improve broadband speed and takeup, including a voucher scheme which helped businesses fund the cost of a new connection. Much closer links have been built with the local providers in the city including BT, Virgin and Cityfibre.

1.9   **Economic and Social Benefits of Superfast Broadband Connectivity**

1.9.1 Today computer skills and knowledge of the internet allow people to find new and better jobs, work in more flexible ways, enable inexpensive forms of communication and social interaction to community infrastructures and government services, improve access to learning opportunities and provide access to more convenient and often cheaper products and online services3.

1.9.2 Digital inequality matters because those without access and the right combination of access, skills, motivation and knowledge are missing out on important areas of the digital world. This does not just impact individuals but also on families, communities, political processes, democracy, public services and the economic and social health.

1.9.3 Research shows a clear correlation between digital exclusion and social exclusion4. This means that those already at a disadvantage, and arguably with the most to gain from the internet are the least likely to be making use of it and become further disadvantaged by not using it.

1.9.4 The availability and investment in Superfast Broadband infrastructure is a contributor to economic growth at several levels including:

- **Increases in productivity and enhances competitive advantage** by facilitating the adoption of more efficient business processes (e.g., marketing, inventory optimisation, and streamlining of supply chains).
- **Acceleration of innovation by introducing new consumer applications and services** (e.g., new forms of commerce and financial intermediation, Cloud computing, video-sharing platforms or social networks)
- **More efficient use of operations** by maximising their reach to labour pools, access to raw materials, and consumers, (e.g., outsourcing of services, virtual call centres.)

1.9.5 Alongside this, a glance at some of the social benefits of addressing digital exclusion through lack of access to broadband could include:

- **Improved educational attainment** (and associated increased lifetime earnings) if digital exclusion is fully addressed
- **Increased access to work** (and associated increased lifetime earnings), if digital exclusions are fully addressed
- **Household savings** from convenience and accessibility of shopping on line

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[3] https://21stcenturychallenges.org/what-is-the-digital-divide/
[4] http://www.tinderfoundation.org/sites/default/files/research-publications/digitalinclusion_a_discussion_of_the_evidence_base_1.pdf

- **Reduced public sector transaction costs** through increased transactions on-line and opportunity to reduce demands on minor public services
- **Reduced visits to the GP** associated cost savings to the NHS via increased access to health information on-line

1.10   Gaps in Coverage following Commercial Roll-out

1.10.1 Following the commercial roll-out of superfast broadband services, there remain significant areas where there is no access to superfast broadband. This has created a new digital divide with businesses in these areas at a competitive disadvantage, and increasingly unable to compete in a global economy.

1.10.2 The Coventry Solihull Warwickshire Broadband Project (CSW Broadband) aims to bring improved broadband speeds to SMEs and households across the sub–region.

1.11   Coventry in Comparison with Other Places

1.11.1 The comparison of Broadband speeds with other surrounding areas does not represent Coventry well.

1.11.2 Birmingham, Derby and Leicester are in the top 40 for Broadband speeds. **Coventry is 74th out of 185.**

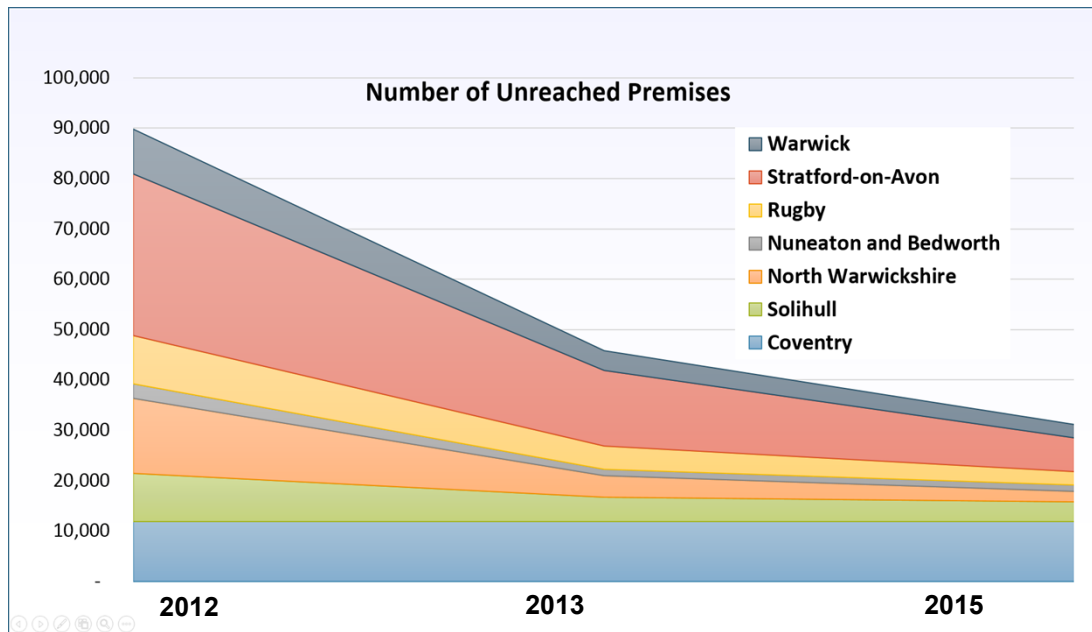## 1.12   Coventry Superfast Broadband Coverage

1.12.1 The Government's latest strategy for coverage across the UK targets 95% superfast broadband by 2017. CSW Broadband has set a target of 98%. However the current status for Coventry is that only 91.7% of premises have superfast broadband coverage. The importance of coverage should not be underestimated; it is significant to our Inward Investment aspirations and we are seeing other Cities market their Superfast Broadband coverage of over 98% to potential investors and developers. *Superfast is no longer a luxury it is a necessity for investors, developers and home owners.*

1.12.2 In 2012 a report produced by Analysys Mason regarding Superfast coverage within Coventry, Solihull and Warwickshire, indicated that based on the commercial market investment into superfast broadband, Coventry would naturally achieve 98% coverage by 2017.

1.12.3 At the time, a Government programme was offering cash for Superfast broadband infrastructure, but this was only available if local authorities provided match funding. Based on the advice suggesting that private providers would improve coverage to 98% within a relatively short period of time without the need for public intervention, the Council decided not to pursue this opportunity.

1.12.4 However Solihull and Warwickshire local authorities did take up the funding opportunities and the graph below shows how the profile of unreached premises has changed since 2012. It clearly shows the investment by neighbouring authorities and also shows that the market did not meet the demand naturally within Coventry.

Graph 1.1 – Change of Number of Unreached Premises following Local Authority and UK Government Superfast Investment

Number of Unreached Premises

Legend:
- Warwick
- Stratford-on-Avon
- Rugby
- Nuneaton and Bedworth
- North Warwickshire
- Solihull
- Coventry

1.12.5   From the graph it is very clear that Coventry has remained static since 2012 at coverage of 91.7% with around 11,915 properties remaining without access to Superfast Broadband.

1.12.6   The current provision is currently failing to deliver the national universal service commitment of 2Mbps of premises in the City and too many are unable to access superfast broadband through the commercial roll out by the industry.

1.12.7   Without public sector funding, telecommunications companies would not invest in the wholesale broadband network across all areas of the City because of the limited return on investment. Consequently without public sector intervention parts of the City will increasingly become digitally divided with business loosing competitive advantage and residents unable to take advantage of the financial, educational, social and health benefits of being on-line.

1.12.8   The public sector investment is therefore to mitigate disadvantage caused by the different level of broadband access currently in the county and allow improved access to superfast broadband and wider use of technologies and ensure Coventry has a competitive advantage in this area.

1.13   **Superfast Broadband Funding Opportunities**

1.13.1   There are currently two external funding opportunities available to support investment in Superfast Broadband. The first is a European Regional Development Fund open call for ICT projects which would bring in just over £4.5m of European funds between now and December 2018. A second opportunity is Growth Deal 3, where a further £4.3m is being sought for Coventry & Warwickshire.

1.13.2   To draw these funds down Coventry and Warwickshire local authorities would need to provide match funding, estimated to be in the region of £2.55m (this is based on the costs per premise on market prices). Should both local authorities contribute, when combined with the external funding, it would equate to an investment package in the region of £15m. All match funding provided by the Council will be spent on improvements to Coventry's broadband infrastructure.

1.13.3   As well as the public funding, a private contribution of £1.1m will be made by the broadband providers themselves. This has been calculated based on an 11% contribution to the capital costs of the work in line with previous publically funded infrastructure contracts handled by CW

1.13.4   The impact of this investment in superfast broadband is estimated to improve the superfast broadband coverage in Coventry to somewhere between 97-98%, covering a further 8,000 unreached premises.

2   Options considered and recommended proposal

2.1   The first option is the Council could choose to do nothing, and allow the commercial market to bring about improvements in the broadband network when it is profitable to do so. This option provides no guarantee that coverage will increase in the near future. The status quo would remain and the compelling figures in Graph 1.1 show that the lack of public investment in the last four years has yielded no net change in coverage across the City.

2.2   The second option is to invest in the already established CSW Broadband project which has a track record of using public funding in improve broadband infrastructure. An investment of £2.55m by the Council would see the superfast broadband coverage increase from 91.7% to somewhere between 97-98% coverage.

3   Results of consultation undertaken

3.1   CSW Broadband has received over 12,000 survey responses from businesses and individuals outlining the current status of their broadband connectivity.

3.2   The project has carried out 2 full open market reviews in 2012 and 2014 in which suppliers were invited to provide details of those areas to which they intended to extend their networks.

3.3   A further consultation was carried out in March 2016 to update previously received information.

3.4   The Federation of Small Business '*Review of Business Broadband: Call for Evidence*' suggests that evidence has demonstrated that participation in the digital economy is becoming increasingly vital to the growth potential of small businesses. A variety of factors including infrastructure availability, poor quality of service, a lack of awareness of the benefits of being online and challenges small businesses face in engaging with the market all contribute to stopping small businesses from taking full advantage. The report also sets out a range of solutions and call to action for public investment where the market is not delivering.

4   Timetable for implementing this decision

4.1   Should the Council confirm its investment support for Superfast Broadband, it will form part of the CSW Broadband bid for both European Regional Development Fund and CWLEP Growth Deal 3. Both outcomes are expected around the time of the Autumn Statement (23 November 2016).

4.2   Dependent upon the outcomes of the funding bids, the actual work will start in 2017/18 and go through until 2020/21.

5   Comments from Executive Director, Resources

5.1   **Financial implications**

	2017 / 18	2018 / 19	2019 /20	2020 /21	Total
	£m	£m	£m	£m	£m
CWLEP Growth Deal requested	0.17	0.76	2.6	0.77	4.3
Coventry	**0.2**	**0.55**	**1.4**	**0.4**	**2.55**
Warwickshire	0.2	0.55	1.4	0.4	2.55
ERDF	0.85	2.83	1.18	0	4.86
Private sector funds	0.19	0.26	0.62	0	1.07
TOTAL	**1.61**	**4.95**	**7.2**	**1.57**	**15.33**

Coventry's required contribution to the infrastructure is £2.55m, which is proposed is from corporate capital resources.

The proposal also requires a further one off investment of corporate monies to project manage on behalf of the Council for a period of 2 years up to a maximum cost of £150,000 (in total). It is intended that this role would work with CSWP to maximise infrastructure investment in Coventry.

5.2   **Legal implications**

There are no legal implications arising out of this report at this stage. As the project progresses, there may be legal implications which need to be addressed. Legal Services will be undertake a monitoring role and will be providing on-going advice on the proposed structure of the project to ensure to the extent possible that the project complies with any state aid and procurement requirement.

6   Other implications

6.1   **How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?**

6.1.1 The project will assist with the Council in meeting its strategic vision, values, objectives and areas of focus – to improve quality of life for all Coventry residents – through improved access to faster broadband and the wider use of technologies.

6.1.2 An improved network will have a positive impact on a number of areas including – improving outcomes for the most vulnerable children, young people and adults, providing the infrastructure and services that keep the City moving and working, promoting long term sustainability, finding the most efficient way of delivering accessible services which satisfy our customers, growing businesses, jobs and wages, increased equalities of opportunity, helping people to live successful lives as independently as possible and helping communities to help themselves.

6.1.3 It will also be at the core of the council's emerging Digital Strategy due for consideration by the Council before the end of the year.

6.1.4 It is aligned to the Coventry & Warwickshire Local Enterprise Partnership's (CWLEP) strategic economic plan where investment in superfast and ultrafast Broadband across Coventry and Warwickshire will play an integral part of the CWLEP's ambition to be recognised as a global hub for knowledge-based industries.

6.1.5 It is fully integrated into the West Midlands Combined Authority Strategic Economic Plan, by investing in superfast broadband infrastructure in Coventry it will deliver against the outcomes of jobs, investment and productivity.

6.2 How is risk being managed?

6.2.1 A project manager would be recruited to manage the council's investment into the Broadband project. The project manager would be responsible for managing the Council's interests in the project, ensuring the targeting of the right areas for superfast broadband growth. In addition working with the CSW Team based in Warwick, the project manager would support the procurement of commercial partner(s) to deliver the actual infrastructure and provide ongoing monitoring of the project over the time period.

6.3 What is the impact on the organisation?

6.3.1 HR Implications

To ensure successful delivery of this programme within Coventry, additional staff may be required. Some staff are already in place from other externally funded aligned projects. Any new staff will be recruited on temporary fixed term basis.

6.4 Equalities / EIA

6.4.1 Investment in Broadband technology has the potential to have a positive equalities impact as it will provide more access for different communities and neighbourhoods in Coventry. However, national research shows that older people are less likely to embrace the new technologies largely because of awareness and skills. Interestingly, this is the type of group that could significantly see benefit into older age through social contact, access to services and supporting care and health requirements. Superfast Broadband will allow Senior Citizens to reconnect with local communities.

6.4.2 The impact is expected to be positive on the younger population of the City, in particular around education, e-learning, leisure, social interaction, networking as well as developing their skills.

6.4.3 Whilst the public sector through this project can invest in the installation of the Superfast Broadband network, there will be costs of connections, purchases of equipment and monthly internet charges – this may well prove to still be a barrier for some.

6.4.4 For businesses, access to Superfast Broadband will enable competitiveness globally, providing the ability to grow, create jobs and wage levels and enhance the inward investment offer/potential of the City as well as a positive impact on economic productivity and GVA.

6.4.5 Evidence indicates that school children with use of the internet in homes and students who utilise the internet for study on a regular basis can benefit from improved attainment.

Increasingly schools, colleges and training providers making use of virtual learning networks for study – children and students need to have a good level of service to enable them to access learning resources and submit homework and assignments. The consensus is that broadband makes a positive difference to educational effectiveness and the capacity for providers to deliver effective e-learning.

6.4.6 The Superfast Broadband project will result in improved access – however, though significant this is only one and the first step to ensure people have equal access to digital opportunities. Digital exclusion is one factor next to a range of other exclusion that are often linked whether isolation, poverty, unemployment, poor housing, poor health. However, digital inclusion can help to address some of the issues of exclusion.

6.4.7 Notwithstanding any of the statements above a full Equalities Impact Assessment (EIA) should done on approval of the funding to ensure that any inequalities are addressed and minimised.

6.5 **Implications for (or impact on) the environment**

6.5.1 The availability and use of faster broadband will also have some impact on the environment. Investment in Broadband is estimated to produce savings from lower car usage, through less annual community and business travel through enabling increased telework for a proportion of the workforce. And significant savings to electricity usage through broadband-using businesses shifting part of their server capacity onto (more energy-efficient) public cloud platforms.

6.5.2 Allowing for rebound effects (in particular, workers needing to heat their homes in the winter), it is estimated that faster broadband will account for about 1.6 million tonnes of carbon dioxide equivalent (CO_2e) savings per annum nationally.

6.6 **Implications for partner organisations?**

6.6.1 Coventry City Council's investment will impact a number of local partner organisations positively enabling access to Superfast Broadband where there currently is no or limited provision. All the local authorities within the Coventry & Warwickshire sub-region are partners in the CSW Broadband project and will realise benefits from Coventry's investment.

7 **Glossary of Terms**

Term	Explanation
Superfast	Connection speeds of 30Mb/s or Higher (Ofcom Definition)
Ultrafast	Connection speeds of 300Mb/s or Higher (Ofcom Definition)
Gigabit	Connection speeds of 1Gb/s or Higher
Fibre to the Cabinet (FTTC)	Fibre connection to the cabinet with final connection to property in copper wire – this is usually the element covered by grant if available
Fibre to the property (FTTP)	Fibre connection directly to the property

4G/5G	4th and 5th generation mobile phone networks Connection speeds • 4G up to 300Mb/sec • 5G may be up to 10Gb/sec
Public Wi-Fi	Wi-Fi that is provided free of charge for public use.
Internet of Things	A development of the Internet in which everyday objects have network connectivity,

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