

Executive Report

Ward(s) affected: Clandon and Horsley, Effingham, Holy Trinity, Merrow, Tillingbourne and Shalford

Report of Director of Strategic Services

Author: Francesca Castelo, Policy Officer (Economy and Innovation)

Tel: 01483 444510

Email: francesca.castelo@guildford.gov.uk

Lead Councillor responsible: John Redpath

Tel: 01483 533448

Email: john.redpath@guildford.gov.uk

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Broadband for Surrey Hills

Executive Summary

Known locally as 'BASH' or 'B4SH', Broadband for Surrey Hills is a not-for-profit organisation working to deploy fibre broadband to rural communities across the Surrey Hills. On 28 August 2018, the Council approved a proposal to invest £10,000 as a shareholder to support B4SH in initiating its rollout and agreed to grant free wayleaves where fibre crosses Council-owned land. The report also proposed that the Council consider further investments to B4SH of up to £40,000 after its first phase of rollout.

Since 2018, B4SH has deployed a domino-style rollout starting from Albury and expanding to the surrounding areas, connecting rural residents and businesses at a critical time when the pandemic demanded access to fast and reliable broadband. Recently, B4SH has approached us to consider investing the remaining £40,000 to support the financing of its expansion through the purchase of shares.

Recommendation to Executive:

That the Executive:

- (1) Approves the remaining direct investment of £40,000 in shares to Broadband for Surrey Hills Ltd.
- (2) Approves a virement of £60,000 from the capital contingency fund to finance the purchase of the shares and provide a budget of £20,000 to support the costs of surveys, mapping and tracer wires required to provide free wayleaves for B4SH..

Reason(s) for Recommendation:

Over the last three years, B4SH has connected over 200 households to 'hyperfast' or 1Gbps full symmetric fibre broadband in the Surrey Hills. As we explore and adopt new ways of working due to cultural shifts brought by the pandemic, it becomes increasingly important to ensure our rural communities have access to strong and secure broadband connections.

Is the report (or part of it) exempt from publication? Yes, part of the report (Appendix 1)

- (a) The content is to be treated as exempt from the Access to Information publication rules because it contains commercial information about B4SH and is therefore exempt by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 as follows:

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

- (b) The content is restricted to all councillors.
- (c) The exempt information is not expected to be made public because it contains information relating to B4SH's financial and business affairs.
- (d) The decision to maintain the exemption may be challenged by any person at the point at which the Executive is invited to pass a resolution to exclude the public from the meeting to consider the exempt information.

1. Purpose of Report

- 1.1 The purpose of this report is to recommend releasing further investment to support B4SH. The report sets out what B4SH has achieved so far for Guildford's rural communities and shows how continuing our support to B4SH through further financial investment aligns with our strategic priorities.

2. Strategic Priorities

- 2.1 Supporting B4SH through further financial investment contributes to our strategic priorities, most notably to 'maximise opportunities for digital infrastructure improvements and smart places technology'. Better digital infrastructure through access to 'hyperfast' broadband makes our rural areas desirable not only for existing residential and business communities, but also for new potential inward investment.
- 2.2 Furthermore, full-fibre broadband facilitates the delivery of the priorities detailed in the *2017-2022 Rural Economic Strategy Action Plan*, particularly improving the day-to-day operations and resilience of rural-based businesses through improved 'Infrastructure for Enterprise'.

3. Background

- 3.1 Broadband for Surrey Hills is a not-for-profit Community Benefit Society working to deliver 1Gbps or 1,000 Mbps of internet connection to rural communities in the Surrey Hills. B4SH is registered with the Financial Conduct Authority as a Mutual register society. On 28 August 2018, the Executive agreed to invest an initial sum

of £10,000 to B4SH as well as provide free wayleaves where B4SH fibre crosses Council land. It was envisaged that our investment could increase to a total of up to £50,000 following a review of the company's performance once the first phase had been completed and evaluated. B4SH is now asking us to consider drawing down the remaining £40,000 financial investment.

- 3.2 B4SH has adopted the model of the successful 'Broadband for the Rural North' or 'B4RN' through a domino-style rollout of its fibre-to-the-property (FTTP) technological solution. FTTP directly connects individual premises to fibre. As fibre is less prone to latency arising from long distances, it tackles slow connectivity issues encountered when using copper wires employed by traditional commercial providers.
- 3.3 In addition, the bandwidth capacity of fibre means that B4SH can accommodate higher speeds in the future (e.g. 10 Gbps) as well as expand its networks to other areas without compromising the quality and speed of broadband received by users. This improves the resilience and competitiveness of our rural communities and helps to address the common narrative that rural areas are often last in line to benefit from commercial improvements in broadband.
- 3.4 To date, B4SH has connected over 200 subscribers to hyperfast 1Gbps symmetric broadband, which equates to £50 per subscribers in relation to the Council's initial investment. As a community owned cooperative, it has found success in getting the agreement of private landowners to grant free wayleaves and install duct and fibre under their land. Adopting the low technology, low-cost installation solution used by the tried and tested B4RN network has enabled B4SH to deploy homeowners and community volunteers to dig the routes and lay duct and fibre to connect a premise. Businesses and homeowners currently not serviced by the B4SH network can submit a no obligation 'Expression of Interest' form which the company uses to help inform the route of its rollout.
- 3.5 To put into context the improvement brought by B4SH to its subscribers, the average broadband download speed in the UK was 64 Mbps in 2019 as stated in Ofcom's 2020 *UK Home Broadband Performance* report. The average upload speed in the same year was 14 Mbps. B4SH significantly improves the broadband experience of its subscribers by delivering 1,000 Mbps or 1 Gbps of upload and download speed.
- 3.6 To help finance its rollout, B4SH receives grant funding from the Department for Culture, Media and Sport's (DCMS) 'Project Gigabit' scheme via applications for Gigabit Broadband Vouchers. Thus, B4SH is focusing its current rollout on postcodes that are eligible for the Gigabit Broadband Voucher. Whilst it continues to encourage and support communities in applying for the vouchers, B4SH champions capital investment from its local shareholders as its main source of funding. At the time of writing this report, there are no other Government funding schemes which B4SH can apply for to progress its rollout.
- 3.7 B4SH has submitted its latest business plan to the council which includes plans to roll out superfast broadband to 1,225 properties over a 5 year period which is on average 223 additional properties per year. This is achievable based on

previous performance. To finance this the organisation is trying to raise £650,000 in capital from its investors and new customers. The organisation will then be able to use that capital to apply for further Gigabit vouchers from DCMS. B4SH plans to roll out connections to 200 properties in Farley Green, Hound house, Winterfold, Peaslake, North, South and West Albury during 2022-23.

- 3.8 As a corporate shareholder, B4SH has requested that the Council considers drawing down the remaining investment of £40,000 to help finance the continued expansion of its rollout to increase the number of subscribers benefitting from hyperfast broadband.

4. Consultations

- 4.1 Prior to the initial investment made in 2018, a mixture of formal and informal consultations was carried out with a range of groups, from regional players like Enterprise M3 LEP and Surrey County Council to Guildford-based stakeholders, such as Send Business Centre and parish councils.
- 4.2 Since then, further discussions have been conducted with the University of Surrey who highlighted the need for Guildford to invest in improving its broadband infrastructure to truly achieve its ambitions of becoming a 'digital town' and nurture its growing digital sectors, including gaming, IT and digital health.
- 4.3 Informal discussions were also held with employment support organisations, including Guildford Jobcentre Plus and the Apprenticeship and Skills Hub. Both highlighted transport connectivity as a major barrier for our rural jobseekers. The work-from-home opportunity that fast and reliable broadband provides enables rural jobseekers to consider job opportunities not dependent on a (frequent) commute.
- 4.4 The Lead Councillor for Economy and local ward councillors have been consulted on this report.

5. Key Risks

- 5.1 The rollout of B4SH networks to rural communities depends on permission from landowners to dig and install duct and fibre underneath their land. Though B4SH has had successful support from landowners so far, efforts must be directed to maintain positive engagement with existing and prospective landowners to facilitate further expansion via a domino-style rollout.

6. Financial Implications

- 6.1 Under the CIPFA Accounting Code of Practice, the acquisition and disposal of share capital falls within the capital accounting framework as opposed to being a cost to the General Fund. There is no budget for this in the capital programme, so this report is requesting a virement of £60,000 from the capital contingency fund to finance the purchase of the remaining £40,000 shares and to provide a budget to support the provision of free wayleaves (see below). This will increase the Council's underlying need to borrow for capital and will be subject to a

Minimum Revenue Provision (MRP) Charge to the General Fund each year. The MRP statutory guidance places a 20 year maximum duration for purchase of share capital, so there will be an MRP equivalent to £3,000 per annum to the revenue account.

- 6.2 B4SH is set up as a community benefit society and is a not-for-profit social enterprise. As such the Council is making the investment as a social investment rather than an investment for financial return. As a corporate subscriber, the Council doesn't benefit from the Social Investment Tax relief scheme that individual investors can benefit from. The purchase of shares within a community benefit society is subject to an asset lock which means that the assets cannot be sold but must remain available for the benefit of the community. Shares are not transferable, but shares may be redeemed after 4 years subject to the organisation having the cashflow to do so. Share redemptions will only be allowed at a rate of 20% per year and will only be allowed after 2024. Any redemption of shares will be at face value and will not attract any capital gain. Shareholders in the society will receive interest on their shares after 5 years, after 2024 when the organisation intends to pay a market interest rate to its shareholders, subject to B4SH having sufficient income and is at the discretion of the board of directors.
- 6.3 The organisation's business plan is set out in the "Not for Publication" Appendix 1. The business plan shows that, by 2024, it expects to have net income of around £28,000 rising to £178,000 per annum by 2026 (including gigabit vouchers). Based on a shareholding of 948,000 in 2024 and 871,720 in 2026 this would provide a Return on Capital Employed of 2.95% in 2024 rising to 20.4% in 2026.
- 6.4 In addition to the investment in shares, the Council has committed to providing free wayleaves to the organisation to enable the network to be installed across council owned land. However, whilst the Council has been forgoing the income it would normally receive for a wayleave from utility providers it has also found itself having to be responsible for costs which would normally be covered by utility companies as part of the wayleave process. Such costs relate to mapping, surveys and tracer wires. As such the Council requires an additional budget of £20,000 to support the provision of free wayleaves across the council's land to B4SH. B4SH are currently considering whether the additional £20,000 cost of providing the wayleaves can be compensated by provision of additional shares.

7. Legal Implications

- 7.1 The Council has the power to invest in B4SH pursuant to its general power of competence contained in Section 1 of the Localism Act 2011.
- 7.2 The Council is a shareholder in B4SH and it is proposed the Council invests a further £40,000 in the company. The proposed total sum of investment of £50,000 falls within the de minimis exemption under the rules on subsidy control.

8. Human Resource Implications

- 8.1 There are no human resources implications arising from this report.

9. Equality and Diversity Implications

9.1 B4SH is focusing its rollout on postcodes eligible for the government's Project Gigabit Vouchers. These are rural locations that meet the following criteria:

- Existing broadband speeds are less than 100Mbps
- A gigabit capable network isn't likely to be built to that area commercially in the near future
- There is no government-funded contract planned or in place to improve the network already

In light of the above, the installation of 1Gbps or 1000Mbps fibre broadband is expected to bring improvements to the connectivity of eligible rural homes and businesses. B4SH has also put forward an application to expand its postcode coverage which, if approved, will allow B4SH to cover nearly 2,000 properties.

9.2 Postcodes not eligible for the Project Gigabit Voucher Scheme can also be considered if enough private capital from local investors has been raised to cover the costs of rolling out.

10. Climate Change/Sustainability Implications

10.1 The rollout of fast and reliable broadband services to rural communities can reduce pressure on other infrastructure, notably the local transport network. This contributes to the reduction of carbon emissions and promoting the sustainable development of the borough.

11. Summary of Options

11.1 The Executive has discretion to invest further funding to B4SH to support the expansion of its networks to other rural communities in Guildford or not.

12. Conclusion

12.1 Government and community initiatives such as the DCMS' Project Gigabit Scheme and B4RN make it clear that improving broadband connectivity for rural communities should be seen as a priority. Supporting B4SH through further financial investment is an opportunity for the Council to ensure our own rural communities do not get left behind in a social and economic landscape that increasingly demands fast and reliable broadband to access opportunities and services.

13. Background Papers

[Report to Executive: 28 August 2021](#)
[B4SH HOME - B4SH \(gigupanddown.net\)](#)
[Ofcom: UK Home Broadband Performance 2020 Report](#)
[Project Gigabit Overview - B4SH \(gigupanddown.net\)](#)
[Who is eligible? – Gigabit Vouchers \(culture.gov.uk\)](#)

14. Appendices

Appendix 1: Broadband for Surrey Hills Ltd Business Plan 2021-2026 (Exempt)