



**North Yorkshire County Council
Harrogate and Knaresborough Area Constituency Committee
19 September 2019
Update on Superfast Broadband**

1.0 Purpose of Report

1.1 To introduce an update about the progress of Superfast North Yorkshire.

2.0 Background

2.1 The Superfast North Yorkshire project is built around a partnership between North Yorkshire County Council and BT to deliver next generation superfast broadband to the County, and also brings together other initiatives to address rural access to better broadband. The project is managed on behalf of the County Council by NYnet, its 100% owned broadband company, and is financed by a mixture of funds from Central Government, Europe and the County Council.

2.2 This Committee, at its meeting on 8 November 2018, noted a report which advised of the impact, in the Harrogate and Knaresborough constituency area, of the objective of delivering superfast broadband capability. The Committee asked to be supplied with a further update in a year's time. This report is that further update, although the period since the previous report is only ten months rather than a year.

3.0 Update - Harrogate and Knaresborough Constituency

3.1 Scott Walters of NYnet Ltd has provided, for today's Committee meeting, the update which is set out below.

What impact will Superfast North Yorkshire have on Harrogate and Knaresborough Constituency? The starting point for understanding the impact Superfast North Yorkshire (**SFNY**) will have on the Constituency, is State aid. State aid approval is granted by either the European Commission or, by proxy, the UK Parliament. State aid rules exist to ensure that public monies are not used to interfere in areas where there is the reasonable provision of services by the private market. Crudely, State aid can be viewed as the regulation that requires the public sector to concentrate on public sector services, and only intervene in private sector matters where there is a failed private sector market. In the context of SFNY, State aid provisions require us to define an Intervention Area. An Intervention Area proscribes where state funds can legally be spent due to private sector market failure. Market failure in the provision of broadband is defined as the absence of broadband above 30Mbps.

To define the Intervention Area, we run an Open Market Review (OMR) before each Phase. The OMR is a formal opportunity for service providers to tell SFNY where they currently have coverage of superfast broadband and where they plan to deliver further upgrades. The OMR for Phase 3 defined an Intervention Area of c.35k premises in North Yorkshire.

SFNY recognises 53,779 premises in the Harrogate and Knaresborough Constituency. This was previously reported as 52,454 premises. This number was

recorded at the start of phase 1, therefore the increase of 1,325 reflects house build/development over a 7 year period. We estimate that circa 43,000 (80%) of the current premises are either already covered by Openreach and Virgin Media or, as is the case with Virgin Media, that they plan to provide coverage to these premises in the near future, making these premises incompatible with State aid. It must be recognised that the commercial delivery by both Openreach and Virgin Media is proprietary information and they are not obliged to provide this data to us. In addition to the estimated 43,000 premises delivered by Openreach and Virgin, 6,566 (12%), premises have been provided with connectivity by SFNY Phase 1 and 2. The remaining c.4,000 (7%) premises in the Harrogate and Knaresborough Constituency that do not have access to superfast broadband form part of the wider North Yorkshire Intervention Area.

The Phase 3 contract, as with the Phase 1 and 2 contract, is structured such that the Contractor (BT) chooses where to deploy in the North Yorkshire Intervention Area, using economic measures to maximise the number of premises delivered. This means that the best value for money should be achieved (i.e. the maximum number of premises for a fixed value of funding), and importantly avoids political bias.

Of the c.4,000 premises that do not currently have superfast broadband, 565 (1%) premises are reflected in the Phase 3 deployment plan (with 189 already delivered), this was previously reported as 574 premises (1%) and the loss of 9 premises simply reflects the flexibility within the contract for BT to move deployment as and when conditions force costs up. This flexibility is the lever which drives value for money. The remaining c.3,435 (6%), remain 'under consideration', as do all other properties making up the Intervention Area, but not yet receiving superfast broadband.

To put the level of connectivity in the Constituency into context, Harrogate and Knaresborough Constituency is at 96% coverage of superfast broadband, rising to 97% after Phase 3 finishes deployment, assuming no deviation from the 574 premises in the plan. This compares to the Richmond Constituency, which has a similar number of premises, where coverage is 83%, rising to 86% and North Yorkshire in total, which has coverage of 85% (previously reported at 90%) rising to 90% (previously reported at 94%) after the current Phase 3 contract ends. Due to the presence of both Virgin and Openreach, Harrogate and Knaresborough have suffered from a lower level of market failure from the outset, which has manifested itself as an ongoing higher level of availability than other areas of North Yorkshire.

As stated earlier, we measured premises numbers at the start of phase 1 and measured our delivery against this which demonstrated at the end of Phase 2 we would have coverage of 94%. With new data available to us we have found that there has been a c.7,000 increase in the number of premises in North Yorkshire over the last 7 years, and also a reduction of c.11,000 in the number of premises BT have deployed commercially to, compared with their original forecast. Whilst SFNY delivery is on track in terms of absolute numbers, the changes described demonstrate a larger remaining population set yet to receive delivery than previously forecast.

At present, the current contract value for Phase 3 is £20.5m. We have the potential to extend this contract up to £33m. Additional funding of £12.5m has been secured, and we are negotiating with BT for a satisfactory extension to the contract. If we are not successful, another procurement will be run. This means more of those properties 'under consideration' will have access to superfast broadband.

3.2 Members are asked to be aware that an NYnet officer has not been invited to attend today's meeting. If Members have any questions arising from the information at paragraph 3.1, either County Councillor Don Mackenzie (the County Council's representative on the Board of NYnet Ltd) will be happy to respond, or the Principal Democratic Services Officer will seek answers which will be emailed to all Committee Members after today's meeting.

4.0 Recommendation

4.1 That the Committee notes this update and decides whether it wishes to ask for any further updates in the future, circulated by email outside formal meetings if so determined by the Committee's Chairman and Vice-Chairman.

Ruth Gladstone
Principal Democratic Services Officer
North Yorkshire County Council
11 September 2019