



# Northumberland

## County Council

### **Cabinet**

12 March 2019

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### **Superfast Broadband Voucher Scheme**

Report of Kelly Angus, Executive Director of HR/OD & Deputy Chief Executive  
Cabinet Member(s): Cllr Nicholas Oliver - Portfolio Holder for Corporate Services

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#### **Purpose of report**

To seek approval to develop and launch a superfast voucher scheme to enable alternative suppliers to Openreach to access public funding in order to roll out superfast broadband services to residents and businesses in Northumberland not currently covered by existing plans.

#### **Recommendations**

It is recommended that this £200,000 allocation is allocated via a voucher scheme rather than via a single procurement, or series of small scale procurements. Specific details of how such a scheme would operate are given below.

Further funds are available through the iNorthumberland programme from a range of sources including clawback from the first contract and further 'gainshare' funding from high levels of take up. The terms of the contract mean some of this funding is ring fenced for use with Openreach, but some can be used with other suppliers. It is therefore recommended that if this scheme experiences high demand and the initial £200,000 is utilised that further funds be made available from one of these existing budgets to extend the voucher scheme up to a total maximum value of £1m.

#### **Link to Corporate Plan**

The delivery of superfast broadband via the iNorthumberland Programme supports the social and economic priorities of the Council, increasing the ability to attract businesses to Northumberland whilst also assisting existing businesses to remain competitive and allowing residents to fully participate in an increasingly digitally enabled world.

## **Background**

The first phase of the iNorthumberland fibre roll out with Openreach, which ended in December 2015, saw approximately 90% of homes and businesses able to access superfast broadband services (at least 24 Mbps) thanks to funding from Northumberland County Council (£7m), Central Government (£7m) and the European Regional Development Fund (£2m). This kept Northumberland in line with the national target for 90% of properties across the UK having access to superfast services by the end of 2015.

Government also set the target of 95% of properties having access to superfast broadband by the end of 2017 and further funds have been made available for a second phase of the iNorthumberland fibre rollout with Openreach. Approximately £10.5m of funding from the County Council, Central Government and 'gainshare' funds (based on high levels of take up of the fibre service within the county) will seek to provide superfast broadband services to a total of 6,200 additional properties, taking the coverage in Northumberland to around 93 to 94% of properties.

As of December 2018 92.9% of properties in Northumberland had access to broadband speeds of 24 Mbps or above compared to 95.76% properties nationally (source: ThinkBroadband.com)

Northumberland County Council has made a further £2.2 million available (mainly from savings within the first rollout contract) to help bring superfast broadband to some of the most difficult to reach communities in the county. £2m of this has been allocated towards additional fibre coverage with Openreach and there are currently over 50 communities being taken through the process to receive full fibre services which otherwise would have been excluded from the roll out. Depending on the number and size of communities involved we expect this to increase the coverage of superfast broadband in the county to between 95 and 96% of properties.

The remaining £200,000 was earmarked for situations where Openreach cannot provide a quote under the fund criteria. Therefore funding was intended to be used for alternative network solutions with other suppliers.

## **Key Issues**

### **Existing Voucher Schemes**

There are currently two national voucher schemes operating which residents and/or businesses in Northumberland can access:

## **Better Broadband Scheme**

The better broadband scheme was launched in 2015 as a satellite voucher scheme and now expanded to include mobile (4G) and wireless technologies. The vouchers are only available to residents and businesses who receive broadband services of less than 2 Mbps. The value of the voucher varies depending on supplier but is typically £350 to £450 per property. This is sufficient for satellite and mobile solutions where the infrastructure (satellite or mobile mast) is already in place and the voucher can therefore cover costs of end user equipment (dish, router etc) and installation. However with a wireless solution the costs are typically higher than £450 a property as it is necessary to install backhaul and transmission equipment as well as the equipment at the end users' properties to receive the service. As a result residents and businesses accessing better broadband vouchers for wireless schemes are often still required to contribute around £450 towards the set up costs. Although many are willing to do this it does exclude some users from accessing the services.

There was an expectation that the better broadband voucher scheme would cease at the end of 2018, however BDUK (part of DCMS) has now stated that the scheme will be extended until December 2019.

## **Gigabit Voucher Scheme**

The gigabit scheme was launched this year and is intended to be used by businesses seeking gigabit (1000 Mbps) capable services. Although wireless technologies are eligible the government's ambition is now shifting towards full fibre connections and therefore it is expected that the majority of the gigabit vouchers will be used for full fibre connections. Funds of up to £3,000 a business and £500 a residential property are available, but the value of businesses must exceed the value of residential properties for each scheme. (NB this will change in the new year to reduce the contribution to business premises to £2,500 but to relax the rule that the value of business premises must exceed the value of residential premises). All properties are eligible unless they already have gigabit capable services (for example Openreach's fibre to the premises technology). It is therefore expected that this fund will be mostly used in areas with a concentration of businesses where existing services are typically provided using fibre to the cabinet technology, but there is a desire for more full fibre connections (ie business parks and industrial estates). The scheme is not seen by government as a solution to the 'final 5%' superfast broadband area.

## **Benefits of a voucher scheme**

The main benefit of a voucher based approach is that it removes the need for a procurement exercise. Depending on the value this could be time consuming and expensive for the County

Council and may lead to a delay in seeing properties connected as a result. In addition the provider is likely to be different in different parts of the County as existing suppliers already operate in some areas. Furthermore some of the suppliers are not large enough to undertake a big deployment across an area such as Northumberland. The procurement may therefore need to be separated into smaller areas or lots, increasing the complexity.

With a voucher based scheme the funding is awarded to individual residents or businesses rather than a specific supplier and therefore issues such as state aid and procurement are more straightforward. The individuals can then use their voucher with any of the approved suppliers, and can pool with neighbours where appropriate. This approach has been used effectively in the better broadband scheme.

The approved suppliers use the voucher code to draw down funding directly once they have provided evidence that a connection has been made. This therefore removes the risk of providing grants to individuals and having to undertake checks and monitoring to ensure it has been used for the purpose intended.

## **Consultation**

Following discussions have been held with residents, businesses and broadband suppliers, we feel there is a gap for a superfast connection scheme which sits between the better broadband and gigabit schemes. Information also suggests that the value of vouchers for such a scheme should fall between the two existing schemes and the proposal would be to allocate up to £1,000 per property towards a superfast connection (note government is increasingly moving towards the EU definition of superfast broadband being 30 Mbps or above, and it is proposed that this scheme also uses this approach).

Consultation has also been undertaken with BDUK as the manager of existing broadband voucher schemes and with Kent County Council who are about to launch their own superfast broadband voucher scheme.

Kent County Council is undertaking all the administration of their scheme within the existing superfast broadband team. Depending on the volume of applications this could be a significant commitment.

## **Details of proposed superfast voucher scheme**

To be compliant with state aid rules a voucher scheme must operate under the de minimis principles. This may impact on some businesses that have already received significant levels of public funding.

The scheme must be 'technology agnostic' (i.e. we cannot specify (or exclude) certain

technologies). It is therefore important to correctly identify the technical specification of the voucher scheme (for example stating a minimum connection speed, requirements for latency, consideration of monthly data allowances, costs etc).

Government's ambition is for full fibre coverage to 100% of properties across the country by 2033. With this in mind the Council may wish to encourage suppliers to increasingly adopt fibre based solutions through this scheme.

Clearly there will be cases where full fibre connectivity is not yet possible and an alternative technology will be cheaper and faster to roll out. It is important that residents and businesses realise that if they utilise a superfast voucher for a non fibre solution they would no longer be eligible to be connected via the iNorthumberland superfast programme.

They would still be able to access full fibre funding in line with the Government's full fibre ambition in the same way as properties currently receiving superfast connections via an Openreach fibre to the cabinet solution.

The scheme must be open to all suppliers who can meet the technical specification, although the council may choose to only actively promote the scheme to suppliers currently active within the county.

The vouchers are only intended to fund a 'last mile connection' and under state aid rules are not designed to be used to build infrastructure. As a result public authorities cannot be seen to be undertaking the role of 'aggregating agent' (i.e. encouraging residents or businesses to pool vouchers to fund a wider rollout of infrastructure). Suppliers can undertake this role themselves or a community champion can undertake that role. Kent County Council has a separate group application process to deal with larger community wide applications.

## **Eligibility**

This scheme would be aimed at residents and businesses unable to access broadband speeds of 15 Mbps or above. Those properties that are in an existing fibre roll out plan would not be eligible unless it became clear that Openreach was unable to provide a connection. Notice would also be taken of previous and latest 'open market review' (OMR) submissions by other broadband suppliers to assess whether properties were included within commercial deployment plans.

In addition we would still encourage the fibre first approach and work with communities to explore community fibre solutions. There are however examples where the cost of fibre is too high and therefore an alternative solution is needed.

It is proposed that only properties built before 2012 would be eligible. This would prevent funds being used to deal with problems at new build estates where the developer and Openreach have been unable to reach a commercial agreement to provide superfast services. We currently only have one development in this position (Persimmon's Coquet Grange in Amble). Kent has agreed to exclude new build properties from the scheme they operate.

It is proposed that the scheme be available throughout the county to those properties that are eligible. Kent's scheme is restricted to Defra defined rural areas, however it is not felt necessary to do this in Northumberland.

It is proposed that the scheme is available to any eligible property that pays council tax or business rates. Kent's scheme excludes residential properties that are not permanent residences, meaning some second homes not operating as a business and properties such as caravans would not be eligible. If those properties pay council tax it seems unfair to exclude them.

### **Eligibility of Broadband Providers**

One issue arising from the consultation with BDUK, Kent County Council and existing operators in Northumberland is the potential for new providers coming into an area attracted by the voucher scheme. In most cases this is positive, however there may be examples of small providers essentially reselling other services. Some types of technology, e.g. fixed wireless, may be disadvantaged by larger numbers of operators since they could conflict with each others' signals and impact on the service to the end user. Consideration therefore also needs to be given to how we would select successful operators.

Some suggestions are provided below:

- Be a UK limited company & VAT registered.
- Have £5m of public liability insurance in place.
- Be a registered supplier on a current BDUK scheme (ideally the Gigabit voucher scheme with more rigorous criteria).
- Membership of an Ofcom-recognised alternative dispute resolution scheme.
- Depending on the technology proposed the following issues may also be relevant:
  - Have a number of proven installations which have been operational for at least 12 months, delivering superfast broadband.
  - Evidence of speeds delivered and number of properties served.
  - Full financials to prove the supplier can run a financially viable network.

- Suppliers need to have an existing client base of over 100 and be able to provide 10x client references.
- We may wish to go further and state that the company should prove it has experience of operating within Northumberland.

### **Funding impact**

The County Council has already approved the £2.2m community scheme and therefore no further funds are required at this stage. BDUK is considering establishing a national superfast voucher scheme to replace the better broadband scheme. If this happens we would seek to promote the use of that scheme rather than a locally funded version. However if the scheme proves successful and a national scheme is not forthcoming, then it may be appropriate to look at allocating further funds to the voucher scheme in future years.

### **Implications**

<b>Policy</b>	None
<b>Finance and value for money</b>	Funding for the Voucher Scheme is already allocated to Broadband provision via the iNorthumberland programme so no additional funding is required at this stage. Should the funding be fully utilised and additional funding required a further paper would be taken to cabinet for approval.  Value for money is tracked within the existing iNorthumberland programme governance, with only eligible costs able to be claimed under the scheme.
<b>Legal</b>	None
<b>Procurement</b>	As Vouchers would be allocated to residents and businesses there would be no procurement exercise required to select a supplier.
<b>Human Resources</b>	None
<b>Property</b>	None
<b>Equalities</b> (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> X	None
<b>Risk Assessment</b>	

<b>Crime &amp; Disorder</b>	None
<b>Customer Consideration</b>	All residents and businesses across the county would be able to access the Voucher Scheme, subject to meeting the eligibility criteria of the scheme.
<b>Carbon reduction</b>	None
<b>Wards</b>	As the Voucher Scheme will be available to residents and businesses across the county all Wards will be able to benefit from the scheme.

**Background papers:**

None

**Report sign off.**

***Authors must ensure that officers and members have agreed the content of the report:***

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