



SCRUTINY TASK GROUP INTERIM REPORT
BROADBAND
SEPTEMBER 2016

1. INTRODUCTION

- 1.1** The proposal to establish a scrutiny task group to look at the issue of broadband was agreed by the Overview and Scrutiny committee in April 2015 following a motion at Council. At the time it was suggested that an invitation should be extended to Gloucester City scrutiny members to join the task group. The aim of the task group was to understand the issues regarding improved broadband service for Cheltenham and Gloucester, to identify the problem areas and to make any recommendations on how these could be overcome.
- 1.2** Following the May elections the membership of the task group changed and in particular the chair of the task group, Councillor Roger Whyborn had to stand down as he became a member of the CBC Cabinet. He was keen to hand over the work of the task group and he contributed to this interim report of the task group which sets out their findings to date and their interim recommendations. This report can be reviewed by the O&S committee and they will then be in a good position to decide on the next steps.
- 1.3** **The recommendation in this report is that the work of the task group should end at this point but that the O&S committee should continue to monitor the situation and encourage the Gloucestershire Economic Growth O&S committee to scrutinise further developments (see section 9 of this report for recommendations).**

2. MEMBERSHIP AND TERMS OF REFERENCE

2.1 Membership of the task group (up until May 2016):

- Councillor Roger Whyborn – Cheltenham Borough Council (chair)
- Councillor Matt Babbage – Cheltenham Borough Council
- Councillor Nigel Britter – Cheltenham Borough Council
- Councillor Neil Hampson – Gloucester City Council
- Councillor Gordon Taylor – Gloucester City Council

2.2 Terms of Reference agreed by the Overview and Scrutiny Committee

- To establish what areas in Cheltenham and Gloucester require improved broadband service
- To understand the reasons why this service has not already been improved in those areas
- To lobby the relevant organisations to see what can be done

3. METHOD OF APPROACH

- 3.1** The task group met on 3 occasions with their first meeting being held in October 2015. During the first two meetings they were concerned with understanding the current situation.
- 3.2** The task group were supported in the review by the following officers:

- Mark Radford - Project Manager for Broadband Connections Scheme in Gloucestershire
- Matt Smith – Scheme Manager for Fastershire in Gloucestershire and Herefordshire (attended the first two meeting but not the third meeting with BT)
- Angela Presdee – Economic Development Team, Gloucestershire County Council
- Kevan Blackadder – Cheltenham Business Partnership
- Wilf Tomaney – Townscape Manager, Cheltenham Borough Council
- Annette Wight/Rosalind Reeves – Democratic services : Facilitators for the task group

3.3 Members would like to thank all of the officers who attended meetings and contributed to the review.

4. THE CURRENT SITUATION

4.1 Roles and Responsibilities

First of all the task group needed to establish their understanding of the current situation and the roles and responsibilities of all those involved:

4.2 Government

Broadband Delivery UK (BDUK) is part of the Department of Culture Media and Sport and is the structure for distributing the public funds allocated by government to secure the following objectives:

- basic broadband (a minimum download speed of 2 Mbps) for all by the end of 2015 (often known as the universal service commitment (USC)).
- superfast broadband coverage to 90% of the UK (defined as a download speed of a least 24 Mbps)

4.3 Fastershire

This is the local authority brand-name for the project run in Herefordshire and Gloucestershire using funds from Broadband Delivery UK (BDUK) to improve broadband in the two counties. Matt Smith who attended our first two meetings was the operations manager for Fastershire and based at Herefordshire County Council.

Fastershire receive funding from BDUK together with matched funding from the two county councils to achieve the government targets set in the USC.

Fastershire were acquired by government to carry out an Open Market Review in 2011 to ensure that any public money was not spent in an area where the private sector were intending to make an investment. These areas were referred to as intervention areas. A review based on postcodes was carried out in Gloucestershire to establish the intervention and commercial areas.

4.4 BT

BT Broadband is delivered across its telephone exchanges and 'green cabinets' across the UK which are all owned by BT. BT existing network uses copper wiring from the exchange and this would not be sufficient to achieve superfast broadband speeds even in urban areas. Therefore in order to extend broadband coverage BT need to invest in more fibre-optic lines to the cabinets and in some cases to the customer's premises.

BT has its own business objectives to invest in the infrastructure necessary to support the roll-out of superfast broadband to its customers where it is commercially viable based on a 10 year investment return.

The problem comes where it is not commercially viable and this is where the government funding is needed. BT were contracted by government to deliver broadband in these areas where

intervention and public funding was needed. Fastershire effectively holds the purse strings and works with BT to ensure the money is apportioned legally. This public funding can be used to satisfy either of the government's objectives i.e basic broadband for all or superfast broadband. In these cases up to a 26 year investment return could be considered.

The group learned at its April meeting that the contract between BT and Fastershire is due to end during the 2016 calendar year, and it is not clear whether it is to be re-awarded to BT.

4.5 County Council

The County Council is both a sponsor and funder of Fastershire, and as such has a strategic role in rolling out highspeed broadband across urban and indeed rural areas within the County.

4.6 Virgin

Virgin Media Ltd is a commercial company operating an entirely separate infrastructure to deliver broadband using their own boxes and exchange. Their modern network uses fibre-optic cables and is therefore capable of far higher broadband speeds. As they are a commercial retailer they cannot receive any funding from government and therefore they will only install broadband where there are commercial benefits to them in doing so.

4.7 Other commercial operators

BT is obliged to open up its network to its commercial rivals under the open access provisions so they too can offer broadband services via this network. Other operators install their own routing equipment into BT exchanges.

4.8 Current situation re broadband coverage

At their second meeting in February, Matt Smith brought along some large-scale maps showing broadband coverage in both Cheltenham and Gloucester. These maps were produced from data taken from an Open Market Review in October 2014 and several caveats were attached to the maps.

4.9 The maps demonstrated red areas where broadband coverage was being delivered to over 90% of premises by at least one provider. However the maps clearly showed white areas where less than 90% of premises had broadband.

4.10 Satellite Vouchers

This is a scheme whereby a property owner can apply for a satellite voucher if their line capacity is below 2 Mbps and there are no commercial rollouts planned for that area. The funding available is £350 per property and is administered and distributed by Fastershire and would enable a download capacity of up to 10 Mbps. This would supply an adequate download scheme but not the superfast broadband that may be required by properties depending on the proposed usage.

4.11 As far as Fastershire is concerned the satellite voucher is a useful option for properties where it is not considered to be economically viable even for Fastershire funding, for example in the case of isolated properties or very small groups of properties in one area.

5. EVIDENCE FROM BT

5.1 The task group were keen to meet with both BT and Virgin to discuss the problem. The task group invited representatives from BT to their meeting in April 2016 and officers agreed to try and arrange a meeting with Virgin Media but this did not take place during the course of the review.

5.2 Paul Coles, BT South West Regional Partnerships Director, attended the meeting to give an overview of the role of BT in providing Superfast Broadband and to address a series of questions that the working group had sent to him in advance of the meeting. Following a presentation the following questions were asked and his responses are set out for each question.

- 1. As representatives of local residents and businesses, we need to understand to what extent BT is ready, willing and able to use Fastershire money to help residents and businesses – and*

importantly we need to understand BT's reasons as to why it is not prepared to do so in urban areas where high speed broadband is significantly absent.

Paul Coles explained that this depended on clustering and that if there were low densities of properties then it was not commercially viable to supply high speed broadband. Gaps in residential areas could be caused where there are direct lines to exchange and in industrial areas to leased lines being used. (See Q5.)

BT were happy to go into any residential areas with co-funding from other sources.

2. *As a committee we have identified several "areas of broadband deprivation" in both Gloucester & Cheltenham. At the risk of leaving out some important areas, the larger residential and commercial zones are:*

Cheltenham

- *parts of Up Hatherley and the Reddings*
- *parts of Battledown*
- *parts of Leckhampton and Ch. Kings*
- *much of the town centre areas/ around*
- *Numerous industrial estates.*

Gloucester

- *parts of Hucclecote*
- *parts of Abbeymead*
- *most of the city centre*
- *Nearly every industrial estate*

a) Taking cabinet 151 purely as an example – cannot BT find a way - with Fastershire or otherwise – to fund approximately £9000 for this? This is a piffling sum for both BT and GCC to connect about 53 houses, is it not?

b) There are blackspots within Cheltenham town centre itself, and within Gloucester city centre. What priorities can/does BT give to town centres?

a) Members remained unclear as to how to reconcile the stated aims of BT to co-invest and co-fund to bring superfast Broadband into communities, together with the previously stated aims of Fastershire who have funds available for this purpose. That is to say, many areas, including all those in this question, are in areas of broadband deprivation, despite apparent availability of funds for co-investment.

The chair wished therefore to encourage Mr Coles from BT and Mr Smith from Fastershire to come up with detailed reasoning as why this was the case using Cabinet 151 as the example. The task group also wanted them to explore solutions to overcome this which are capable of being widened out to all of the residential areas quoted.

b) With regard to Broadband deprivation in town centres and business areas, BT looked to see if it was commercially viable, based on density and take up. However, BT pointed out that many companies don't sell online and many small to medium enterprises (SMEs) don't have the IT expertise, so don't want or need superfast broadband. Many use a leased line which can provide Gigabit speeds. He stressed that the white areas on the maps didn't necessarily signify there is no connectivity.

Mr Coles stated that there was no area that BT would not be prepared to go in on a co-funding arrangement provided BT could make a commercial return in 13 years. Fastershire generally worked on a return after 26 years.

3. *What legalities prevent BT from accepting Fastershire money in some places, more importantly what steps is BT as a national company taking, at the highest level if necessary, to effect changes to this log-jam?*

In brief none. BT suggested this may be a state aid issue and would take up this point with Matt Smith of Fastershire.

4. *There is a scheme for households to receive satellite vouchers worth £350 where Broadband connections are difficult. Does BT have a view on how many houses in a group would be more appropriately served this way than by optical fibre in urban areas like Gloucester & Cheltenham?*

BT advised that the satellite service was for the last 1-2% and that the take up on the satellite schemes was low. The satellite scheme had latency challenges but could be a solution for rural areas as fibering to rural areas was expensive. The satellite service should only be thought of as a stop gap for the white areas on the map.

5. *We have concerns about many industrial and commercial areas lacking high speed broadband. This is bound to hold back development of higher tech businesses, and those doing printing and media work. What plans do you have to improve the lot for businesses in our area?*

BT pointed out that many businesses don't want Superfast Broadband and thus with the density of premises in business parks being low, it was not commercially viable. He quoted that over 1,000 businesses are using leased lines rather than superfast, as service levels with leased lines were much faster than with the Superfast providers and all can have Gigabit speeds with leased lines. He felt that companies operating any kind of internet provision would want this latter solution with the better level of service they could provide.

6. *Ofcom has recently been very critical of BT/Openreach in its provision of Broadband nationally. Whilst not specifically headlining the problems in urban areas, does BT agree that having significant areas in Cheltenham & Gloucester where broadband speeds are not fit for purpose risks substantial reputation damage for BT. But on the other hand are there not opportunities for quick wins at relatively low cost in these same areas?*

BT stressed that there were no areas where BT would not co-invest. They couldn't do it using all their own funds but if it was a joint investment then they could deliver it. BT would be happy to discuss options on a community to community basis, with as few as 20-30 premises to see what is needed. If communities want superfast and are happy to co-invest with BT, it is not necessarily expensive and any non-profit making organisations would not have to pay VAT. Mr Coles offered for himself or a member of his team to go along to any community meetings to discuss and explain the situation in that area.

7. *What commercial plans (i.e. aside from Fastershire and without divulging commercial secrets), do BT have to improve Broadband connections to Gloucester & Cheltenham?*

The commercial roll out finished in 2014 and the next challenge and big commercial investment is to get 10million premises up to Ultrafast by 2020.

8. *What is current position with renewing Fastershire contract?*

BT is awaiting procurement and tender for a new contract and they would need to see the tender before they could comment.

There was some discussion about the situation with 'new build'. It was generally acknowledged that commercial and planning pressures were encouraging many more new estates to be built with superfast broadband from the start, and with developers co-funding this with e.g. BT.

6. SUMMARY OF ISSUES FOLLOWING THE MEETING WITH BT

- 6.1 Following the meeting with BT the chair of the task group produced this summary of the

numerous issues that had surfaced during the course of the group's work and their interim conclusions:

- 6.2** Simply stated, there are a significant number of pockets of both residential and commercial in urban Gloucester and Cheltenham where neither of the two main network providers, BT Openreach and Virgin Media are ready willing and able to provide high Speed Broadband on a commercial basis. For various reasons there seem to be real difficulties in practice of doing this on a non-commercial basis using public funding, through the 'Fastershire' Scheme. The situation with Virgin is straightforward in that as a retailer (who happens to also be a provider of infrastructure), Virgin cannot receive monies from Fastershire.
- 6.3** The situation with BT is complex. The task group has so far been unable to establish why Fastershire has not granted significant funding to enable BT, through their mutual contract, to provide funding to the known areas of high speed broadband deprivation. This is believed to include 5,900 and 6,800 premises respectively in Gloucester and Cheltenham. The task group was told at its first meeting by Fastershire that there was significant funding, and that the 'political will' by the County Council was not a difficulty. (However some doubt was cast on this at the April 2016 meeting, and subsequently.) Their only difficulty was working with BT to find solutions where BT was able to accept public funding through the scheme. The task group is led to believe by Fastershire that where a BT cabinet's range of premises is partly overlapped by cabling from Virgin, then provision of state aid to BT would be regarded as 'unfair' to VM, and thus cannot legally be undertaken.
- 6.4** The task group was also given assurances by BT that there is no problem in providing the necessary infrastructure, and there is a strong willingness to engage with communities, and that where it is uneconomic to provide commercial solutions, BT will work with those who will provide the funding. Possible explanations include but are not limited to the following:
- The relationship between the two bodies is dysfunctional and that insufficient effort is being made to achieve workable solutions in the (urban) areas which have been identified. At the very least we would expect the two bodies to define precisely the areas where it is not legally or practically possible to work together to provide a service.
 - The parameters set by central government make it impossible to legally disburse funding through Fastershire to upgrade the Broadband infrastructure in urban areas of Cheltenham and Gloucester. There was some evidence given to support this, though why it is a problem in such large tranches of (only) urban areas has not been explained to the task group.

Neither explanation can be regarded as satisfactory, nor is it within the task group's gift to establish which is the correct one, or indeed whether there is another (possibly more benign) explanation. At the time of writing, the task group has requested Fastershire and BT to discuss the known (to the task group) range of areas, and see if they can come up with solutions.

- 6.5** It is the case that definition of precisely which premises are affected, as the data is based on postcodes, whereas the infrastructure is based on BT's cabinets, or VM's cabling. This is a real difficulty, but it should not be allowed to obfuscate the essential problems being described.
- 6.6** The use of £350 vouchers for satellite vouchers is seen as a limited solution, albeit one of last resort for small numbers of individual premises in hard to reach places within both city/towns.

7. UPDATE ON LATEST SITUATION

- 7.1** On 17 August, the Democratic Services Manager attended a meeting with Tim Atkins, MD Place and Economic Development CBC, Regeneration and Economic Development Manager, Claire Edwards, Team Leader - Economic Development and Strategic Planning and Angela Presdee, GCC. The purpose of the meeting was to review what discussions officers from GCC had taken place with BT following the April meeting of the task group and discuss how the officer support for the scrutiny task group could be enhanced. Angela gave a verbal update and subsequently

provided the following written update.

7.2 Fastershire Update to Cheltenham & Gloucester Scrutiny Committee Members – August 2016

“Angela Presdee advised that since the last meeting of the scrutiny task group, GCC/Fastershire Operational Team had been working on actions to address the specific issues that had been raised at Scrutiny, namely cabinets 209 and 151 (around 6,000 premises). Through the BDUK Better Broadband subsidy scheme, which is offering a voucher for satellite connection to any residential or commercial properties with current broadband speeds of less than 2mbps across the UK, BT have been working with the local communities in these two areas to encourage them to collaborate and pool their vouchers to trigger the BT cabinets. The team has been working to identify those potential eligible voucher beneficiaries, and encourage them to make a ‘pledge’ to the voucher scheme. The BT key contact for this work is Matt Lloyd.

The Scrutiny Committee will be aware of the approved Fastershire Broadband Strategy (2015) which outlines how the funding GCC has secured will be used to meet the project’s ambition, that everyone in Herefordshire and Gloucestershire will be able to access the broadband services they need by the end of 2018. Future stages of the project will focus on the areas that have not been reached and are yet to benefit from fibre broadband. These geographic areas will be broken into individual lots that will enable the procurement of new solutions within these areas.

Officers of the two partner authorities (Gloucestershire and Herefordshire) have carried out Open Market Reviews of the commercial marketplace to identify the future investment plans of key operators across the two counties, and also completed a state aid consultation, to aid the identification of future areas that would be eligible for public sector intervention and subsidy. A Lotting Strategy has now been developed, for which approval from BDUK and the Fastershire Board is being sought.

It is the intention to embark on future procurements lots for the further roll out programme in the Autumn. The next phase will focus on the Forest of Dean and the southern part of Herefordshire, with the rest of the county procurement process following later in the Autumn.

The Fastershire Project Team will continue to liaise with senior officers in Cheltenham and Gloucester about future intervention and delivery plans. The project team will also be providing broadband updates to the Gloucestershire Economic Growth Joint Scrutiny Committee, which has both Member and senior officer representation from all Local Authorities, as well as the Local Enterprise Partnership.

Members and officers might find the latest project update (August 2016) for Gloucestershire useful.” (see Appendix 2)

- 7.3** Claire Edwards explained that with limited officer resources they could no longer offer any support to this task group and in future would only report to the Gloucestershire Economic Overview and Scrutiny Committee. Cheltenham Borough Council has a representative on that committee namely Councillor Paul McCloskey.
- 7.4** Officers from the county highlighted that if the task group wished they could continue to try and establish a relationship with BT and other companies as a commercial provide to lobby their support but the county would continue to focus on subsidised broadband. There are no resources within CBC who would have any technical expertise in this area to support the task group.

8. CONSULTATION AND FEEDBACK

8.1 These early stages of the task group have been confined to fact finding and trying to establish the current issues and as such have not carried out any further consultation.

9. RECOMMENDATIONS

9.1 There are several options for this scrutiny review which the O&S committee can now consider which are set out below. The members of the task group who gave their feedback on this report recommended 3 and/or 4 rather than trying to come up with any recommendations for external parties at this stage (rec 1) or trying to progress the task group without the appropriate officer support (Rec 2).

i. **Rec 1:** The task group with any new Members meets for one last time to finalise its report and formulate any recommendations.

OR

ii. **Rec 2:** The task group are requested to carry on but focus on the commercial roll out of broadband.
- This would be difficult without any expert officer support and O&S would need to assess the likely influence that the group could have on commercial providers.

OR

iii. **Rec 3:** Write to the chair of the Gloucestershire Economic Growth Overview and Scrutiny Committee and request the following:

“CBC and Gloucester City Councils set up a scrutiny task group in 2015 to understand the issues regarding improved broadband service for Cheltenham and Gloucester, to identify the problem areas and to make any recommendations on how these could be overcome. The Group has now been advised that GCC officers can no longer support the task group and will focus their reporting to Members of the Gloucestershire Economic Growth O&S committee. Can the Glos. Economic Growth O&S committee confirm that they will continue to give this important issue their priority so that broadband service can be improved to our residents and businesses in Cheltenham.

AND/OR

iv. **Rec 4:** Put an item on the future workplan for O&S to have an update on the broadband situation in 12 months time.

Contact officer	Rosalind.Reeves, Democratic Services Manager , rosalind.reeves@cheltenham.gov.uk 01242 77 4937
Appendices	1. One page strategy agreed by O&S committee 2. Fastershire project update August 2016
Background information	1. CBC Council Resolution 26/02/15 Cheltenham Borough Council - Agenda item - Notices of Motion



(DRAFT) SCRUTINY REVIEW – ONE PAGE STRATEGY

FOR COMPLETION BY THE OVERVIEW AND SCRUTINY COMMITTEE	
Broad topic area	Urban broadband – joint scrutiny with Gloucester City Council
Specific topic area	Establish what areas in Cheltenham and Gloucester require improved broadband service and possible reasons as to why this has not already been improved and use this information to lobby the relevant organisations.
Ambitions for the review	<ul style="list-style-type: none"> To produce a map of the problem areas in Cheltenham and Gloucester Reasons as to why the service in these areas has not been improved
Outcomes	The group will have established which areas of Cheltenham and Gloucester require improved broadband service and why this has not already been undertaken. They will then use this information to lobby Virgin, BT and/or Gloucestershire County Council.
How long should the review take?	tbc
Recommendations to be reported to:	Cabinet
FOR COMPLETION BY OFFICERS	
Members	Matt Babbage Nigel Britter Roger Whyborn Neil Hampson (Gloucester City Council) Gordon Taylor (Gloucester City Council)
Officers experts and witnesses	Anthony Hodge, Head of Regeneration and Economic Development (Gloucester City Council) Mark Radford, Project Mgr for Broadband Connections Scheme in Glos Matt Smith, Scheme Manager for Fastershire in Gloucestershire Wilf Tomaney (Cheltenham Borough Council) Kevan Blackadder (Cheltenham Business Partnership)
Sponsoring officer	Exec Board
Facilitator	Annette Wight
Cabinet Member	The Leader
FOR COMPLETION BY THE SCRUTINY TASK GROUP	
Are there any current issues with performance?	
Co-optees	
Other consultees	
Background information	
Suggested method of approach	