



## Broadband – Update 2014

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This note sets out the current situation with regard to broadband access and coverage and provides an overview of the Government's broadband policy for the UK. It focuses on the delivery of broadband targets and funding in England. The devolved administrations have their own delivery programmes.

The Government's ambition is to provide everyone in the UK with access to broadband with a download speed of at least 2 megabits per second (Mbps) and to provide 90% of the UK with 'superfast broadband' (at least 24Mbps).

The Government allocated £530 million to do this with a strategy [Britain's superfast broadband future](#) (December 2010) which seeks to incentivise the deployment of broadband through a variety of technologies. It also set up Broadband Delivery UK (BDUK) to manage this delivery of this strategy and the roll-out of broadband in rural areas.

On 5 July 2013 the NAO reported on the Government's broadband programme. The report notes that Departmental forecasts predict the programme will complete its rollout 22 months later than originally planned. The NAO report was followed by a series of select committee inquiries.

On 7 August 2014, DCMS published figures showing that the programme had extended superfast broadband to more than 1 million homes and businesses across the UK and was on course to extend superfast broadband to 95% of UK homes and businesses by 2017.

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## 1 Policy on broadband access

The Government's main broadband commitments were first announced by Jeremy Hunt, Secretary of State for Culture, Media, Olympics and Sport on 8 June 2010. They were then followed up in more detail in a broadband strategy – *Britain's superfast broadband future* in December 2010. The key elements of policy are summarised below.<sup>1</sup> The Chancellor confirmed that £530 million will be invested over the Spending Review period to support the UK's broadband network and to incentivise the roll out of superfast broadband in areas that the private sector would not otherwise reach.<sup>2</sup> This included £300 million made available from the BBC licence fee revenue.<sup>3</sup>

### 1.1 Key commitments

- **Universal access to broadband at a *minimum* of 2Mbps for all by 2015**

*The previous Government set this target but it had not been clear whether the 2Mbps was a minimum. Although the current Government kept this target it was “not convinced” that there was sufficient funding in place to achieve this the original 2012 deadline and has set*

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<sup>1</sup> Department of Culture, Media and Sport website, [Key note speech](#) by Jeremy Hunt MP, Secretary of State for Culture, Media, Olympics and Sport, to the Hospital Society on 8<sup>th</sup> June 2010.

<sup>2</sup> Cm 7942, [Spending Review 2010](#), October 2010, para 1.39

<sup>3</sup> *Ibid*, para 2.117

a “more realistic target” of achieving this access within the lifetime of this Parliament bearing in mind the funding available in the short term.<sup>4</sup> This commitment was restated in the Government’s broadband strategy (see below).

- **Ensuring the UK has the best superfast broadband network in Europe by the end of the Parliament (2015).**

The previous Government’s target was for 90% of the UK to have superfast broadband by 2017 (i.e greater than 24Mbps). The current Government said that this commitment could be met using fixed or wireless technology.<sup>5</sup> Jeremy Hunt suggested that he wanted 90% of people in each local authority area to have access to superfast (24 Mbps) broadband ISP service by 2015.<sup>6</sup>

- **Seeking to introduce superfast broadband in remote areas at the same time as in more populated areas.<sup>7</sup>**

*This was a Liberal Democrat manifesto commitment.*

- **Four market testing project schemes** to bring superfast broadband to rural and hard to reach areas. These are intended to provide information that will help the Government to target intervention and look at how to make superfast broadband viable in the most challenging areas.

*Activity in support of this objective has focused on rural pilot projects in Cumbria, Herefordshire / Gloucestershire Borders, North Yorkshire and the Highlands and Islands in Scotland.<sup>8</sup> The Government has provided a further £50m funding package (of the £530m allocation) to fund another wave of rural projects.<sup>9</sup>*

- **Facilitating mobile broadband:** In early 2013 Ofcom awarded 800MHz and 2.6GHz spectrum by auction to allow the development of next generation mobile services (4G). Ofcom included a coverage obligation of 95% of the UK population in the licence for the 800MHz spectrum.
- **Enabling and ensuring access to existing infrastructure** to reduce the cost of deployment.

*Ofcom has consulted on relevant measures to open up BT infrastructure (including ducts and poles) and on competition in broadband.<sup>10</sup> In July 2010 BIS published a [discussion paper](#) setting out the Government’s thinking on broadband providers gaining access to other utilities’ infrastructure and inviting views on the most effective ways to achieve it.<sup>11</sup>*

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<sup>4</sup> [Speech](#) by Jeremy Hunt MP Secretary of State for Culture, Media, Olympics and Sport at Broadband Industry Event, 15 July 2010

<sup>5</sup> HC 17 June 2010 c.533W

<sup>6</sup> [Government plans 90% UK coverage of 25Mbps superfast broadband by 2015](#), *ISP Review*, 13 May 2011

<sup>7</sup> HL Deb 10 June 2010 c.WA58

<sup>8</sup> HM Treasury website, [Spending Review Statement](#), 20 October 2010

<sup>9</sup> The Local Broadband Plan for an additional pilot project, Digital Rutland, was approved by BDUK in September 2011.

<sup>10</sup> Ofcom, [Enabling a superfast broadband Britain](#), 23 March 2010

<sup>11</sup> Department for Business, Innovation and Skills (BIS), [Broadband deployment and sharing other utilities’ infrastructure](#): A discussion paper, July 2010

*In October 2010, Ofcom issued a statement on its new regulatory obligations for BT to support investment and competition in superfast broadband.<sup>12</sup>*

## **2 Funding and Delivery of the Strategy**

During the 2010-15 spending review period a total of £530 million which includes £300 million from TV licence revenue has been allocated to broadband delivery. Funding from 2015-17 has not yet been allocated from central Government but the licence fee settlement (agreed in 2010) provides a further £150 million in each of 2015-16 and 2016-17 is available for BDUK funding if required.<sup>13</sup>

### **2.1 Broadband Delivery UK**

Broadband Delivery UK (BDUK) is responsible for managing the Government's broadband funding. Individual projects are the responsibility of local authorities and the devolved administrations, as set out in BDUK's delivery model.

Each local authority in England has been allocated funding to help provide 90 per cent of homes and businesses with access to superfast broadband and everyone with access to at least 2Mbps, while funding has also been allocated to Scotland, Wales and Northern Ireland. As part of the Government's £530 million investment in the UK's broadband network, English counties are set to receive £294.8 million.<sup>14</sup> In England each county council or local enterprise partnership will lead broadband roll-out in their area, draw up an effective delivery plan, and match the Government's investment with European, their own or private funds. The BDUK website summarises how the process should work:

The rural broadband programme will be delivered through numerous separate local projects with complex procurements. The lead local authorities will have responsibility for managing the procurement process (the devolved administrations will be responsible for the process in Scotland, Wales and Northern Ireland).

To help speed up the procurement process, BDUK has put in place a framework agreement, with input from a number of the pilot local authorities. Local authorities and other local bodies can run a mini-competition from the framework to select a specific supplier to deliver broadband services for a local project.<sup>15</sup>

BDUK has developed a broadband delivery framework for use by the local authorities to assist in the procurement process. This framework contract was signed by DCMS and the suppliers BT and Fujitsu on 29 June 2012 (see section 3.2).

Up to date information on the [status of individual local authority programmes](#) is provided on the BDUK website.

### **2.2 Rural community broadband fund**

On 10 March 2011, Defra announced funding expected to be worth up to £20 million for a new Rural Community Broadband Fund as part of a new rural support package which also included support for hill farmers. The fund is jointly funded by the Rural Development Programme for England (joint UK/EU funding) and BDUK. This has been set up to allow

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<sup>12</sup> Ofcom, [Review of the wholesale local access market – statement](#), 7 October 2010

<sup>13</sup> BDUK, [Broadband Delivery Model](#), 2011 para 14.3.1-2

<sup>14</sup> The devolved administrations are set to receive the following: Scotland £100.8 million; Wales £56.9 million; Northern Ireland; £4.4 million

<sup>15</sup> <https://www.gov.uk/broadband-delivery-uk>

rural communities, including those in the uplands, to apply for help with small scale broadband projects.

The Rural Community Broadband Fund drew on RDPE European funds and the £530m BDUK fund announced in the Spending Review. The Rural Community Broadband Fund is now closed.

### **2.3 Broadband innovation fund**

The Government's focus has turned towards finding ways of extending broadband to premises in the hardest to reach places – namely remote and rural areas. On 21 March 2014, the Government invited applicants to [a new £10m innovation fund](#), which will test innovative ways to help take broadband to Britain's most remote communities.<sup>16</sup> DCMS announced that suppliers could submit bids in three different categories<sup>17</sup>:

- Technology – seeing whether a technology that works can be used in remote areas
- Operating models – trying novel operating models such as joining smaller networks together into a common larger network
- Financial – testing innovative public / private funding models that could bring in new investment

On 19 June 2014, the Government announced the [eight shortlisted pilots](#).<sup>18</sup> These pilots will explore how to expand coverage in remote areas, using fixed wireless and satellite technologies, a social investment financial model and an operating model which aggregates small rural networks.<sup>19</sup>

### **2.4 Growth and Infrastructure Act 2013**

On 7 September 2012 the Government announced a range of measures to 'fast-track' the roll-out of superfast broadband.<sup>20</sup> The announcement included a proposal that broadband street cabinets and other equipment could be installed in any location other than a site of special scientific interest without the need for prior approval from the local council and without any conditions being placed upon the construction or design by local authorities except in exceptional circumstances.

The Growth and Infrastructure Act enables this by adding the need to promote economic growth as another consideration to be taken into account in making regulations which provide communications operators with rights to undertake development with the usual consents.

### **2.5 Super-connected cities**

In 2011, the government set aside £100 million for an Urban Broadband Fund (UBF) that will create up to ten '[super-connected](#)' cities across the UK. This was followed in 2012 by a further fund of £50 million for a '[second wave](#)' of cities to benefit from this programme.

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<sup>16</sup> DCMS, "Press Release: £10 million superfast broadband fund opens for bids." (21 March 2014). Accessed online: 21 August 2014.

<sup>17</sup> Ibid.

<sup>18</sup> DCMS, "[Press Release: £10m broadband fund - winning bids announced.](#)" (19 June 2014) Accessed online: 21 August 2014.

<sup>19</sup> Ibid.

<sup>20</sup> [http://www.culture.gov.uk/news/media\\_releases/9331.aspx](http://www.culture.gov.uk/news/media_releases/9331.aspx)

### 3 Comment and issues

The overall reaction to the Government's plans for broadband was been broadly positive. The Commission for Rural Communities welcomed the initial funding announced in the spending review and the specific recognition of the need to address rural broadband.<sup>21</sup> The Labour Party's main criticism was that the £300m funding from the BBC licence fee for broadband would not be forthcoming until 2013, questioning whether the Government can make sufficient progress towards its targets before these additional funds kick in.

Success will ultimately depend on whether funding is enough to achieve the Government's broadband aims. And this will depend on the kinds of commercial partnerships that can be formed to match Government money.

#### 3.1 EU State Aid

The local broadband projects will be subsidised to varying extents by funding from DCMS, as well as other UK and potentially EU public sources, which could be considered as state aid. Before these projects can be implemented and broadband rolled out state aid clearance has to be obtained from the European Commission.

Initially clearance was obtained on a case by case basis which held up the delivery of local authority procurement processes. Now an 'umbrella' clearance has been given to all projects.

#### 3.2 Suppliers

BDUK's framework contract was introduced to help local authorities with the procurement process. Though it was signed by the suppliers BT and Fujitsu on 29 June 2012 the Minster has since confirmed that contracts need not be restricted to BT and Fujitsu as per the Framework agreement, but contracts agreed with other organisations will have to be approved by BDUK.<sup>22</sup> BDUK set out the benefits of the framework:

- suppliers will need to only bid once to be selected for the framework agreement rather than face multiple procurements
- the process will ensure more uniform private sector solutions while still enabling local requirements to be met through the individual call-off contracts
- BDUK will seek state aid clearance from the European Commission for all call-off contracts which will avoid local bodies having to manage separate state aid clearance processes

Government anticipated that most projects entering into procurement in 2012 will use the framework.

Initially nine suppliers passed the selection process to be included in the framework agreement but 7 were subsequently deterred by the cost of delivering broadband to remote areas which left only Fujitsu and BT. Comment in the media suggested that to compete in the procurement process suppliers would have to work at scale and that realistically BT would be the only organisation in place to do this.<sup>23</sup>

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<sup>21</sup> CRC, [Government announcement on rural broadband](#), 9 June 2010

<sup>22</sup> HC Deb, 10 Sep 2012, c115

<sup>23</sup> E.g. FT, [Broadband contract attracts two bidders](#), July 2 2012

As of April 2013, the media reported that BT was the only company to have been awarded a delivery contract.<sup>24</sup> On 18 March it was reported that Fujitsu withdrew from the BDUK process, leaving BT as the only participant in the framework agreement.<sup>25</sup>

## 4 Coverage and performance

Ofcom published data on [UK fixed-line broadband performance](#) in May 2012. This noted:

- UK fixed-line residential broadband speeds continued to increase during the first half of 2012, and in May 2012 the average actual download speed was 9.0Mbit/s, a 1.4Mbit/s (19%) increase on the 7.6Mbit/s average recorded six months previously in November 2011, and 5.4Mbit/s (149%) faster than the 3.6Mbit/s average recorded in November 2008.
- Eight per cent of UK residential fixed-line broadband connections were classed as being superfast in May 2012.

Ofcom's [Infrastructure Report](#), published in November 2012 noted:

- Current generation broadband is available in close to 100% of premises in the UK. Overall take-up of fixed broadband services is around 71% of UK premises.
- 10% of all UK connections had fixed broadband speeds of less than 2Mbit/s this year, a significant improvement on the 14% recorded last year.
- Superfast broadband (SFBB) is now available from commercial providers to 65% of UK premises. A growing number of consumers are replacing their existing broadband services with superfast services: approximately one in ten broadband connections are now superfast, with 7% of premises taking such services.
- The UK's average broadband speeds have been rising as a result of this accelerating take-up of SFBB and the average speed now stands at 12.7Mbit/s, an increase of 69% from the 7.5Mbit/s recorded in 2011.

On 7 August 2014, DCMS published the latest set of [data on the BDUK superfast broadband programme](#).<sup>26</sup> The [figures showed that](#):<sup>27</sup>

- the programme had extended superfast broadband to more than 1 million homes and businesses across the UK;
- it was on course to extend superfast broadband to 95% of UK homes and businesses by 2017; and

### 4.1 Broadband speeds

Ofcom publishes data on four headline indicators for broadband delivery: coverage and take-up; speed; price; and choice. These four indicators are being used to compare the UK's broadband network relative to France, Germany, Italy and Spain.

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<sup>24</sup> [The Guardian](#), BT creates 1,000 fibre-broadband installation jobs, 7 March 2012

<sup>25</sup> [Computer Weekly](#), Fujitsu pulls out of BDUK, 18 March 2013

<sup>26</sup> DCMS, "[Broadband Performance Indicator – June 2014](#)" (August 2014). Accessed online: 21 August 2014.

<sup>27</sup> DCMS, "[Press Release: Superfast broadband reaches 1 million more homes and businesses](#)" *Gov.uk* (8 August 2014). Accessed online: 21 August 2014.

The [latest set of figures](#) were published on 12 March 2014.<sup>28</sup> In this scorecard approach – proposed by BDUK – the UK comes out top for superfast, standard and mobile broadband coverage, with 83 households per 100 broadband connected.

These figures also showed that superfast broadband coverage had increased with 70-75% of households covered. This means that the UK now has the highest level of coverage amongst the EU5: Germany (65-70% of households covered), Spain (60-65%), France (20-25%) and Italy (10-15%).<sup>29</sup>

There has been some criticism of the speeds offered and of the Government's targeted and ambitions. For instance, on 14 July 2014, the [Federation of Small Businesses \(FSB\)](#) published a [report looking into broadband provision and access for businesses in the UK](#). This report found that<sup>30</sup>:

- 14 % of small businesses consider lack of reliable and fast broadband connectivity to be their main barrier to growth.
- Only 15 per cent of small firms say they are very satisfied with their broadband provision, while a quarter say they are fairly or very dissatisfied.

[John Allan, FSB's National Chairman, has said:](#)

"The fact that we have around 45,000 businesses still on dial up is unacceptable and many more throughout the country, even in London, are receiving poor service. Evidence from our members shows this clearly is a problem affecting all corners of the UK, rural areas and cities alike."

## 4.2 Committee Activity

On 5 July 2013, the National Audit Office published a [report on the rural broadband programme](#) to make superfast broadband widely available in each area of the UK, which stated the programme is currently expected to be delivered nearly two years later than planned. The Rt Hon Margaret Hodge MP, Chair of the Committee of Public Accounts on 5 July 2013 made a [statement](#) on the delayed programme:

'Opaque data and limited benchmarks for comparison mean the Department has no idea if BT is being reasonable or adding in big mark ups. Private sector organisations need to be 100% transparent about their figures when spending public money. It is not acceptable to hide behind arguments about commercial sensitivity. Ofcom needs to up its game and ensure BT does not make super profits out of its dominance of the wholesale broadband market. DCMS must take more control of the programme to ensure people in rural areas get the super-fast broadband they were promised, at a reasonable cost to the taxpayer.' (extract).

After publication of the NAO report, the [Public Accounts Committee \(PAC\)](#) took oral evidence on the rural broadband programme on 17 July 2013. Following this, Ian Livingston, BT Chief Executive, was quoted in the [press](#) heavily criticising the evidence session and the committee. In September 2013, PAC published their [Report](#) on the Rural Broadband Programme

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<sup>28</sup> Ofcom, "[The European Broadband Scorecard](#)" (March 2014). Accessed online: 21 August 2014.

<sup>29</sup> Ibid.

<sup>30</sup> FSB, "[The fourth utility: Delivering universal broadband connectivity for small businesses across the UK](#)" (July 2014).

The Environment, Food and Rural Affairs Committee published their [Rural Communities report](#) on 24 July 2013 - which identifies the rural broadband programme as running '*nearly two years behind schedule. The roll-out of superfast broadband to 90% of rural areas will be delivered late and it is unclear when the target of universal access to 2Mbps broadband will be achieved.*'

Following the Government's response to its report PAC considered the Department had 'failed to engage constructively with our conclusions and recommendations'. They recalled the Department and BT to give further evidence in January 2014 and following this, on 1 April 2014, the PAC published a [further report](#) on the rural broadband programme.

In this second report, the PAC queried costs and commented that the released maps did not show detailed coverage and broadband speeds. The report stressed the need for data transparency and more detail to encourage competition, increased co-operation with local authorities and scrutiny of the use of public money.

In response a BT spokesman stated:

"BT is delivering value for money and the National Audit Office acknowledged there are 'robust' processes in place to ensure that. As for maps, most councils have published coverage maps with our support. More detailed data will be released by them in due course once surveys have been completed and we know for sure that we are going to an area."<sup>31</sup>

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<sup>31</sup> BBC News Article, [Rural broadband maps criticised for lacking detail](#), 1 April 2014